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ACCOUNTING IN THE EARLY YEARS OF THE EAST INDIA COMPANY

Abstract: Although the account-books of the East India Company for the period 1600-1657 are lost, an almost complete series of minutes and other documents make the exploration of accounting in this great mercantile company possible. The present study provides a brief historical note on the rise of the English joint-stock company and then proceeds to examine (1) the general state of accounting affairs; (2) the functional organization of the accounting activity; and (3) the order and method of accounting in the East India Company.

The original charter of the East India Company was granted by Queen Elizabeth on December 31, 1600. It gave some two hundred and twenty adventurers the legal right to be "one body corporate" under the name of the *Governor and Company of Merchants of London trading into the East Indies.* It also gave them the right to corporate succession with power to admit and expel members, to receive, hold and grant property, to sue and be sued in the corporate name and use a common seal.[1] This select, corporately organized group of merchants was given monopoly rights to trade in the seas east of the Cape of Good Hope and west of the straits of Magellan. At the same time that it served as the British government's long arm in colonial activity, this great mercantile company carried on a highly profitable trade for its shareholders for over two and a half centuries.

Although the corporate enterprise—namely, the joint-stock company—emerged in England in the second half of the sixteenth century, it was not until the foundation of the East India Company that this type of organization assumed a definitive form and nomenclature. From its inception to the present—a period of nearly four centuries—the corporation has, through its many developmental changes, constituted a most challenging environment for the field of accounting. This article is limited to the exploration of account-

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ing in the early years of the East India Company. It accomplishes the task by focusing on (1) the general state of accounting affairs; (2) the functional organization of the accounting activity; and (3) the order and method of accounting. However, prior to the discussion of these issues, a brief historical note is offered which serves as background information on the rise of the English joint-stock company so well typified by the East India Company.

The English Joint-Stock Company

Before the emergence of the joint-stock company, the greater part of English trade was captured by the regulated companies. The regulated company, however, was no more a form of business organization or ownership than is a modern chamber of commerce or trade association. It did not itself engage in trading. Rather, it was an association of traders formed primarily for the control and proper conduct of a particular branch of overseas trade. Within its ranks were found the well-known forms of ownership: the sole proprietorship and the partnership. In the regulated company, each member retained his personal independence by trading on his own account or, in the parlance of that time, "on his own bottom." Expressed somewhat differently, the individual member was free to make his own investment decisions.[2]

As overseas trade developed and expanded in the sixteenth and seventeenth centuries, voyages became longer and more dangerous. Piracy was rampant. Also there were the frequent wars between maritime nations—the Portuguese, the Dutch, and the English—for the domination of the seas which resulted in heavy losses in ships and crews. On land, there were the attacks of native rulers and the violence of their subjects. Under such conditions, the ships had to be armed, and fortified trading posts built and maintained.[3] Trade to those remote lands, such as the Asian sub-continent (India), south-East Asia (Java) and the Far East, was both costly and risky. It demanded heavy capital investment. Clearly, neither the individual merchant nor even the best developed partnership could meet the challenge. To avail themselves of these new trade opportunities, merchants chose to organize themselves into a new form of enterprise, one that would be far more powerful than those represented by the regulated company.

As a result, the adventurers of Elizabethan England sought for and found the requisite form of business organization, the incorporated joint-stock company. In spite of its many relationships to old forms, the joint-stock company was a response to an entirely new range of entrepreneurial problems, two of which were capital and management.[4] In order to be able to finance the rather costly ventures into distant lands, there was a demand for large sums of capital. Unlike trade with the Continent where floating capital was quite sufficient, in long-distance commerce it became inevitable to commit considerable funds for defense and for long-lived assets. In fact, the necessity of investing in long-lived assets or "dead stock," as the term was used in those days, has come to be regarded as a decisive factor in stimulating the joint-stock enterprise.[5] Under the joint stock, it became possible to mobilize large amounts of capital from a wide circle of investors—earls and dukes, privy councilors, judges and knights, countesses and ladies of rank, widows and maiden ladies, clergyman, merchants, tradesmen and merchant strangers.[6] This wide distribution of shareholders, which has a rather modern ring to it, existed very early in the history of the East India Company trade.

Along with the demand for large amounts of capital, it was necessary to have a management that would direct the affairs of the Company on behalf of its shareholders and divide the proceeds equitably. In this way, "a whole company . . . is become [sic] as one man."[7] As specified in its charter, the East India Company was to be directed by a Governor and a Court of Committees (directors made up of twenty-four members.[8] This body had essentially a twofold function: to make business and policy decisions and to perform various tasks for the execution of the trade—preparations of the outward voyage, the discharge and unloading of goods from the incoming ships, the organization of the sales of the Company's commodities. Another court, known as the General Court, comprised all the adventurers. This court exercised supervisory control and had the power to overrule a particular recommendation of the Court of Committees. Normally, the General Court acted on the advice of the Court of Committees; however, the relationship between the two was often an uneasy one.[9]

The incorporated joint-stock company evolved rather slowly. Permanent capital, so characteristic to this form of enterprise, became a feature of the East India Company some fifty-seven years after its foundation. During the early years, the Company traded on separate and short-term capital known as terminable stock. Some terminable stocks were issued for ventures of single voyages and others, for three or four voyages.[10] When a venture was completed, the entire proceeds were divided among the shareholders on the basis of their individual investments. In some instances, part of the distribution was made in goods. The distribution of proceeds was actually liquidation of capital stock as well as distribution of profit. For this reason, it is appropriate to refer to these distributions as "divisions." A charter granted by Cromwell on October 19, 1657 wound up the practice of separate undertakings by introducing the principle of permanency of capital stock.[11] From that date on, the distributions made by the Company on permanently invested capital were part of profits and became appropriately known as dividends.

Although a precise explanation for the adoption of joint-stock organization in foreign trade is still open to discussion, there is ample evidence to suggest that such an explanation must necessarily take into consideration the following factors. During this period of history, there was first and foremost the problem of high risk in long-distance overseas trade resulting, among other things, from piracy, wars between maritime nations, and the hostility and violence of native rulers and people. Second, there was the demand for large aggregates of capital which individual entrepreneurs or even highly developed partnerships were unable or unwilling to assume. Third, there was the necessity of committing a high proportion of the capital for defense and for long-lived assets such as trading posts. Finally, there was the need for incorporation as a condition for obtaining a monopoly.[12] There are, no doubt, other factors which have contributed to the rise of the English joint-stock company; I have here confined myself only to those that are most relevant to the purpose of this paper.

General State of Accounting Affairs

In conjunction with other sources, the state of accounting affairs can best be studied in the Court Minutes. Such study can provide us with considerable understanding of the conditions under which the accountants and auditors performed their duties and the usefulness of the information they produced. Here I shall try to give merely a broad picture of the state of accounting affairs.

To be sure, the East India Company did not suffer from lack of capable accountants. Thomas Stephens, the first Accountant General, was highly esteemed for his service.[13] Around 1614, he was followed by Andrew Ellam and Christopher Lanman, "accounts keepers." They were reputed to be very good accountants, though they differed greatly in their methods.[14] Unfortunately, our curiosity is not satisfied; we do not know in what ways their methods differed. There is also no indication which of the two served as chief accountant; in all likelihood they had equal standing. Ellam served until 1624, whereas Lanman continued in sole charge to 1626. Lanman was "applauded as one of the most perfect and sufficient accountants in London."[15] He was succeeded by Jeremy Sambrooke. In his early years, Sambrooke had served under Thomas Stephens, by virtue of which he was sworn a free brother of the Company.[16] He had continued his training under Lanman and was recommended by him for the position of Accountant General. Sambrooke was admitted to that position in 1626.[17] He served in that capacity for some forty years.

If the men who served as accountants were highly regarded in their vocation, the conditions under which they performed their duties were often less than desirable. In the very early years, the Accountants General did not have adequate privacy in their working place. In 1609, a proposal was made for establishing a countinghouse where the books of accounts could be kept.[18] But it was not until 1614 that Andrew Ellam's office underwent certain alteration "to free him from having his books subject to the view of every man."[19]

A common, but obviously undesirable, practice in those days was the removal of account books from the countinghouse. On several occasions when certain journals were needed, they could be found nowhere. It was thus decided that the information contained in journals were first to be entered "in the Company's books before they [journals] be lent to any man" and that "none to use them without consent of the committees."[20] A few months later, the matter had come up again and it was noted that the loss of such journals has not been without prejudice to the Company for they contained "some things known which are not fit to be published."[21] There is no indication what the "unfit" things might have been. A few years later, Ellam was ordered not to let any letters or journals be taken out of the house without special permission.[22] Account keepers, too, were ordered not to take Company books to their homes to work on, a rather prevalent practice in that period.[23]

Apart from this, accountants and auditors were often subjected to abuse from members of the Generality—shareholders who were not part of the Court of Committees. During a meeting, the Governor told of "a notable abuse and extreme insolency lately offered to the Accountants" by certain members of the Generality. These men had come into "the Auditor's office, and there by a commanding and inforcing manner required a sight of the Bantam letter [the East India Company had a trading station at Bantam in Java for its trade to South-East Asia and the Far East], which when they had got into their hands commanded Mr. Hanson [auditor] to leave the room, and, shutting him out, did not only read that letter and what others they pleased, but took extracts and copies thereof. . . ."[24] Apparently, incidents of this sort were not uncommon. Again, elsewhere we read about "the liberty some of the Generality have assumed to themselves to come into the Accountants' and Auditors' offices to peruse the Company's letters and accounts. . . ."[25]

Many in the Generality maintained that the committees (directors) were their delegates and should, therefore, keep them abreast of the Company's state of affairs. They also demanded that all matters of importance should be referred to them (General Court) for decision. The Court of Committees resented this attitude. When at a general court in 1634, it was proposed by a member of the Generality to appoint a special committee of twelve shareholders to examine the Company accounts, the idea was rejected with contempt by the governing body.[26] Following this high-handed action, the Court of Committees issued an order prohibiting any of the ordinary members from looking into the accounts and correspondence of the Company.[27] This order, along with delays in presenting the yearly balance of accounts, gave rise to suspicions concerning the reliability of accounting figures in general.

There were both praise and criticism for the accounting practiced at the East India Company. Whereas the Accountants General were praised for keeping "an exact account of every particular piece [of wares and commodities]," the bookkeepers of warehouses and other operations were criticized for not maintaining adequate records.[28] A common complaint leveled against the accounting activity at large was the lag in keeping the accounts current or "perfected" to the present. The lack of timely information may, in part, be explained by the long-distance communication lines between the home office and the East Indies. Finally, there was a certain amount of confusion in the accounts resulting from incompletely wound up voyages, each with its separate "remains" and differing lists of shareholders. But perhaps the most serious problem for accounting arose from the simultaneous running of various voyages. The Company's inability to keep the activities of these trading ventures distinct from each other was a source of confusion and embarrassment.[29]

Functional Organization of the Accounting Activity

The East India Company was acutely aware of the importance of accounting as evidenced by the regulations set forth in an eighty-two page volume entitled *The Lawes or Standing Orders of the East*

India Company.[30] Printed in 1621, the volume contains a wide range of regulations governing the affairs of the Company. These regulations specify the duties of the Company's officers, clerks and committees in charge of various operations, as well as maritime and overseas staff. They also specify the methods of performing those duties. Still other regulations provide instructions on subjects of general importance. Of particular interest to the accounting historian are the regulations concerning the organization of the accounting activity and the method of accounting employed which are discussed in the remainder of this paper.

Along with the Secretary, the Treasurer, and the Solicitor, the Accountant General was one of the more important officers of the Company. Assisted by one or more bookkeepers, the Accountant General was charged with the responsibility for maintaining "the great Bookes." In these books were "digested" or entered "the Accompts of the Yards, Factors,[31] Husband,[32] Warehouses, Wages, Imprest, Storehouses, or any other Accompts whatsoever." But these entries were made only after the said accounts were audited by the Auditors General and "signed by the severall Auditors appointed thereunto by the Court." (298) In their turn, the bookkeepers were to review the audited accounts to make sure that there was no "oversight or errour." Where an oversight or error was found, it was to be immediately "reformed." (299) Beyond this, the bookkeepers were also to "declare where any Defect is at any time, either in the Officers in not delivering up their Accompts, or in the Auditors in not Auditing the same." (304) And once a year, they were to "deliver up unto the Court at the *Fine* of June, a perfect Ballance of all Accompts in their charge." (306)

In addition to the responsibility for maintaining "the great Bookes," the Accountants General were also charged with preparation of warrants "in full payment of any provisions whatsoever;" (300) writing of "all the Company's letters, invoices, bills of lading, commissions, or instructions for the Indies, or to any other place beyond the seas;" (301) noting in a special book "all the bargains for timber, plank, masts, treenails, deals, sheathing boards;" (302) and entering "the brokes [fines] upon all men's accounts, whoseover shall not pay in their monies at the times appointed."(303)

There were two Auditors General who had their own room or place in the Company's house. At least once every quarter, they had to

> Audit up the Cashes of the two Treasurers, and the accompts of the Husband, together with the accompts of the

> Clarkes of the Storehouses in *London:* The accompts of the Clarkes of the Imprest money and wages, the accompt of the Clarke of the Cordage, of the Clarke of the Yard, of the Clarke of Beefe and Porke, of the Clarks of the Warehouses, &c. And also all the accompts from the Companies Factors in the *Indies,* or any other accompts of Factors, who make provision of Wares for the Company beyond the Seas. . . . (314)

Having done so, they were to present the audited accounts to the Auditors in the Court of Committees "to be by them approved and subscribed, before they be delivered up unto the Accomptant generall, to be entered in the Companies great Bookes." (314) Furthermore, the Auditors General were to "have care of the generall accompts, to see that all the other accompts and parcels be fairely and truly entered into them by the Booke-keepers, and that they be prepared to deliver up a perfect Ballance of all the said accompts unto the Company, by the last day of June yearely." (316)

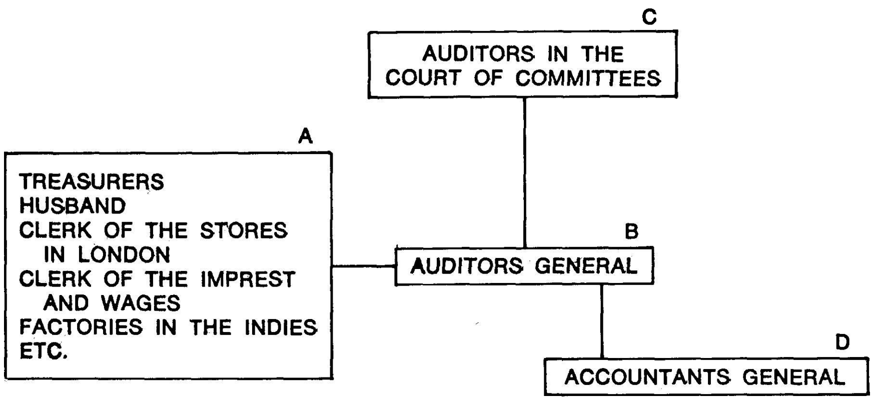
In carrying out their duties, the auditors had to watch for three things. They were required, in the first place, to "carefully cast up every parcell, and so to follow the Accomptants in all other their [sic] performance, that no miscasting or other errors may be passed for want of search." (317) Second, they were to check diligently "the issuing of the Companies materials to their buildings, the prices of provisions bought, the disbursements of charges and the like." If in any of these "there be found exorbitance, or excesse," that "it shall be brought to the consideration of the Governor, Deputy, and Committees, before the accompts be allowed." (318) Finally, because "there is now little or no trust imposed in any perticular mans accompts," the auditors must also check related "Warrants, Bils of parcels, or the accompts of other men." (319) For this purpose, the Company had drawn up a set of instructions, "Orders to bee observed for the better Vouching of sundry Accompts."[33]

Besides their duty to "subscribe to all the perticular Accompts Audited by the generall Auditors," (309) the Auditors in the Court of Committees had the charge "to examine and search out the Truth" whenever there were "occasions of difference for matter of Accompts which concerne the Company" and, having done so, "to deliver their opinions unto the Court, or else to determine and end those causes which shall be referred unto them." (307) These auditors, who were six in number, had also the authority to oversee the affairs of the Company and "to make Inquirie . . . concerning the performance of all their Lawes and standing Orders." (310) The Auditors in the Court of Committees were to be prepared to "satisfy the Company concerning the performance of their said Lawes or Orders" (2) when the occasion arose during a general court to be held once a year on the last Tuesday of May. (312) The Auditors in the Court of Committees functioned essentially as a watchdog for the Court of Committees.

The regulations of the East India Company make it amply clear that the accounting activity was basically the joint responsibility of the Auditors General and the Accountants General. The functional organization of the accounting activity, however, extended beyond these departments to include the accounting duties entrusted to certain officers, such as the Husband and the Treasurer, as well as the Clerks and the Committees in charge of various operations. These accounting duties are laid down in *The Lawes or Standing Orders of the East India Company* (published in 1621) under their respective headings. Aside from this set of regulations, instructions were issued in 1619 to Richard Mountney, Husband for the Com-

Figure 1

A Schematic Representation of the Functional Organization of the Accounting Activity



pany, regarding the accounts to be kept by him.[34] Another document, "A declaration how the East India Company's books may be kept from negligent errors and examined for the finding out of wilful escapes" was issued in 1626.[35]

The Order and Method of Accounting

There are, unfortunately, no surviving account-books—journals, ledgers, etc.—from this period (1600-1657).[36] Had a complete set of books survived, it would have provided us with the clearest insight into the accounting practice of the East India Company. In the absence of such records, the historian must rely on extant Company instructions concerning the manner in which the accounts were kept. Of the various instructions available, the most important is "The order and method that the acomptants generall shall observe and performe in the managing and digesting the accompts of the company."[37] Based primarily on this source (see Illustration), an attempt is made here to reconstruct the accounting system used by the Company.

To provide "more conveniencie in the Mannaging of the said Accompts, consisting of so many perticular estates and Adventures, and disposed into such diversity of imployments and returnes," the Accountants General were to keep two sets of books, each of which to be served by a journal and a ledger. One set of books was to be designated as "Accompt proper" and the other, "Accompt currant." (75) In its turn, the Account Proper was to be divided into four parts: Adventurers' Accounts; Accounts of Employment; Factors' Accounts; and Account of Profit and Loss.

The Adventurers' Accounts were to be credited for the amounts of investment made by them, each "according to the Payments he bringeth and payeth in" so that "the Acquittances given *per* the Treasurers, and your Bookes may agree upon all occasions." Each of these accounts was to be charged with "the payments and satisfaction that is made to every Adventurer (for his Adventure) as it is taken out by him, be it in money or goods."(75)

The Account of Employment was to be charged annually with that year's "totall imployment sent to Sea, be it Marchandize, Ships, Victuals or Charges incident." This information was to be initially "contracted and digested in the Bookes of the *Accompt currant*" and then brought over "by a parcell of Ballance" to this account and entered "plainely and distinctly the Merchandize first, then the Ships with their victualling, and that yeares charge successively;

Illustration

Facsimile Page from *The Lawes or Standing Orders of the East India Company*

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THE ORDER AND METHOD THAT THE ACCOMPTANTS GENERALL SHALL OBSERVE AND PERFORME IN THE Mannaging and digeſting the Accompts of the Company: As followeth.

FOR *the more conueniencie in the Mannaging of the ſaid Accompts, conſiſting of ſo many perticular eſtates and Aduentures, and diſpoſed into ſuch diuerſity of imployments and returnes; you ſhall deuide the ſaid Accompts into two Bookes, namely, two Iournals, with their two Lidgers: The one whereof ſhall be the* Accompt proper, *and the other the* Accompt currant, *in each of which, you ſhall handle theſe perticulars following.*

IN the Booke intituled Accompt proper, you ſhall enter euery perticular mans Aduenture (according to the proportion he hath) mentioning his name and quality ſo neere as you may, making him Creditor for his ſaid Aduenture in perticular, according to the Payments he bringeth and payeth in, that the Acquittances giuen *per* the Treaſurers, and your Bookes may agree vpon all occaſions.

IN this Booke you ſhall enter perticularly the payments and ſatisfaction that is made to euery Aduenturer (for his Aduenture) as it is taken out by him, be it in money or goods; plainely ſhewing wherein, and when euery man is ſatisfied his Aduenture: and you ſhall in theſe Bookes charge no man for any thing, ſaue what is deliuered on his Stocke.

L 2 In

Source: *The Lawes or Standing Orders of the East India Company*, page 75, published in 1621.

that it may readily appeare what every yeares implooyment and charge amounteth unto, and wherein it consisteth." (76)

All Factors' Accounts were to show both "Sales and imployments made in and received from *India.*" "Sales" refers to English goods sold in India, while "imployments" makes reference to goods imported from India. Irrespective of the diversity, all goods arriving on a particular ship were to be entered in one account: "you shall notwithstanding in this Booke arme but one Accompt for any one Ship, but shall in that Accompt both in Journall and Lidger, successively enter every commodity, expressing his quantity and cost." (76)

In the Account Proper was also kept the Account of Profit and Loss. This account was thought of as a clearing account and, accordingly, the accountants were instructed to "cleare no Accompt or Voyage, till the same be fully accompted for, and shall also in this Accompt passe unto every man his profit or losse, as the Stocke generall shall produce." (76)

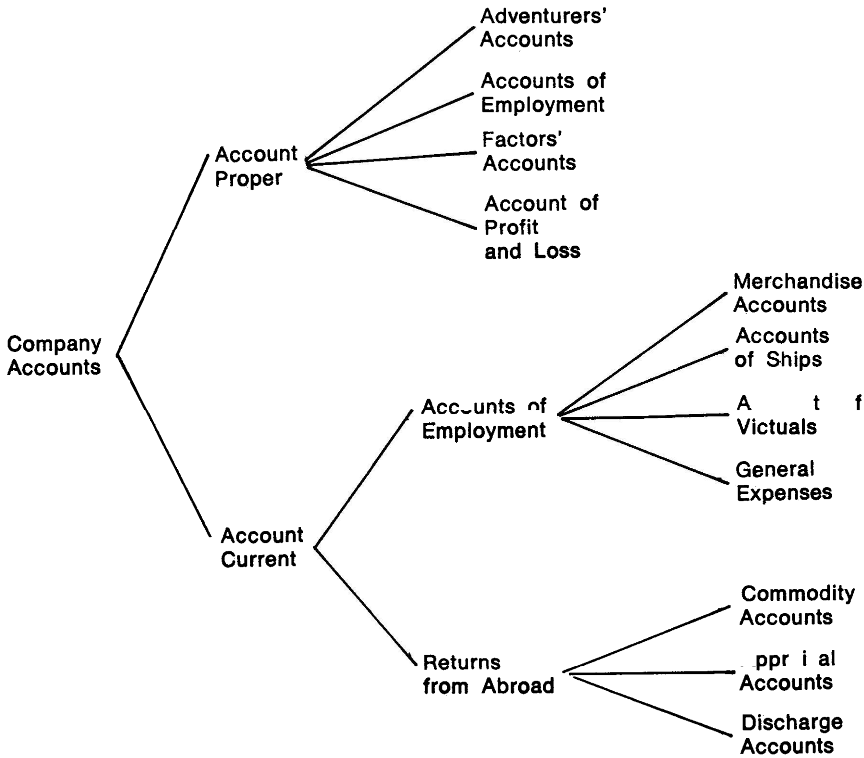
The second set of books—Account Current—was to be used exclusively for "all manner imployments and returnes, apply and perticularly." (76) It may, therefore, be viewed in two broad categories of accounts: Accounts of Employment and Returns and Returns from Abroad. The Accounts of Employment were to be divided into four parts or "Branches," namely: Merchandise Accounts; Accounts of Ships; Accounts of Victuals; and General Expenses.

In the Merchandise Accounts, the accountants were to "keepe distinct and severall Accompts in their proper kindes and denominations, not confounding many together." Once a year, the cost of all goods assigned to a voyage was to be transferred to the Account of Employment in the Account Proper. The balances in these accounts were to be carried forward to the next year. (76)

In a similar manner, the Accounts of Ships were to show the cost of ship construction, but the cost of each ship was to be recorded in a separate account. Each account of ship was to be charged "perticularly with every Materiall that is expended thereon, aswell to the Building, as furnishing, and for store, together with the Charge of wages of Workmen imployed therein, till the such Ship be fully furnished to Sea." The materials for building and furnishing ships were also to be kept "in their severall denominations and kindes, . . . that so it may readily appeare how much of every Provision is spent Yearely, and how it is spent, to the end necessary and competent proportions may alwaies bee provided, without superfluety and unnecessary Charge." (77)

Figure 2

A Classification of the Account-Books used by the East India Company during the First Half of the 17th Century.



The Accounts of Victuals were to be kept according to the victuals' "several Denominations and kindes, and the expence of them." Then they were to be charged "on every Ship according to his proportions, that of these kindes may appeare what is yearely expended, and needfull to be provided." (77) The ships were normally victualled for the round voyage.

Last, accounts were to be kept for General Expenses, such as "Gratueties, Salary of Officers, Rents, Charges, ordinary and extra-ordinary, and such like." They were to be recorded in separate accounts, "every one in his proper Name and tytle, that of this quality also may appeare what is expended yearely." (77)

Annually, the accountants were to "drawe out of these Branches every yeares Imployment, to one head or Voyage, and thereon charge, first, the Marchandize agreeing with the Invoice; next the Ships, and the Victuals; and lastly that yeares generall Charge, and this in perticular, and successively." These total figures were to be transferred to the Account Proper and there entered successively in one account in the Accounts of Employment book. (77)

The Returns from Abroad account-book was established to record the "business with Factors beyond the Seas for Provision of Forraine Commodities, Officers at home for the defraying of Charges, and monyes delivered for Provisions beforehand." Here, too, the accountant is instructed to "bee carefull to keepe distinctly and plainely that one Accompt be not confounded with another." (77) The Returns from Abroad account-book was to have three divisions: Commodity Accounts; Appraisal Accounts; Discharge Accounts.

Commodities received from India were to be entered in the Commodity Accounts book "perticularly each commodity in an Accompt by it selfe." In addition, these accounts were to receive the "proper charges, and duties paid here in *England*" on those commodities. Each commodity account was also to show the proceeds from its sale. The net proceeds on the commodity was then to be transferred to its appropriate account in the Factors' Accounts book in the Account Proper. (78)

Upon their return from India, each ship was to be appraised and the results recorded in the Appraisal Accounts book. When these accounts were "fully perfected," they were to be "in one parcell" transferred to the Account Proper and "there allow the same in one totall . . . to the Voyage it belongeth." (78)

Wages and charges arising from a ship's discharge of goods were to be entered in a Discharge Accounts book. When the accounts were "perfected" they were to be "in one entire parcell" transferred to the Account Proper and "there charge the same upon the Accompt or Invoyce it belongeth; that by this means it may plainely appeare, what is got by each perticular commodity, and every Ships whole lading." (78)

In conclusion, the Accountant General was instructed to "digest and enter all Accompts into the Journall your selfe with your owne hand, For we will admit of no diversity of hands." For posting from the journal into the ledger, the Company had appointed one by the name of Jeremy Sambrooke. Sambrooke was also "to be acquainted with all other matters, to the end (That if God shall other wise dispose you) he may be able to goe forwards with the businesse, and give us a reason of the premisses." (78)

In regard to the East India Company's method of accounting, a few points of observation are in order. This description of the accounting method leaves no question in one's mind that the primary emphasis was on the recording function. Keeping an exact account of every item was the very first objective of the accountant. Pivotal to this objective was the need to identify at any time even the minutest item. Next in importance, was the objective of classification. The initial accounting data were classified in a variety of ways so as to produce further useful information on the Company's activities. A third objective was the summarization of accounting information whenever the need for it arose. Summary statements were prepared on any segment of the Company's activities as well as for its overall operations.

Conclusion

Although the first English joint-stock company appeared on the scene with the foundation of the Russia Company in 1555, it was not until the formation of the East India Company in 1600 that this new form of commercial enterprise assumed a definitive form and nomenclature. If we wanted to designate a date of origination for the English corporation, the year 1600 presents itself as a strong candidate.

Several findings emerge from this study. In regard to the functional organization of the Company's accounting activity, we become aware that unlike a modern well-integrated accounting department, the organization of the accounting activity at the East India Company during this period extended over several departments. Certain officers of the Company, such as the Husband and the Treasurer, as well as the Clerks and Committees in charge of various operations, were entrusted with accounting duties relating to their respective spheres of activity (Figure 1, box A). The Auditors General (box B) were charged with the responsibility of auditing the accounts maintained by these departments as well as those kept by the Accountants General. All accounts audited by the Auditors General were also to be reviewed by the Auditors in the Court of Committees (box C). The Accountants General (box D) had the ultimate responsibility for maintaining "the great Bookes" wherein all the accounts were eventually to be "digested."

The account-books of the Company were to be kept in accordance with the order and method adopted, and at the end of June each year "a perfect Ballance of all Accompts" was to be presented to the Court of Committees. Court Minutes indicate that drawing up annual statements showing the current status of the accounts was a perennial problem. Two reasons explain this. One was the slow communication between the Home Office and the East Indies, the other, the delays experienced by the Accountants General in obtaining the audited accounts from the various departments. Another related problem was the difficulty in keeping the ventures in various stages of completion distinct from each other. This situation caused a certain amount of confusion, embarrassment, and a lot of ill feelings between shareholders and the Court of Committees. But it is also underscored the need for operating on permanent capital. In 1657 the Company obtained a new charter from Cromwell which provided for permanency of capital.

The method of accounting used by the Company was clearly *venture accounting*. This system which dates back to at least the early fifteenth century, was implemented by various merchants and companies differently, according to their capacity and special problems. The order and method of accounting described in the *Lawes or Standing Orders of the East India Company* as well as other documents reveal that the Company was primarily interested in maintaining an accurate record of its business activities, while simultaneously calculating its profits or losses both by commodity and by voyage. It must be noted here that during this early modern period merchants and companies were more interested in calculating gross profits than net profits because what guided them in their business decisions was the gross profit margin on sales. Determination of net profit was not a significant matter. Finally, the profit or loss calculation was not made on a regular basis; rather, it was made as the need for it arose.

FOOTNOTES

[1]Birdwood, pp. 163-189.
[2]Cawston and Keane, pp. 10-12. Davis, Volume II, pp. 66-113.
[3]Furbur, pp. 38-50.
[4]Supple, p. 439.
[5]Heckscher, Volume I, pp. 388 and 408.
[6]Cooke, pp. 57-58. Chaudhuri, p. 33.
[7]As quoted by Cooke, p. 58.
[8]Birdwood, p. 169.
[9]Chaudhuri, pp. 31-33.
[10]Scott, Volume II, pp. 123-128.
[11]Scott, Volume II, pp. 122-123 and 128.
[12]Davies, p. 37.
[13]Sainsbury, 359, January 19, 1607.
[14]Sainsbury, 873, January 12, 1615.
[15]Sainsbury, 744, July 16, 1614.
[16]A term indicating membership in the Company. "Membership of the East India Company was open not only to those who secured their freedom by patrimony or apprenticeship but to any one who purchased a share in any of its voyages or stocks and paid the necessary fines." Chaudhuri, p. 33.
[17]Sainsbury, 251, February 1-3, 1626.
[18]Sainsbury, 448, July 6, 1609.
[19]Sainsbury, 682, January 19, 1614.
[20]Sainsbury, 831. December 13, 1614.
[21]Sainsbury, 1016, August 30, 1615.
[22]Sainsbury, 347, May 8-15, 1618.
[23]Sainsbury, 361, September 20-22, 1626.
[24]Sainsbury, 771, December 29, 1628.
[25]Sainsbury, 633, December 24, 1634.
[26]Sainsbury, 622, November 21, 1634.
[27]Sainsbury, 633, December 24, 1634.
[28]Sainsbury, 156, July 1, 1625.
[29]Chaudhuri, p. 221.
[30]Throughout this section, reference to a particular law or regulation is indicated by inserting the regulation number in parentheses. *The Lawes or Standing Orders of the East India Company,* pp. 1-74.

[31]"The Company had early become aware that if its trade was to be organized on favorable commercial conditions it required the creation of what later became known as the factory-system. Under this, factors or agents left behind by the ships from Europe sold their goods and made provision for the return cargo well before the arrival of the next year's shipping." Chaudhuri, p. 16.

[32]An officer of the Company whose major responsibility was to ensure that every ship was adequately provided with victuals and munitions. He also assisted the Court of Committees in purchasing "any provisions, stores, or merchandise" for the voyages. He received the iron and the casks bought by the Company and delivered them to the smiths and coopers as needed. Also he defrayed the charges incurred by the Committees for "lighterage, cranage, wharfage, rents of warehouses and petty expenses." He maintained the accounting records relating to his tasks supported by bills of parcels, receipts, etc. *Lawes,* pp. 14-15.

[33]*Lawes,* pp. 79-82.

[34]Birdwood, pp. 502-504.

[35]Sainsbury, 361, September 20-22, 1626.

[36]The original index to the ledger of the Third Joint Stock (1631-1642) has been saved and preserved in *Home Miscellaneous Series,* Vol. I, pp. 1-43. The ledger itself is lost. Accounting statements belonging to the period under study, such as the "Estimate of the First and Second Joint-Stock, 31 May 1621;" "The Success of the Second Joynt Stocke Briefly Valued, c. 1640;" and "The Estate of the Third Joint Stocke, c. 1641" are in *Home Miscellaneous Series,* Vol. 39.

[37]Throughout this section, reference to the document is made by inserting the page number in parentheses. *The Lawes or Standing Orders of the East India Company,* pp. 75-78.

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