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Michael J. Mephram

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M. J. Mephram
HERIOT-WATT UNIVERSITY, EDINBURGH

ACCOUNTING CONTROL: AN HISTORICAL NOTE

“Comptrol” is sometimes seen as an alternative spelling of ‘control’ and its use in the Auditor and Comptroller General’s official title lends support to the view that it is an archaic spelling of the word. It is natural to suppose, further, that ‘comptrol’ might be the original form. Philologists tell us that this is a mistake and that comptroller is an erroneous spelling which arose because of confusion with the French ‘compt’. ‘Comptrol’ is not the origin of ‘control’ but the mistake does serve to emphasise the close, and genuine, identification of the term with accounting. This article looks at the origins of financial control and suggests that accountants might benefit from recalling its true roots.

Control is a contraction of ‘counter roll’. Just as the counterfoil was originally a parallel record of the ‘foil’, in the ancient system of recording by means of notches cut into tally sticks, so also the counter roll was a duplicate record serving to validate the entries made on the roll. R C Jarvis says “This system of accountancy and control ‘by the counter-roll’ (*per contrarotulum*) was a general medieval practice . . .” (Preface to *The Organisation of the English Customs System 1696-1786*—E E Hoon, David and Charles, 1968—p. xiv). The system was imported with the Norman Conquest as a major feature of the procedures of the Court of Exchequer. It was described in some detail by Richard Fitz Nigel in his *Dialogue de Scaccario* (Dialogue of the Exchequer) which was written about 1179 (a translation of this work is contained in *English Historical Documents*, Vol II, D C Douglas and G W Greenaway, Eyre and Spottiswoode, 1953).

In the accounting system developed by the Exchequer, the counter-roll and the use of tallies were important components of a sophisticated (and complex) set of procedures. Sir Geoffrey Gilbert (1674-1726), a judge and legal writer, described the system as follows:

“When any Man pays in Money into the *Exchequer*, he pays the Sum to the Teller, and the Teller makes a Bill in Parchment for the

Sum so paid, in which is the Christian and Sirname of the Party, his Office, and the Day of Payment, and the Sum so paid wrote in Numeral Letters; this Bill is rolled up and thrown down through a Pipe into the Tally Court; then the Tally Cutter prepares the Tally, which is notched according to the Sum mentioned in the Bill, viz a greater Notch for (M.) and a lesser Notch for (C.) a lesser Notch for (X.) and so a lesser Notch for single Pounds, and for Shillings and Pence the Tally is but slightly cut with the Knife.

“Then the Auditor of the Receipt, who was anciently called the *Receptor talliar*, writes a Duplicate upon the Wood of the Tally, of the Contents of the Parchment Bill, and the Sum (which is writ in the Numeral Letters upon the Bill, and is expressed by Notches on the Tally). Then the Clerk of the Pells enters the Bill into his Book, and the *Scriptor talliar* reads the Tally; the Clerk of the Pells at the same time looking into his Book, to see that his Entry and the Tally agree together; and then the Chamberlains strike the Tally, that is, divide it into two, and the Tally or the Stock is given to the Party, and the Foil or Counter-part is left with the Chamberlains, and the Bill is carried away and filed by the Auditor of the Receipt.

In this Manner of Accounting there are several Things to be observed; First, that the superior *Exchequer*, which charges the Accountant, is perfectly distinct from the inferior *Exchequer*, where the Money is paid in, by which he is to be discharged; and the Reason of this is, that there may be no Collusion to charge or discharge the Accountant for less than what is due; for if he were to *tott* at the same Place where he pays, there might be a Collusion with the Accountant; therefore when he pays in at the Teller's Office, the Teller makes out a Bill, as a Warrant for the Accountant's Tally; and the Teller sits apart from the Tally Court, because the Tally is to be charged upon the Teller for the Money; and therefore it is, that the Auditor takes away the Bill with him in Order to charge the Teller; and the Chamberlain takes away the Foil or Counter-Talley, in Order to check the Discharge of the Accountant; for the Accountant must come to the Chamberlain's Office, and get his Tally joined, and that is markt by punching, and sent up by a Messenger into the Pipe, and is there kept by the Pipe, as a Voucher for them, to allow the same in Discharge of the Accountant; so that as the Tally, and Counter-tally, check the Discharge of the Accountant before the Account is made up; so they are Vouchers to the Pipe, in allowing the Discharge to the Accountant.” (*An Historical View of the Court of Exchequer, and the King's Revenues, there answered* London 1738.)

Charles Dicken also described the system and its abandonment, but in scathing terms:

“Ages ago a savage mode of keeping accounts on notched sticks was introduced into the Court of Exchequer, and the accounts were kept, much as Robinson Crusoe kept his calendar on the desert island. In the course of considerable revolutions of time . . . a multitude of accountants, book-keepers, and actuaries, were born, and died. Still official routine inclined to these notched sticks, as if they were pillars of the constitution, and still the Exchequer accounts continued to be kept on certain splints of elm wood called “tallies”. In the reign of George III an inquiry was made by some revolutionary spirit, whether pens, ink, and paper, slates and pencils, being in existence, this obstinate adherence to an obsolete custom ought to be continued, and whether a change ought not to be effected.

“All the red tape in the country grew redder at the bare mention of this bold and original conception, and it took till 1826 to get these sticks abolished. In 1834 it was found that there was a considerable accumulation of them . . . The sticks were housed at Westminster . . . and so the order went forth that they were to be privately and confidentially burnt. It came to pass that they were burnt in the stove in the House of Lords. The stove, overgorged with these preposterous sticks, set fire to the House of Lords; the House of Lords set fire to the House of Commons; the two houses were reduced to ashes . . .” (Speech on ‘Administrative Reform’ delivered at the Theatre Royal, Drury Lane, 1855.)

The pipe, the tallies and the counter-rolls formed a formidable system of internal checks. They now seem cumbersome but they were regarded as essential in medieval Britain and the principles involved and some of the needs that they answered can still be recognized as valid by modern accountants and auditors. Indeed the use of a ‘pipe’ to transport money to the physically separated cashier’s office can be remembered by some of us as an intriguing feature of the internal controls of some departmental stores in our youth, and this has some similarity with the system described by Gilbert.

Over the centuries, control has expanded from its origins as a specialized accounting technique to cover many forms of regulatory activity in any area and its emphasis has expanded from that of ex post accountability to include ex ante planning and budgeting. Although financial control continues as a vital feature of account-

ing systems, accountants now frequently go outside their own discipline when they describe the major features of control systems. The accounting origins of control lay buried in the pages of The Oxford English Dictionary.

The engineering orientation of systems analysis and quality control has introduced such engineering terminology as *feedback* and *noise* and this has implied that the example par excellence of a control system is Stevenson's steam governor, where feedback automatically regulated the steam valve and the amount of steam fed to the engine. There are useful features in this analogy. Developments in information technology, engineering and process control have also provided the accountant with valuable assistance, both in terms of hardware and with the development of conceptual tools and software. There are, however, important differences between accounting and engineering control. Financial control cannot be achieved by an accounting equivalent of the steam governor or by adjusting a few dials on a control panel. Because of these differences it does no harm to remind ourselves that the word 'control' did not come from engineering but that it was originally a technical accounting term. Its pedigree should not be neglected.

The history of tallies (see "A Short History of Tallies" R Robert printed in *Studies in the History of Accounting*—A. C. Littleton and B. S. Yamey, Sweet and Maxwell, 1956) serves to stress the dangers of retaining obsolete control methods, but the medieval Exchequer system also emphasised the importance of internal check (which remains relevant) and some of the basic principles of control *per contrarotulum* likewise remain valid. One such principle is the necessity of establishing a common basis for the preparation of the roll and the counter-roll. There is rightly much emphasis on the need for accounting techniques and statements to be relevant for decision making purposes but less stress on the need to ensure that the counter-roll (used to record the results of operations) is prepared on a basis that is consistent with that used for the roll (which contains the plan). It is true that management accountants emphasise the importance of flexing the budget so that it conforms with actual conditions to enable a valid comparison to be made. Sometimes, however, this principle is disregarded. As an example, consider the adoption of a discounted cash flow technique for decision making purposes. If an investment opportunity is accepted because it promises a yield of X% then the subsequent accounts should exhibit this rate of return if things proceed according to plan. This is not achieved by the methods convention-

ally used for reporting on the results of the decision making. In such cases the roll and the counter-roll cannot be validly compared and control *per contrarotulum* is defective.