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## **ANTE-BELLUM BANK ACCOUNTING — A CASE STUDY: The New Orleans Savings Bank In The 1830s**

*Abstract:* This is a case study of the history, operating practices and financial reporting system of an antebellum-era financial institution. The New Orleans Savings Bank, which served the people of Louisiana from 1827 to 1842, was founded as a philanthropic endeavor and is an example of altruistic capitalism — as it was practiced in the nineteenth century. This institution is of particular interest to accounting historians because it maintained a relatively sophisticated accounting system which was, in many respects, similar to financial reporting systems in use today.

### *Introduction*

Accounting history is, among other things, a study of the evolution of the communication of financial information — from its primitive beginnings to the sophisticated systems in use today. If we are to understand the rationale for today's accounting practices, we must be aware of how accounting has developed. One way to gain this awareness is to study the financial reporting systems used by different types of organizations throughout history, as well as the organizations themselves. From such observations we can draw conclusions as to the manner in which today's accounting practices and procedures have evolved and why they have evolved in this manner.

Unfortunately many accounting historians have tended to focus on accounting as a whole, rather than on the internal accounting practices of specific organizations and the organizations themselves. H. Thomas Johnson, for example, has stated that "they [accounting historians] regarded the published works of accountants as the only sources they needed to consult for their investigations. Accounting historians were limited, too, by their conviction that all accounting was a technical process one could study exclusively in terms of itself" [1986].

Other accounting historians, however, have felt that a great deal can be learned from the study of specific organizations and their accounting systems. Among the organizations

they have studied have been mercantile establishments [Bruchey (1976); Coleman, et al (1974); Baxter (1965)], railroads [Vangermeersch, 1979], plantations [Razek, 1985] and manufacturing firms [Johnson (1972); McKenzie (1971); Stone (1973)]. Few accounting historians, however, have studied the accounting practices of specific financial institutions — especially those which operated in early to mid-nineteenth century America.

A possible reason for this dearth of studies is the lack of records available to study. Few of the financial institutions operating before the Civil War exist today and fewer still have maintained records of transactions which took place over a century ago. Thus, it was a stroke of good fortune to discover the records of a small antebellum-era savings bank — records which are in very good condition and largely intact.

The institution to which these records pertain is of interest because (1) even though it was founded and managed by prominent members of the New Orleans Business Community, little mention is made of it in either current or nineteenth century banking literature or in contemporary newspaper accounts, (2) its life cycle and activities were very similar to those of many of the savings and loan institutions currently in the news, (3) it was probably the first institution of its kind to operate west of the Allegheny Mountains and one of the earliest to operate in America, (4) it represented an early application of the concept of altruistic capitalism and, (5) it was able to survive the Panic of 1837, only to fall victim to a banking law which was hailed as “one of the most ingenious and intelligent acts in the history of legislation about banking” [Summer, 1896]. Of particular interest to accounting historians, however, is this institution’s use of a fairly sophisticated, double entry accounting system.

### *The New Orleans Savings Bank*

In the late 1960’s, the Board of Liquidation of the City of New Orleans moved to a new office. During this move Board personnel discovered a number of recordbooks, which they donated to the New Orleans Public Library. Among these materials were the records of the New Orleans Savings Bank.<sup>1</sup>

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<sup>1</sup>The records in the New Orleans Savings Bank Collection are as follows:  
Volume I — Minute Book .....1827-55

The New Orleans Savings Bank Society (herein referred to as the Savings Bank) was chartered by the State of Louisiana on March 19, 1827. It opened for business on April 26th of that year.<sup>2</sup> That its purpose was philanthropic in nature is apparent from its charter which reads, in part, that:

Whereas a number of the citizens of the City and Parish of New Orleans have petitioned the Legislature for an act of incorporation for the laudable purpose of encouraging . . . habits of industry and thrift, by receiving and investing in stock . . . such small sums of money that may be saved from the earnings of tradesmen, mechanics, laborers, servants and others . . . thereby affording the double advantage of security and interest, and the Legislature considering it their duty to cherish all laudable attempts to ameliorate the condition of the poor and labouring classes of the community [La. Laws 1827, Act 46.].

The moving force behind the establishment of the Savings Bank was Beverly Chew. Chew, a prominent merchant, was the first postmaster of New Orleans, a founder of the New Orleans Canal and Banking Company and president of the New Orleans Branch of the Second Bank of the United States. He was also collector of customs for the Port of New Orleans and is well-known for his attempts to curtail the activities of the famous pirate, Jean Laffite.

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Volume II	— Register of Depositors . . . . .	1827-43
	— Letterbook . . . . .	1835-51
Volume III	— Balance Statements . . . . .	1842-47
	— List of Bills Receivable . . . . .	1838-42
Volume IV	— Ledger of Depositor Accounts . . . . .	1837-52
Volume V	— Journal of Receipts and Expenditures . . . . .	1838-53
Volume VI	— Cash Book of Receipts and Expenditures . . . . .	1842-53
	(including deposits and withdrawals)	

Although this set of records is not complete, it is comprehensive enough to provide a good picture of the operations of the Savings Bank.

<sup>2</sup>While not the first institution of this type in the United States, the New Orleans Savings Bank was probably the first one west of the Allegheny Mountains. Other early-day savings banks were the Philadelphia Savings Fund Society, which is still in existence, and the Provident Institution for Savings (Boston), the Baltimore Savings Bank Society, the Bank for Savings (New York), the Society for Savings (Hartford) and the Savings Bank of Newport (Rhode Island). All of these organizations were chartered between 1816 and 1819 and were founded as philanthropic endeavors by groups made up of bankers, merchants, social and political leaders. For a discussion of the history of the savings bank movement, see Welfling [1968].

Other founders and trustees of the Savings Bank were Richard Relf, a prominent merchant and cashier of the Louisiana State Bank;<sup>3</sup> Peter Derbigny, a governor of Louisiana; Joseph Roffignac, a French nobleman who later became mayor of New Orleans; J. B. Plauche, Judge Samuel Harper and Martin Gordon.

Unlike commercial banks, the Savings Bank had no stockholders. Its trustees were managers, rather than owners, and its depositors were creditors. The Savings Bank's original Board of Trustees was named in its charter, which was received from the State of Louisiana, and this group perpetuated itself by replacing departing members with new ones of its own choice.

Originally the Savings Bank used its depositors' funds to purchase Bank of Louisiana stock. Later, however, it also purchased the stock of other New Orleans banks. The dividends received on these securities were passed on to the Savings Bank's depositors in the form of interest on their savings, which was set at 5% per year. And herein lay the appeal of the Savings Bank to the working classes.

During the early part of the nineteenth century, commercial banks did not pay interest on deposits. The only way a person could earn a return on his or her capital was to start a business or purchase the stock of an existing firm. Most of the firms issuing stock at this time were either banks or insurance companies. Since shares of these firms generally traded for over \$40 per share, most people were excluded from this form of investment. By combining the savings of a number of small depositors, however, the Savings Bank could purchase the stock of these firms. Thus, in its early days the Savings Bank served the same function a mutual fund does today. Later, it expanded its investment base by making commercial loans and issuing mortgages.

### *Operations*

On April 11, 1827, the Board of Trustees held its first meeting. Here it drafted a set of bylaws which, with minor alterations, served the Savings Bank throughout its entire life. From these bylaws and the minutes of the Trustees meetings a

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<sup>3</sup>Richard Relf and Beverly Chew are also known for their role in the Myra Clark Gains Case, a Nineteenth Century version of the Howard Hughes will controversy. For an interesting discussion of this case and the early careers of Relf and Chew, see Harmon [1946].

great deal can be learned about the day-to-day operations of this institution.<sup>4</sup>

As with other institutions of this type, the trustees and officers of the Savings Bank were expected to work without pay. The Nineteenth Bylaw specifically states that “No President, Vice President or Trustee shall receive, directly or indirectly, any pay or emolument for his services, nor be responsible for any loss whatsoever” [Minute Book, April 11, 1827]. This donation of “inkind” services by members of the professional community was a major attribute that set the Savings Bank apart from other financial institutions and is evidence of its philanthropic nature.

The heart of the operation of the Savings Bank was the Committee of the Month. This committee, which consisted of three trustees and an officer of the institution, was appointed at the monthly board meeting — service being rotated among the trustees. Members of the Committee of the Month collected the funds of the depositors, invested these funds and, later on, made loans to credit-worthy parties. They also deposited the money collected each day in a local bank. The first Committee of the Month consisted of Beverly Chew, Joseph Roffignac (the Savings Bank’s first president), Martin Gordon and Tobias Bickel.

The Savings Bank was permitted to hire an accountant. The Sixth Bylaw states the specific duties of this person:

It shall be the duty of the accountant to attend the meetings of the Board, and to keep a fair and regular record of the proceedings thereof, to give notice of the meetings to the Managers, and to the members of the Committee of the Month to their turn of service, to consult with the Committees when required; He shall attend the Bank from the hours of eleven AM to two PM on Mondays and Thursdays, and shall receive all deposits and monies paid to the institution. He shall draw out and sign all checks for payments, he shall aid the Committee of the Month in all its operations and business, and shall perform such other duties as may, from time to time, be imposed upon him by the Board of Trustees [Minute Book, April 11, 1827].

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<sup>4</sup>New Orleans Savings Bank Collection, Volume I, “Minute Book,” 1827-1850. This volume contains not only minutes of the meetings of the Board of Trustees, but copies of the bylaws of the Savings Bank and of various reports submitted to the Louisiana Legislature.

Notice that many of the duties of the accountant were similar to those of the members of the Committee of the Month. This was probably a deliberate attempt to apply some basic principles of internal control. Notice also the limited banking hours. In 1835, these hours were extended to “the usual banking hours, Sundays excepted . . .” [Minute Book, January 2, 1835].

It was considerably easier to deposit money in the Savings Bank than it was to withdraw it. According to the Ninth Bylaw, “No money can be withdrawn, except on the third Mondays of February, May, August and November, and two weeks notice before the day of withdrawing must be given to the accountant . . .” [Minute Book, April 11, 1827]. The reason for this rule was that, unlike commercial banks, the Savings Bank did not keep much cash on hand. At this time, banks did not have strict reserve requirements. As a result, almost all funds received from depositors were invested in loans and in the stock of other banks — investments which could not be liquidated on short notice.

### *Operating History*

The Savings Bank’s first year of operation was modest, but successful. Its annual report to the Louisiana Legislature summarized this year as follows:

That from the 26th day of April, 1827, the date of its organization, until the 21st of January last, the sum of \$8,618 has been deposited in the institution by forty six different depositors. That of this sum, \$7,200 has been invested in stock of the Bank of Louisiana. That an aggregate of \$1,085 has been withdrawn severally by five depositors and the balance distributed in necessary expenses . . . [Report to the Louisiana Legislature, Minute Book, February 21, 1828].

The above report was accompanied by the financial statement shown in Figure 1.

**Figure 1**

**First Annual Financial Report to the Louisiana Legislature  
New Orleans Savings Bank in a/c Current  
with J. M. Kennedy, accountant**

<b>DR</b>	<b>CR</b>
To 72 Shares of Bank of La. Stock purchased at various times ..... \$7,200.00	By Amount of deposits re- ceived from 45 persons from 26th April, 1827 to 21st January, 1828, inclusive ..... \$8,618.00
<b>Sundry Expenses</b>	
" Premium & Brokerage on part of the above stock ..... \$ 63.25	" Amount of dividend re- ceived from Bank of Louisiana — 30 shares of stock, 3/5 paid, Say \$1,800 at 4% ..... 72.00
" Interest due to sundry deposits up to the 5th July, 1827 inclu- sive, unpaid ..... 47.67	" Balance due of money borrowed at various times to pay bills, etc. .... 16.00
" Interest paid to sundry persons who have withdrawn their deposits ..... 26.40	" Interest due to sundry depositors not paid, entitled to dividend for three months from last dividend ..... 47.67
" Benj. Levy's bill for stationary ..... 283.88	
" J. H. Gladdings & M. Claver's bills for painting sign 15 × 12 ..... <u>27.00</u> 448.20	
" 5 deposits withdrawn ..... 1,085.00	
" Cash in Bank ..... <u>20.47</u>	
<u>\$8,753.67</u>	<u>\$8,753.67</u>
New Orleans	January 21, 1828 Joseph M. Kennedy, Accountant

Source: New Orleans Savings Bank Collection, Volume I, Minute Book,  
February 21, 1828



Trouble, however, was beginning to appear. An entry in the minutes of the Trustees meeting of May 15, 1828 states that "The Accountant, having stated to the Board that he had been notified by six different depositors of their intention to withdrawal on the 3rd Monday of May instant their respective deposits amounting in all to the sum of \$1,364.52 and that the whole amount now to the credit of this institution in the Louisiana State Bank does not exceed \$1,228.36" [Minute Book, May 15, 1828]. The Board authorized to accountant to borrow the difference.

Thus, it can be seen that the Savings Bank faced a problem endemic to this type of institution — lack of liquidity. While its assets were greater than its liabilities most of these assets were in the form of Bank of Louisiana stock, for which there was not a ready market. Hence, the need to borrow. Evidently the loan was eventually repaid because no more mention is made of it. In later years, however, the Savings Bank frequently reverted to short-term loans to repay its depositors.

By the Trustees meeting of June 19, 1828, the Savings Bank had apparently become liquid again. At this meeting, Martin Gordon proposed a motion that "the accountant be paid \$250 for services rendered of the New Orleans Savings Bank and that the balance of cash now on hand, to wit, \$385.93 ½ be lent out on a note at 4 months to be approved by the President" [Minute Book, June 19, 1828]. It would appear that it was at this time that the Savings Bank changed its investment policy to include loans of various types.

After its first year of operation, the Bank appears to have entered a period of decline. Over the next seven years, only a few new accounts were opened. Meetings of the Board of Trustees were few and far between and, when held, little business appears to have been conducted.

There must have been some activity, however, because in March, 1832, the Trustees passed a resolution to open the office of the Savings Bank daily and to pay the accountant \$75 per month [Minute Book, March 13, 1832]. In addition, the depositor list for this year shows 124 new accounts [Register of Depositors, 1832].

After April, 1835, the Trustees began to meet regularly and the Savings Bank entered a period of growth. In its January, 1836 report to the Louisiana Legislature, the Board of Trustees reported:

That in obedience to the 6th Section of their Act of Incorporation, they herewith transmit the annual

report of the State of the Funds of the New Orleans Savings Bank to January 31, 1836, by which it appears that the number of depositors at that period was 453 — The amount deposited from January 31, 1835 to January 31, 1836 was \$96,125.20. The amount due to depositors, on January 31st, 1836, was \$79,863.20 — and the amount of Bills Receivable, and other credits of the institution at the same time was \$87,384.96 — and thus showing that the Savings Bank is in a prosperous and improving condition, and accomplishing the philanthropic objects contemplated by the Legislature in its incorporation [Minute Book, February 21, 1828].

Notice the reference to the “philanthropic” nature of the Savings Bank. Even though it was operating like a commercial bank, its intent was still to serve the poor and working classes, a constituency not ordinarily served by commercial banks at that time.

Unlike many other banks in America, the Savings Bank prospered during the Panic of 1837. A clue as to why it did so is given in the Seventh Bylaw, which states that “All monies received by the Bank shall be in specie or in bills taken in deposit by the incorporated banks of this city” [Minute Book, April 11, 1827].

The Savings Bank’s policy of limiting its deposits to “sound” currency enabled it to avoid a serious problem that plagued other banks of this period — the use of banknotes which could not be redeemed at or near their face value. Of course, even the Savings Bank had to discount notes occasionally. However by limiting what it would take in currency to banknotes of a known value, which could be redeemed locally, it managed to avoid many of the problems faced by other banks — which would take the notes of out-of-town institutions.<sup>5</sup>

By 1842, the amount due to depositors had grown to \$134,487 and the amount of bills receivable and other credits to the institution to \$37,963. Except for a few shares of Canal Bank stock, valued at \$900, these assets were all notes or mortgages [Balance Statements, February 28, 1842]; and therein lay the cause of the downfall of the Savings Bank — its inability to collect these notes and mortgages as they came due.

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<sup>5</sup>For a discussion of the economic environment in which the Savings Bank operated see Hammond [1957].

On June 4, 1842, the depositors of the Bank received the following notice:

Whereas the extraordinary difficulties which at this time prevail throughout the community have put an entire stop to the punctual collection of the Mortgages and other notes, in which the Trustees of this institution have invested its funds, and some time is absolutely necessary to enable them to obtain judgements and sell the property mortgaged to them or otherwise make their collections, so as to return the depositors their money.

Be it resolved, First — That no further deposits of any kind will be received until . . . the Bank is ready to resume active operations.

Second — That all notifications for the withdrawal of money which are now on the notification book of the Bank be suspended and that no further payments be made . . . .

Third — That . . . the rate of interest allowed on Deposits now in the Bank shall be increased to eight per cent per annum and be paid on demand to the depositors every three months . . . .

That at the same time the Quarterly Payments of Interest are made so much of the Capital as shall have been collected within the preceding three months shall be paid to such of the depositors as may desire it, in such proportion as their deposits may bear to the whole amount of the Deposits in the Bank, and this shall continue until the whole amount of their deposits shall have been returned to them [Poydras Home Collection, Box 20, Folder 3, 1842].

The next eight years were spent collecting notes and mortgages and repaying the Bank's depositors. In 1850, the records of this institution were turned over to the City of New Orleans and the New Orleans Savings Bank faded into oblivion.

### *Why the Savings Bank Failed*

To the casual observer, it might appear that it was the actions of the Trustees that brought about the failure of the New Orleans Savings Bank. That they shifted the Savings Bank's investment policy from one of holding bank stocks to

one of making mortgage and commercial loans might be construed as evidence that they were caught up in the same speculative fever as the rest of the business community. And to a certain extent this is probably true. Yet, in spite of this shift in investment policy, the Savings Bank managed to survive not only the Panic of 1837 and the other banking crises of the late 1830's but the yellow fever epidemics of 1837 and 1839, the lowering of tariffs on cotton and sugar and the flood of 1840 — events that severely damaged other banks in New Orleans. So what caused this institution to fail?

In the view of this researcher it was the Bank Act of 1842, which required all banks in Louisiana to back one-third of their liabilities with specie and to invest the remainder of their depositors' funds in loans maturing in ninety days or less, that destroyed the Savings Bank. This law had the effect of contracting the money supply drastically and, since money was not available, people could not liquidate their debts.<sup>6</sup> A Nineteenth Century historian reported that:

Such was the pressure throughout the whole community from the absence of a sufficiency of a sound currency to meet the general wants that even the taxes could hardly be collected . . . in the year 1842 [Gayarre, 1861].

Because of the new law, the Savings Bank was forced to call in many of its outstanding long-term loans and was unable to renew them for more than ninety days. This action had a devastating effect on factors and other businesses, whose assets consisted primarily of receivables, land, buildings and slaves.

In addition, since banks were now allowed to make loans only to the extent of their capital and since its capital was practically zero the Savings Bank was also forced to call in its outstanding mortgages and was unable to make any more loans of this type — thereby defeating one of the purposes for which it had, at least indirectly, been founded. Thus, it was a law that was designed to save the Banking Industry of Louisiana that destroyed the Savings Bank.

#### *An Ante Bellum Financial Information System*

Of the surviving recordbooks, three are of particular interest to this discussion. These are the Cash Book [Volume VI], the

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<sup>6</sup>For a discussion of this law and its effects on the New Orleans Banking Community, see Green [1973].

Journal of Receipts and Expenditures [Volume V] and the Balance Statements [Volume III]. All three recordbooks are leather-bound and contain lined paper. They are in excellent condition and the handwriting in all of them is very easy to read. What is of particular interest to accounting historians, however, is that they demonstrate the use of a modern-day accounting system by this relatively small and unsophisticated organization.

### *The Cash Book*

Transactions were recorded, as they occurred, in the Cash Book — which was actually a day book (see Figure 2). The left-hand pages of this volume were used to record cash receipts, each page starting with the month's beginning balance or a balance brought over from the previous page. These balances were followed by items such as deposits, repayments of notes and interest payments. When deposits were recorded, the name and account number of each depositor was listed, along with the amount deposited. When repayments of notes and interest payments were recorded, however, just the name of each borrower was listed, along with the amount received.

At the end of each day, the cash receipts were totaled and this amount was recorded in the right hand column. At the end of each month the total of the beginning cash balance and the cash received during the month was recorded and the entry "To Balance," which recorded the ending cash balance (beginning balance plus cash receipts less cash payments), was made. This, of course, represented the beginning balance of the following month.

The right hand pages of the Cash Book (Figure 3) were used to record cash disbursements. When depositors made withdrawals the entry "By deposits paid," along with the name of the depositor, the depositor's account number and the amount withdrawn, was made. Accrued interest was paid at the time of withdrawal, such payments being separately recorded. In addition each payment to a borrower was recorded along with the name of the borrower. The entry to record payments to borrowers was "By bills receivable — name of borrower — amount borrowed."

**Figure 2**  
**Cash Book**  
**Sample Cash Receipts Page**  
**February, 1842**  
**(Abbreviated)**

Feb	Brot over (from previous page)			13,947.26
7	To Deposits received from	Sarah Foley	346 10 ---	
		John Mooney	238 90 ---	
		John Lyons	80 25 ---	
		P. M. Stipe	232 125 ---	250.00
8	To do do do	John Doyle	336 15 ---	
		A. Ionan	256 5 ---	
		}	}	
		R. Knorr	125 86 ---	911.90
9	To do do do	Peter Hill	345 10 ---	
		}	}	
		Mary Lahare	304 40 ---	1,157.00
10	To Interest on	P. Tulane's	note disc. 320.58	
		Williams & Grant	6.42	
		Fullerton	17.60	
		Briggs	117.44	
		Nicholson	67.78	
		Feret	500.00	
		Goff & James		
		on 4 notes		
		and McIntosh	160.74	
		L & L Kerr's	90.00	
		J. L. Lewis	70.85	1,351.41
				17,617.57
10-15	(Summary of deposits recorded)			1,695.00
15	To Bills Recble	J. L. Lewis	note coll. 2,500 ---	
		N. S. Sinnott	50 ---	
		Behan & Freeland	1,000 ---	
		do & do	1,000 ---	
		do & do	777.77	
		W. Selleck	205 ---	
		E. D. Miller	1,000 ---	
		D. J. Rogers	500 ---	7,032.77
	Page 3 Total			26,345.34
	Page 5 Total (End of month)			30,021.46
28	To Balance			3,598.33
Mar				
1	To Deposits received from	H. Long	824 15 ---	
		etc.		

Source: New Orleans Savings Bank Collection, Volume VI, Cash Book of Receipts and Expenditures

**Figure 3**

**Cash Book**  
**Sample Cash Disbursements Page**  
**February, 1842**  
**(Abbreviated)**

Feb							
1	By Deposits	Paid	John Ahrens	326	600	---	
2	By "	do	Cath. Donovan	334	40	---	
			Eliza Harrigan	105	30	---	
3	"	do	Leath & Conroy	254	20	---	
			John Reardon	136	150	---	
			F. Pfeiffer	172	392.73		
			A. Caldwell	182	<u>40.21</u>		1,272.94
	By Interest	do	do		.17		
			F. Pfeiffer		9.04		
			Donavan		.90		
			Ahrens		<u>14.25</u>		24.36
4	By Deposits	do	John Ross	322	100.00		
			{	{	{		
			Pat. Nestor	223	<u>740.13</u>		3,211.63
	By Bills Rec	do	E. W. Sewell				590.08
7	By Deposits	do	Wm. Averill	344	298	---	
8	By "	do	Robt. Hart	103	100	---	
			{	}	{		
			Angelina Minor	327	<u>106.01</u>		976.00
	By Expenses	do	G. C. Duncan --				
			rent of office				
			in Canal St.				
			To Feb 1				75.00
10	By Bills Rec	do	P. Tulane note		1,680	---	
			Williams & Grant		444	---	
			Wm. Fullerton		488.88		
			E. Briggs		1,400	---	
			Jas. Nicholson's		1,000	---	
			G. A. Feret		5,000	---	
			F. D. Goff		543.75		
			James & McIntosh		553.12		
			F. D. Goff		543.75		
			James & McIntosh		553.12		
			L & L Kerr note		<u>900.00</u>		13,106.62
11	By Deposits	do	J. Collins	347	155	---	
12	"	do	Eliz. Hopkins	302	34.42		
			C. Mighells	305	100	---	289.42
	Page 1 Total						<u>19,546.05</u>
	Page 5 Total (End of month)						26,423.13
28	By Balance (See Exhibit II)						<u>3,598.33</u>
							<u>30,021.46</u>

Source: New Orleans Savings Bank Collection, Volume VI, Cash Book of Receipts and Expenditures

One item found in Figure 3 is particularly interesting — the \$1,680 note of P. Tulane. This is probably Paul Tulane, after whom Tulane University is named. For the same day, interest on this note is shown on the left-hand page of the Cash Book (Figure 2) by means of the entry “Interest on P. Tulane’s note disct, \$320.58.” Evidently interest was deducted in advance and recorded, at that point, as a cash receipt. Other notes were treated in a like manner.

For the month illustrated, February, 1842, one item of expense was recorded in the Cash Book — a payment of \$75.00 to G. C. Duncan for the prior month’s office rent. Amounts of \$3.00 and \$3.50, paid for the protest of two notes (not shown), were also recorded this month.

The cash disbursements were totaled at various times and at the end of each page. At the end of each month the total of the disbursements made during the month was recorded, along with the ending cash balance. The total of these amounts was equal to the beginning cash balance plus the cash received during the month. The accountant then reviewed the transactions recorded during the month, summarized them by category of receipt or disbursement, and transferred this information to the next recordbook of interest — the Journal of Receipts and Expenditures.

#### *Journal of Receipts and Expenditures*

This recordbook contains a summary of all cash transactions, by account (see Figure 4). The upper section of each page, which was used to summarize cash receipts, is headed “Cash DR — to Sundries.” In its left-hand margin is the number 500, which is the account number for Cash. Evidently the Savings Bank maintained a chart of accounts.

The second line from the top starts with the number 499, slightly to the right of the number shown on the previous line. This, presumably, indicates a credit balance in the account listed on that line — “Deposits — This amount received this month,” after which the amount \$8,499.90 is recorded. This amount is equal to the sum of the deposits shown for the month in the cash receipts section of the Cash Book.

The second account with a credit balance is number 511, “Interest — This amount received this month,” after which the amount \$1,413.37 is recorded. This balance also agrees with the Cash Book.



**Figure 4**

**Journal of Receipts and Expenditures  
 February 28, 1842**

500	Cash	DR	To Sundries		
	499 Deposits		This amt. received this month	8,499.90	
	511 Interest		do do do do do	1,413.37	
	556 Bills Receivable		J. L. Lewis	2,500 ---	
			N. Sinnott	50 ---	
			Behan & Freelande	1,000 ---	
			do	1,000 ---	
			do	777.77	
			W. Selleck	205 ---	
			E. D. Miller	1,000 ---	
			D. L. Rogers	500 ---	
			J. Kemp & Others	1,000 ---	
				<u>8,032.77</u>	<u>17,946.04</u>

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	500 Sundries	DR	To Cash		
496	Deposits		This amount paid this month	9,331.63	
512	Interest		do do do do do	25.18	
543	Protests		J. Nixon 3.50; W. Kennedy 3.00	6.50	
516	Expenses		This amount paid this month	75.00	
553	Bills Receivable		Ed. Sewell's note	590.08	
			P. Tulane	1,680.00	
			Williams & Grant	444.00	
			Wm. Fullerton	488.88	
			Ed. Briggs	1,400.00	
			Jas. Nicholson	1,000.00	
			G. A. Feret	5,000.00	
			F & D Gott	543.75	
			Jamison & McIntosh	553.12	
			F & D Gott	543.75	
			Jamison & McIntosh	553.12	
			L. L. Kerr	900.00	
			E. D. Miller	763.12	
			J. L. Lewis	2,125.00	
			D. L. Rogers	400.00	
				<u>16,984.82</u>	<u>26,423.13</u>

Source: New Orleans Savings Bank Collection, Volume V, Journal of Receipts and Expenditures

The third account with a credit balance is number 556, "Bills Receivable." This account is interesting because each bill or note on which payment was received during the month is recorded, along with the name of the borrower. The amount of each bill is recorded in a separate column, which is sub-totaled in the next column — \$8,032.77.

The three subtotals shown for Cash, Interest and Bills Receivable are totaled at the bottom of the right hand column and a horizontal line is drawn across the page, indicating the end of the cash receipts section. The total amount shown in this section, \$17,946.04, is equal to the total of the receipts recorded this month in the Cash Book, \$30,021.46, minus the beginning cash balance, \$12,075.42.<sup>7</sup>

The lower section of the Journal of Receipts and Expenditures was used to record cash disbursements. It is similar in format to the upper section, but is headed "Sundries DR — To Cash." The word "to" was commonly used, at this time, to mean "credit."

The account number "500" is to the right of the other account numbers, indicating credits to Cash and debits to the other accounts. These other accounts are number 496, "Deposits — This amount paid this month" — \$9,331.63; number 512, "Interest — This amount paid this month" — \$25.18; number 543, "Protests — J. Nixon, \$3.50; W. Kennedy, \$3.00" — \$6.50; number 516, "Expenses — This amount paid this month" — \$75.00; and number 553, "Bills Receivable" — P. Tulane, \$1,680.00, etc.

The Bills Receivable account is broken down into subaccounts for each bill or note on which payment was made that month. The total of these payments was \$16,984.82 and the grand total of all payments made by the Savings Bank that month was \$26,423.13. This latter amount is recorded in the right hand column.

Notice that while Cash was recorded in one account (number 500) Deposits, Interest and Bills Receivable were each recorded in two accounts, one representing inputs and the other representing outputs. At the end of each month these accounts (and any related subaccounts) were combined and, as with Cash, the net changes were added to their beginning balances in order to determine their ending balances. Protests

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<sup>7</sup>A test of the mathematical calculations performed by the Savings Bank's accountant over a five year period fails to disclose any errors.

was treated as an asset account and was credited when a protested note was settled.

In summary, it appears that transactions were recorded each day in the Cash Book. At the end of each month the entries in this book were summarized, by account, in the Journal of Receipts and Expenditures. These summaries were then added to the beginning balance of each account, when such balances existed, and ending balances were determined. The ending balances were then recorded in the third recordbook of interest — the Balance Statements.

*The Balance Statements*

This recordbook begins with a Statement of Affairs. The Statement of Affairs lists the Savings Bank's depositors, and their account balances, and its outstanding bills and notes, as of December 31, 1841.

**Figure 5**

**Balance Statement  
 February 28, 1842**

Cash	3,598.33	
Bills Receivable	120,542.35	
Canal Bank Stock	900.00	
Wilkenson, McNeil & Co.	2,082.98	
Bauder, Wilkerson & Wright	1,684.77	
Lastropes & Desmare	1,660.00	
Bullitt, Shipp & Co.	84.40	
J. Mulray	1,800.00	
Wm. Christy	2,750.00	
Bier & Steerer	4,818.94	
J. Hagan, Jr.	761.33	
Buchanan & Hagan	2,333.34	
D. McLeod	1,722.22	
J. Gray	2,000.00	
M. Portier	2,500.00	
L. Peyroux	1,275.00	
Expenses	75.00	
Protests	33.00	
Deposits		136,404.45
Interest		1,388.19
Herman, Briggs & Co.		374.07
Profit & Loss		12,454.95
	<u>150,621.66</u>	<u>150,621.66</u>

Source: New Orleans Savings Bank Collection, Volume III, Balance Statements

The remainder of this recordbook is devoted to Balance Statements and Statements of General Balance. Balance Statements were prepared each month while Statements of General Balance were prepared on an “as needed” basis, about every fifth month. Unfortunately a Statement of General Balance was not prepared for the month of February, 1842, whose activities are illustrated.

Both types of statements resemble modern-day trial balances. They contain lists of accounts and columns for debits and credits. The Balance Statements list all accounts used by the Savings Bank, including certain outstanding notes, and their end-of-period balances (see Figure 5). They are comparable to pre-closing trial balances.

The Statements of General Balance list the Savings Bank’s asset and liability accounts and its “adjusted” Deposits and Profit and Loss accounts. They are comparable to post-closing trial balances. When these statements were prepared, the expenses incurred since the preparation of the last such statement were deducted from the interest received that period and the resulting balance was allocated between the depositors’ accounts and Profit and Loss. Since no other statements comparable to the one shown in Figure 1 were found in any of the existing recordbooks, it can be assumed that after 1828 the financial statements sent to the Louisiana Legislature and those used for other external reporting purposes were prepared in the Statement of General Balance format.

### *Conclusion*

This is a case study of the history, operations and financial reporting system of one of the earliest savings and loan organizations in America — the New Orleans Savings Bank. Although this institution was founded as a philanthropic endeavor, it operated on commercial principles and thus served as an example of altruistic capitalism.

What is of particular interest to accounting historians, however, is the rather sophisticated financial reporting system used by this institution and the resemblance of this system to those in use today by small financial institutions. Since this study covers only one organization, a broad statement cannot be made as to how common such systems were before the Civil War. Was the use of this system an isolated instance or were such systems the norm at this time?

It can be argued that the trustees of the Savings Bank (the primary users of the information derived from the accounting

system just described) were engaged in a wide variety of commercial pursuits and, as a result, were conversant with and probably demanded much financial information. Presumably, other antebellum-era organizations used systems that provided similar information. For example, in a previous research paper [Razek, 1985], it was demonstrated that a plantation owner in Southeastern Louisiana maintained a fairly sophisticated accounting system at this time. We will never really be certain, however, unless accounting historians systematically search and analyze the records of other enterprises which operated at the same time, especially financial institutions. Hopefully, future researchers will do this and one more piece will be added to fit the puzzle of ante-bellum accounting history.

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