Personal accounts, account books and their probative value: Historical notes, c.1200-c.1800

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PERSONAL ACCOUNTS, ACCOUNT BOOKS AND THEIR PROBATIVE VALUE:
HISTORICAL NOTES, C.1200 TO C.1800

Abstract: This paper discusses a number of topics pertaining to personal accounts in account books in the period roughly between 1200 and 1800. The main emphasis is on two topics, namely the use of account books as evidence in courts of law, and bad and doubtful debts and their accounting treatment. Examples from various countries and periods are provided to illustrate the discussion, which is not intended to be exhaustive.

INTRODUCTION

The majority of accounts in surviving business account books of the period 1200 to 1800 in Western Europe are personal accounts. They record dealings of the firm with individuals, one-man businesses, partnerships, joint stock companies, religious establishments, and government bodies. In many of the account books there are only personal accounts, and in some there are mainly personal accounts together with a sprinkling of non-personal accounts.

This paper considers and illustrates a selection of topics that pertain to personal accounts in the period covered: personal accounts in single entry and double entry bookkeeping systems; the use of account books as evidence in law courts; how a merchant could increase the probative value of his account books; bad and doubtful debtors and debts, and the various accounting treatments given to them; and some concluding observations, mainly about ledgers in flames.

The word “merchant” is used here, for convenience, to include merchants large and small, wholesalers and retailers, as well as banks and manufacturing businesses. The main focus, though, is on merchants in the narrow sense.
Again for convenience, the word “merchant” is used here in the masculine form, i.e. “he”, “his” and “him”, in contexts which were by no means exclusive to men. Some women ran their own businesses. For example, in eighteenth century Paris the widow of a baker often continued the bakery business when the husband died: “In the midst of the trauma and grief, the widow had to think first of continuing business as usual. Competition for customers was keen; any interruption of service threatened to damage the business durably”.¹ Many more women contributed significantly to the businesses conducted by their husbands. Professor Olwen Hufton has written as follows [1995, pp.149-150]: “The bookkeeping side of many businesses was, right through our period [i.e. 1500-1800], very often the work of the wife....” She gives a specific example, that of the gifted Mrs Thrale, friend of Dr Johnson: “Mr Thrale the brewer, who could well afford the services of a clerk, left the bookkeeping to his talented wife and was well advised to do so as she had a far better business head than he did ...”. The French historian, Professor Serge Chassagne, has described the accounting skill, business sense, and dedication of the cultivated Mme Marie-Catherine-Renée de Maraise, who in 1767 married a partner in the famous Oberkampf textile manufacturing business [Chassagne, 1980, ch.iv]. Towards the other end of the spectrum, as it were, was Frau Margarete Bödeker in Kiel (around 1600) who worked regularly in the business and took her husband Ulrich’s place when he was away [Kleyser, 1978, p.416]. There were many like her.

PERSONAL ACCOUNTS IN SINGLE ENTRY AND DOUBLE ENTRY BOOKKEEPING

Single entry and double entry

Matthieu de la Porte, described as professeur teneur de livres de comptes and maistre ecrivain juré, published the first edition of his La science des negocians et teneur de livres ... in 1704. It proved to be a best-seller, and was re-issued (with changes) in several editions. According to de la Porte, single entry bookkeeping (parties simples) consists only of accounts for those persons with whom one traded (... son usage est d'établir seulement des Comptes pour les personnes avec qui on negocie ...) [De la Porte, 1704, p.1]. He provided a detailed illustration of his method.

¹ Kaplan, 1996, p.323. Kaplan's study includes many references to women's work in bakeries in Paris as well as to bakers' bookkeeping and credit arrangements.
The term “single entry bookkeeping” in due course came to acquire a different meaning. The term is now often applied to any bookkeeping arrangements that cannot be described as double entry bookkeeping. For convenience, the term is used in this sense in this paper.

Several publications have appeared in which early examples of single entry (in this wider sense) in our period have been surveyed. These surveys indicate a very wide variety of arrangements – ranging from ledgers with only personal accounts to ledgers with personal and non-personal accounts that come close to being double entry (and could in some cases have resulted from failed or imperfect attempts to implement that system). Here it is sufficient to add two more examples, one of single entry in the narrow sense, and the other of single entry in the more expansive sense.

Garrett Godfrey was a bookseller, bookbinder and stationer in Cambridge (England). Parts of his account book (c.1527-1533) have survived, and have been published, with scholarly analysis and discussion. The contents of the account book are best described in the words of the authors of the study [Leedham-Green et al. 1992 p.xiv]:

Godfrey’s accounts ... are very largely, if not entirely, concerned with credit customers, each of whose names and addresses was entered in his ‘book’ with a list of purchases. If space allowed, further purchases by the same customer might be entered under the same heading, if not, the heading was repeated in the next available space. Periodically account-holders came in with cash and settled all or part of their debt, a transaction recorded usually by the formulae ‘soluit complete’ or ‘omnibus computatis et solutis remanent solvendi’ so many shillings. The entry was then, wholly or in part as appropriate, cancelled in the book.

From time to time an entry on which payment was still due would become stranded among others which were all cancelled and so, no doubt, run the risk of being overlooked, or at least hard to locate. The remedy was to cancel it and re-enter it among other accounts still current ...

The ledger (1413-1426) of the Milanese merchant Donato Ferrario da Pantiglione contains several non-personal accounts

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as well as many personal accounts [Gazzini, 1997]. The ledger is made up of bilateral accounts, with debit and credit spaces side-by-side on the same page (i.e. it is not alla veneziana, where the debit and credit spaces are side-by-side on adjacent pages). The language is Latin, as was customary in account books in Milan and Genoa in the fifteenth century. The non-personal accounts include an account for canvas on which a profit was made (pro lucro facto); and an account for a venture in cattle in a partnership with others (Vache empte ad sotietatem ...). Some of the accounts have entries for quantities but without monetary entries: for example, there is a personal account with entries for transactions concerning wheat flour and flour mixtures (farine furmenti and farine mixture).

**Personal and non-personal accounts**

Double entry ledgers necessarily contain non-personal as well as personal accounts, since this is one of the distinguishing features of the system. Simon Stevin, the noted polymath and adviser to Prince Maurice of Nassau, recorded a dialogue with the Prince in which he explained that a merchant makes pepper, ginger, capital and cash debtors and creditors just as he makes people debtors and creditors. He was comparing merchants' double entry bookkeeping with the records kept by the Prince's officials concerning his financial affairs. In similar vein, Matthäus Schwarz, for many years chief bookkeeper of the wealthy Fugger family business centered in Augsburg, explained in a manuscript written early in the sixteenth century that while in Italy merchants treated merchandise as if it were a debtor like any other debtor, in the German states merchandise was not treated in that way.

De la Porte [1704, pp.139-140] distinguished three classes of ledger accounts in the double entry system: the first are accounts of the owner of the business (comptes du Chef); the second are accounts of real things (comptes des Effets en nature);

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3 In some cases a firm had several different ledgers (which together constituted the "ledger"). Thus there are examples where a firm kept separate ledgers for personal accounts and for merchandise accounts: the latter naturally had no personal accounts.

4 Stevin, 1608: 11: "Il [the merchant] fait Poivre, Gingembre, Capital, Casse, si bien Debiteurs & Crediteurs comme les hommes ...."

5 Weitnauer, 1931, p.186: "... auf die mainung, wie mans in welschlanden helt, als das man die guetter auch fur schuldner helt wie ander schuldner ...". Schwarz also wrote that "in teutschien landen", "man die guetter nicht fur debitor helt."
and the third are personal accounts (comptes de Correspondans, ou Personnes avec qui on negocié). He explained that the first category included the capital account, the profit and loss account and various expense and income accounts. The second category – the comptes des Effets en nature – included accounts for cash, merchandise, bills of exchange and particular assets such as houses, land and ships. The remaining category consisted of personal accounts. Many other treatises include the tri-partite classification along the same lines as de la Porte.

In Italy it became the practice at an early date to use the expressions deve dare (ought to give) and deve avere (ought to have) to distinguish debit and credit entries in personal accounts. These terms were natural and appropriate in entries in those accounts. They came to be applied also to non-personal accounts, where their use, strictly speaking, was not appropriate, but where their meaning was clearly understood. Thus, for example, in John Isham’s ledger (1558-1570) one finds the following: “Satten [= satin] And Damaske owith [= ought] to gyve ...” and “Sattens and Damaske owith to have ...”, respectively on the debit and credit sides of the particular merchandise account [Ramsay, 1963, p.31]. Another example: in Donato Ferrario’s ledger (1413-1426) there is an account for fustians, Fondichus fustaneorum ..., with the words debet dare on the debit side, and debet habere on the credit side [Gazzini, 1997, p.306]. There is no reason to suppose that the terminology led to any difficulty in practice.

ACCOUNT BOOKS AS EVIDENCE IN LAW COURTS

Memory and evidential functions

The information contained in personal accounts formed part of the merchant’s commercial data base. The information was necessary to enable the merchant to administer his debts, receivable as well as payable, and to help him manage his cash

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5 Several English-language authors, although using the same classification, gave a somewhat different emphasis to the description of the first category: Thus Macghie, 1718, pp.9-10) calls the first class “Fictitious or Nominal Accompts”. These are “such as are contriv’d on Purpose to supply the Defect of a Debitor or Creditor, in all personal or real Accompts; seeing that no Accompt can alone consist of a Debitor without a Creditor, or vice versa”. The meaning is clear, even if the language is not. Donn, 1775, p.6 calls the fictitious/nominal accounts “Imaginary Accounts”: these “are found necessary for preserving the Balance of the Leger ...”. The Stock Account (= Capital Account), which “may be considered as representing” the owner of the business, is one of the imaginary accounts.
flow (as it would be called today). A merchant’s ledger served this mnemonic function even when, to modern eyes, the accounts and entries in it may appear confused, chaotic, or indeed incomprehensible.\footnote{A well-known example of a seemingly chaotic account book is that of the Runtinger, a substantial merchant house in Bavaria in the fourteenth century. A German scholar, the late Franz Bastian, 1881-1944, made a painstakingly detailed examination of the ledger and an analysis of its contents. Among other things, he was able to identify entries made in the handwriting of different individuals, and also to date most of the un-dated entries. Bastian’s study resulted in a 3-volume publication. Eikenberg’s study (1976) is based on Bastian’s work. He observes [1976, p.219] that without Bastian’s detailed investigation, it would be hardly possible, if at all, today to find one’s way in the Runtinger book – but that the Runtingers themselves would have had no particular difficulty. Some merchants did not have any account books at all, but relied on memory and scraps of paper. Datini, the “merchant of Prato”, complained that his fellow-Pratesi kept their books only in their heads, for four out of six of them had neither book nor ink-well, and those who had an ink-well had no pen [Melis, 1962, p.344, n.3]. However, this statement was an exaggeration, as Richard Marshall has shown [1999: ch.4]. He studied the surviving accounts of small businesses in Prato, and comments: “Though not approaching the sophistication and precision of the accounting systems used by Datini and many other merchant bankers of the same period, the records of these artisans and shopkeepers appear to have served their purpose.”}

Another function of the ledger accounts, notably the personal accounts, was to serve as evidence in commercial disputes for adjudication by courts of law or by arbitration. The evidential or probative function of account books is illustrated in this section.

\textit{Account books as evidence}

Merchants often presented, or were required to present, their account books before a court of law. According to Goldthwaite [2009, p.90], “nothing is more striking” in Renaissance Florence “than the many account books parties were forever hauling before the judges to substantiate their positions ...”. The court involved in the adjudication of these disputes was the \textit{Mer­canzia}, a body which represented merchants and had judicial powers. According to Ramsey [1956, p.187], in mid-sixteenth century England account books were

\ldots acquiring increasing importance as evidence in courts of law. Ralph Goodwin of Ipswich told the High Court of Admiralty in 1538 that the ‘merchants of the towne of Ippeswiche do use to kepe bokes of their Reconynges wherein they do enter all bargaynes that they do make; unto whiche bokes credence is gevyn because that merchauntes have allways kept such bokes’. 

\footnote{A well-known example of a seemingly chaotic account book is that of the Runtinger, a substantial merchant house in Bavaria in the fourteenth century. A German scholar, the late Franz Bastian, 1881-1944, made a painstakingly detailed examination of the ledger and an analysis of its contents. Among other things, he was able to identify entries made in the handwriting of different individuals, and also to date most of the un-dated entries. Bastian’s study resulted in a 3-volume publication. Eikenberg’s study (1976) is based on Bastian’s work. He observes [1976, p.219] that without Bastian’s detailed investigation, it would be hardly possible, if at all, today to find one’s way in the Runtinger book – but that the Runtingers themselves would have had no particular difficulty. Some merchants did not have any account books at all, but relied on memory and scraps of paper. Datini, the “merchant of Prato”, complained that his fellow-Pratesi kept their books only in their heads, for four out of six of them had neither book nor ink-well, and those who had an ink-well had no pen [Melis, 1962, p.344, n.3]. However, this statement was an exaggeration, as Richard Marshall has shown [1999: ch.4]. He studied the surviving accounts of small businesses in Prato, and comments: “Though not approaching the sophistication and precision of the accounting systems used by Datini and many other merchant bankers of the same period, the records of these artisans and shopkeepers appear to have served their purpose.”}
In 1541, the consul of the Venetian merchants in London stated in the High Court of Admiralty that

... by all the tyme of this deponentys knowledge in the trate of marchaundyze, feythe hathe byn and ys gevyn to all honest merchautnes bookys called lydgers, the owner of suche booke beyng reputed knowen and takyn for an honest man in credit and truyth.\(^8\)

In fifteenth-century Basle account books were often produced as evidence in disputes brought before the courts [Apelbaum, 1915, pp.112-117]. In Cologne in the period 1500-1650 account books "already enjoyed public credibility" [Gramulla, 1972, p.398].

Getting involved in events likely to give rise to commercial litigation was one of the risks that confronted merchants, especially merchants engaged in foreign trade. As the historian Dr Jenny Kermode has commented [1998, p.211]:

The possibility of spending time and money to enforce a contract in a distant court was an important consideration for any merchant entering a partnership, securing credit or dealing with anyone outside his own region. Trade, however, is for optimists. Most merchants presumably hoped that they would not be shipwrecked or assaulted by pirates or have to pursue an erstwhile partner through the royal courts in London, or, even worse, through a court overseas.

It is likely, though, that some merchants were astute enough to take advantage of the multiplicity of jurisdictions and the scope for delaying tactics.

**Four cases**

The main facts of four cases are presented here. The cases convey a sense of the range of the type of disputes that came up for adjudication, the difficulties confronting judicial authorities, and the use they made of experts, whether merchants or bookkeepers.\(^9\)

(i) In 1291 a merchant of Lucca, Gettus Honesti, brought a suit in London against his former receiver, Pelegrin of Chartres, from whom he claimed a sum of 50,000 marks, allegedly with-

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\(^8\) The quotation is from Ruddock, 1951, p.95.

held by the receiver over a period of twelve years. The treasurer and the barons of the Exchequer first consulted four auditors and then a jury of Italian merchants, who were “summoned because the barons, on their own admission, neither understood ‘the idiom’ of the accounts presented to them, nor had much knowledge of ‘the laws and customs used between merchants’.” After further delays, “... the treasurer and barons conferred with the king’s justices and appointed a second panel of auditors to examine the evidence.” This panel was “not able to arrive at the conclusion of a true award by a clear and sufficient process.” The judges then appointed three arbitrators from the Italian merchant community (one chosen by each of the two parties and the third agreed upon by both) to join with the auditors in making an award.” After more delay, the receiver was charged with debts totalling £275. He was unable to pay this sum, and the treasurer and barons “confined him to prison.”

(ii) Members of two prominent Nuremberg merchant families, the Pirckheimer and the Imhof, were in dispute over a debt. In 1423, the two principal Pirckheimer partners brought an action before the Nuremberg city court against Cunz and Cristian Imhof. The Imhofs, it was claimed, had nine years earlier, in 1414, as agents carried out some business in fustians on behalf of the Pirckheimers. Allegedly, the Imhofs had not rendered an account of the commission business in question; and the complainants demanded a reckoning from the Imhofs as well as an inspection of their books. The Imhofs, under oath, responded to the effect that they had rendered an account, did not owe the Pirckheimers anything, and at the time did not have account books. The court, composed of a town mayor and two experienced merchants, found in favor of the Imhofs. Professor von Stromer considered that the Imhofs probably did not at the time have account books in the proper sense, but relied on memoranda. He suggested that, because at the time the Imhofs’ business was relatively small, memoranda might have been sufficient for their business needs.

More than 500 years after the court’s decision was made, Professor von Stromer was able to demonstrate that the Imhofs must have had an account book before 1464. He examined a surviving Imhof account book that covered the period 1464-1518. In that book there was an entry referring to an earlier account book which was marked with the sign of the cross (...
puch mit dem + ...).\textsuperscript{10} That book must no longer have been in use by 1464/1465. Von Stromer claimed also that it was wholly unlikely that the "cross" ledger had already been in use by 1414, the date of the transactions that gave rise to the dispute. However, the evidence does not seem clear cut. The surviving account book – which presumably was marked "A" or "1" -- covered a period of over 52 years. Assuming that the "cross" ledger was of the same size as its successor, it is possible that it was opened in time for recording the transactions in question. This inference is supported by von Stromer’s observation that the Imhof business was small in 1414 and in due course grew larger. The new evidence, though interesting, does not establish reliably that the Imhofs in fact did not have an account book at the relevant time.

(iii) Bernard de Roaix, a small-scale trader (commercant) in Toulouse, had taken part in an uprising in Burgundy in 1418-1419. His assets were confiscated, and his creditors applied for payment of what they claimed was due to them. One of the creditors, Pierre Jean Marty, a farrier (ferratier), presented a copy of a folio of his ledger (livre de raisons) to the authorities. The entries included acknowledgements of debts. They were expressed in the first person, and it was established that they were in the handwriting of Bernard de Roaix. Many small purchases were listed up to June 1407. Apparently the practice of having acknowledgements of purchases written in the ledger was used by Marty. The court decided that his claim for payment was valid.

(iv) In Antwerp in 1566 Johann Grüter, a city councillor (Ratsverwandter) of Münster, entered into a commercial partnership with Paulus Deschamps and Ronald Marin, the last-named being the manager and bookkeeper. When Grüter died, his widow asked for an accurate accounting and the winding-up of the partnership. But the liquidation was delayed, partly because Marin was spending two years in Lithuania. As creditors were pressing the widow, she travelled to Antwerp accompanied by two experts in the hope of expediting the winding-up of the partnership. The experts and some other merchants examined the partnership’s account books and found that they had been poor-

\textsuperscript{10} The practice of marking a firm’s first journal or ledger with the sign of the cross seems to have been well established in Italy and other Christian countries. For example, Pacioli (1494: ch.6) wrote that it is “a good custom for true Catholics to mark their first books with that glorious sign from which every one of our enemies flees, and before which the infernal horde rightly trembles, that is the sign of the holy cross ....” (Translation by von Gebsattel, 1994, p.48).
ly kept. Accordingly, a bookkeeper, Keltenhofer, was appointed to bring the books into good order. Keltenhofer constructed the partnership’s journal, and another bookkeeper, Walter, was entrusted with the task of posting the journal entries into the ledger and of drawing up the balance account. His conclusion was that both Marin and Grütter owed the partnership substantial sums. This outcome naturally pleased neither Marin nor the widow. Marin cast doubt on several of the entries – whether they should be debits or credits. Five men of integrity were then appointed by the Münster authorities to examine the disputed entries. When they had completed this task, the two bookkeepers corrected the books, and under oath confirmed that they were in order. The Münster council attached its seal to the documents in May 1578, and advised the authorities in Antwerp that the balance account was correct and in conformity with the accounts in the ledger. Nevertheless, in letters to the Grütter widow Marin continued to contest the bookkeeping and refused to accept it. A wide-ranging legal battle ensued, which eventually reached the imperial court of appeal in Speyer (Kammergericht). The evidence given by the two bookkeepers and the account books they had completed played an important role in the legal proceedings. The matter was referred back to the lower court. In due course Marin conceded that the accounts prepared by the two bookkeepers (Keltenhofer and Walter) were indeed correct. And there the matter ended.

Local legislation

In addition to reports of commercial disputes that came for adjudication before courts of law, local legislation also provides information about the use of account books as evidence of debt. From the details provided by the late Professor Penndorf [1913, pp.168-170; p.236] for some German cities in the sixteenth and seventeenth centuries, it appears that the account books of a merchant were likely to be given weight as evidence in legal proceedings only when the merchant was found to be of good character and was reputed to conduct himself honorably in his business dealings. It also helped if the merchant affirmed the truthfulness of the contents of his account book under oath. In some jurisdictions, limits were placed on the period during which entries in an account book would be accepted as valid proof of debts. An ordinance of 1783 decreed that in Schleswig and Holstein claims had to be made within three years of the recorded transaction in the case of disputes within the country, extended to six years in the case of disputes with foreign contes-
The 1520 city legislation of Freiburg was particularly detailed. The account books had to be bound and have strong covers. As far as possible, entries in the books should be made by the merchant himself, or by his specifically authorized servant. The entries should be distinct from one another, and without erasures and cancellations. It is of particular interest that the Freiburg legislation of 1520 required that totals should be expressed not in arabic numerals but in roman numerals or in whole words (... nit mit zyffern sonder langenzal oder mit gantzen worten ...). This requirement seems to have reflected a lingering impression in some places that it was more difficult to alter roman numerals than their arabic equivalents and that their use therefore reduced the likelihood of fraudulent tampering with the accounts.\textsuperscript{11}

\section*{INCREASING THE CREDENCE GIVEN TO ACCOUNT BOOKS}

\textit{Introduction}

There were several ways in which a merchant in our period could increase the likelihood of receiving payment of his accounts receivable. For example, the merchant could insist that the debtor provided a surety or guarantor for the debt; he could have the debt recorded by a notary; or he could have it recorded in the official “town book” where one was available.

In various ways a merchant could also increase the acceptability of his ledger (and other account books) as evidence in courts of law.

\textit{Pious invocations}

Early account books often include pious inscriptions or invocations on their first page. Typically, the merchant beseeches God, the Virgin Mary, particular saints or the saints in general to grant him good profits and the salvation of his body and soul. The invocation is usually followed by a paragraph in which

\footnotesize\textsuperscript{11} Because of the alleged susceptibility of the “new” Arabic numerals to fraudulent alteration, in 1299 the city authorities in Florence introduced a statute that obliged those engaged in money-changing operations to use roman numerals, i.e. letters (\textit{per literam}) in their books. [Menninger, 1958, vol.2, p.244]. Menninger also quotes from a Venetian work on bookkeeping to the effect that it was easy to change a zero “0” into a “6” or “9”, and also to make other fraudulent modifications to arabic numerals. (I have not been able to identify the source.)
information is given about the business, e.g. the names of the partners (and of the individual(s) who would make entries in the book), and about the account book itself, e.g. number of pages, the material and colour of the cover, its designation (e.g. ledger number “A” or “1”), the currency of the entries, and, in the case of a ledger, the form of the accounts (e.g. debit entries in the first half and credit entries in the second half of the book; or debits and credits on facing pages).12

According to Professor Hunt [1994, p.108], these pious invocations in mundane account books may seem incongruous, perhaps even cynical, to twentieth-century eyes. Partly they attest to the pervasiveness of the Christian faith among medieval businessmen, about which much has been written. But also they may perform a legal function ... [A.P. Usher] also suggested persuasively that the pious phrases appearing on bills of exchange and account books were designed to give additional sanction to otherwise informal documents, enhancing their enforceability.

It may well be that the probative value of the account books was also enhanced if they were authenticated before the city consuls (in cities which had such arrangements), as was explained by Luca Pacioli [1494, ch.7] with special reference to the city of Perugia:13

It is good custom in diverse places in which I have been, for a merchant to take and show his books to a certain authority, such as the consuls in the city of Perugia. You declare that these are your books, in which you yourself intend to write the entries, or to have entries made by such and such person, of all your transactions in an orderly manner, and you state the currency in which you wish to keep them, that is in “lire di piccolo” or in “lire di grossi”, or in ducats and lire ... These things the good merchant must record on the first page of each of his books ... And ... the authority’s clerk in his own hand and in the name of the authority will write the same matters on the first page of your books, bear witness to everything etc., and attach the authority’s seal authenticating them in all cases when they might be required to be presented.

12 For examples of invocations, see Yamey, 1974, pp.143-147, Yamey, 2010, pp.163-165, and references cited; and Edler, 1934, p.388.

13 Translation by von Gebsattel, 1994, p.49..
The authority did not, of course, certify or authenticate the contents of the books.

_Double entry bookkeeping and the probative value of accounts_

The question arises whether courts of law accorded a greater probative value to a merchant's account books as evidence when they had been kept on the double entry basis than in any other way.

The Jesuit Lodovico Flori was the author of one of the most interesting and sophisticated of the early treatises on bookkeeping and accounts. Although the main subject of his book, published in Palermo in 1636, was the application of the double entry system to the transactions of religious establishments, it is evident that Flori was knowledgeable about the business world.

Flori wrote in the preface of his treatise that account books properly and well kept on the double entry system were treated as being fully worthy of trust by public authorities in all countries. And, according to Flori, merchants and traders throughout the world used the double entry system if they wanted their account books to be trusted by public authorities.\(^{14}\)

This statement is remarkable, and Flori's competence in accounting matters is not in doubt. It should, nevertheless, in my view be treated with much scepticism; and this is so for several reasons.

Flori provided no specific evidence to support his claim. No reference is given to decisions of judicial authorities anywhere in Europe, nor to any other authoritative sources. Furthermore, it is highly unlikely that a court of law would have failed to take account of the character and reputation of the merchants involved in a dispute, regardless of whether or not the account books were in double entry. Moreover, experienced judges and magistrates, and even more so experienced merchants and bookkeepers who acted as members of tribunals or as assessors, would have known that the double entry system was not a safeguard against error and fraudulent entries. Indeed, Pacioli [1494, ch.7] had drawn attention to fraudulent practices: "... since many [merchants] keep double books; one which they show to the buyer and the other to the seller; and what is worse,\(^{14}\)

\(^{14}\) The statement in Flori, 1636, p.3 is as follows: "... s'e ben tenuto, e come si conuiene, acquista da quello la Scrittura appresso di tutti indubitata fede, la quale ancora vien confermata con publica autorita appresso tutte le Nationi. Che perciò tutti I mercanti, e negotianti del mondo, quando vogliano che alli suoi libri si presti intiera fede, non si servono d'altro modo, che del Libro Doppio ...".
they perjure themselves in this way, and do great evil.”\textsuperscript{15} Flori himself was aware of the possibility of fraud, and of the need to minimise the risk of its occurrence.\textsuperscript{16}

There is yet another consideration. If Flori's claim for the double entry system were even broadly correct, that important practical implication of the use of the system would have been widely known, at least in commercial circles. Writers of treatises on bookkeeping and accounts were, by and large, eager to extol the virtues of the system and to draw attention to the benefits merchants could derive from using it. Some of those writers would surely have made much of the purported fact that law courts were likely to give full credence to journals and ledgers kept in accordance with the rules of double entry. Yet to the best of my knowledge no treatise on bookkeeping and accounts (other than Flori's) published during our period includes any such claim, or suggestion.

From Flori's sweeping claim we turn to consider a more modest one, concerning the bankruptcy of a merchant. Is it not possible that a bankrupt merchant who kept his account books on the double entry system was, for that reason, more likely to receive more lenient treatment from the court or from his creditors than if he had not done so? The question is relevant if only because of a statement in Robert Colinson's \textit{Idea Rationaria} ..., (the first treatise on bookkeeping and accounts published in Scotland, in 1683), that double entry account books were viewed favorably by creditors in bankruptcy proceedings. Colinson wrote as follows [1681, p.1] in the context of the use of the so-called Italian system of double entry bookkeeping (italics added):

\begin{quote}
... if he [the merchant] be unfortunate it satisfies the world of his just dealing, and is the fairest and best Apologie of his Innocence and honesty to the World, and Contributes exceedingly to the satisfaction of all his friends and well-wishers, and to the Confutation and silencing of all his malevolent and detracting Enemies,
\end{quote}

\textsuperscript{15} Translation by von Gebsattel, 1994, p.49. See also Yamey, 2006, esp. p.449.

\textsuperscript{16} Flori [1636, p.29] noted that certain entries in a ledger might not seem to need to have corresponding journal entries, for example, entries made to correct an error. Their omission meant that less effort was involved; and Flori also noted that there was no risk of deception or fraud in such cases (\textit{... non essendo in ciò alcun pericolo d'inganno, ò fraude ...}). Flori nevertheless advised that entries should be made in the journal in those cases, so that the total of all entries in the journal could be checked against the total of all entries in the ledger.
and often proves the great cause to bring him to a most favourable Composition with his Creditors: whereas these that are ignorant of it, in such a Condition are censured by all, when they have nothing to show but bare words to vindicate themselves ... [emphasis added]

The hyperbole is apparent: "bare words" was not the only alternative to double entry accounts. But what is more important, Colinson provided no evidence in substantiation of his assertion. Considerations that affect the validity of Flori's claim apply mutatis mutandis to Colinson's.17

What seems to have counted strongly in judicial proceedings, arbitrations and bankruptcy proceedings were the standing and reputation of the merchant and the orderliness and clarity of his account books, rather than whether or not they were kept by double entry. The authors of the relatively few treatises on bookkeeping and accounts in our period who refer to the credence given to account books in commercial disputes tended to emphasize the need for the merchant himself, or a named servant, as far as possible to make the entries in the main books, and to keep them free of interlineations, of cancellation of words and entries by striking out or obliteration, and of erasures and other blemishes which might cast doubt on the authenticity or the validity of particular entries, or of the account books themselves.18

Some of the treatises in question also indicate that account books such as the journal in which entries are made in strict chronological order were likely to have greater probative value than account books such as the ledger. It was more difficult for a merchant or bookkeeper to insert fraudulent entries supposedly relating to earlier transactions in a well-kept journal.19

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17 The Colinson passage quoted in the text above is included in James Aho's book [2005, pp.53-54]. He adduces it to support his conclusion that medieval merchants had very good reasons to "cast up accounts to the communities that tolerated them and to the Creator ..." However, Aho has misunderstood the passage, and has mis-quoted key words. Instead of the words "with his Creditors" in the italicised sentence quoted above, Aho has the words "with his Creditor [namely God]".

18 Weddington [1567] puts some of the main points succinctly in the section on the "great Boke or lidger": "And this boke ought to be verri faire writton, without ani blottinge or eror, and with one manner of hande ... all the wiche ought to be don in so good order and perfection, as though it ware your last will or testament ...."

19 A chronologically-ordered account book is not unique to the double entry system. For example, de la Porte included in his system of single entry a journal
distinguished Roger North – whose publications included books on law, history, music and fish -- in his treatise *The Gentleman Accomptant* (1714) contrasted the journal and the ledger in this respect. In a regularly maintained journal, he writes, “an After-cheat ... can afterwards foist nothing into the Books, that is false, to give Colour to it.” In the ledger, because some accounts will have only occasional entries in them, with large lapses of time between some entries, the After-cheat can make a false entry without it being suspicious: “… and in the last Year you may write with a Date Two Years before; and what shall shew the Falsity?” [North, 1714, p.44].

The French *Code de Commerce* of 1673, which was aimed specifically at tackling the problem of fraudulent bankruptcies, did not require merchants of any category to keep their books by double entry. The articles of the *Code* that dealt with accounting matters stipulated that merchants’ account books should be certified by the appropriate public authorities; that the entries in the journal should be made one after the other in date order, without blank spaces and with nothing written in the margins; and that the merchant should draw up an inventory of his assets and liabilities every two years. A merchant who went bankrupt and whose account books had not been certified properly would be deemed a fraudulent bankrupt and be proceeded against with vigour and be subject to the penalty of death (... *banqueroutiers frauduleux seront poursuivis extraordinairement, et punis de mort*). The prescriptions of the *Code* were not enforced rigorously at any time, and became a dead letter.

*Written acknowledgements of debt in ledger accounts*

(either a *journal entier* or one sub-divided into various books for different classes of transaction).

20 Pacioli, 1994, ch.6, noted that it was desirable to number the pages of the journal. It was not sufficient that the entries in it were made in chronological order. “... We have seen many big merchants who filled not one page but two or three a day, of which one could later be cut and removed (by someone who wished to do ill). Such fraud could not be known or discovered from the dates ....” (Translation by von Gebsattel, 1994, p.49.) Pacioli was much concerned about fraud and its prevention. He did not, however, mention another practice designed to reduce the possibility of fraudulent entries in the journal. This practice was to make one or several oblique strokes across any blank space that was too small to accommodate a complete entry at the foot of a journal page. The practice is described in Ympyn, 1543, ch.9: “Et fault pourtraire vne royte soubz la partie derreniere de chascun coste du lournal, appres que la partie closse sera: & affin que on ne maicte sur la marge, ou aux lieux vaccans, aulcunes parties faulse.“

21 For the relevant text of the *Code* and an informative commentary, see Lemarchand, 1993, pp.116-123.
In the earlier centuries of the period covered in this paper it was not uncommon for a merchant to require some of his customers to acknowledge their indebtedness by making entries, or at least signing entries, in their personal accounts in his ledger. This reassuring practice clearly would have increased the value of the personal accounts in the ledger as proof of indebtedness in courts of law.

One example has already been referred to in the discussion of the case of the Toulouse merchant de Roax (see page 9 above). Two more examples are given here. The first concerns Martin Bursa, a merchant of Bruges who traded in Valencia [Lapeyre, 1970, p.103. His account book (1414-1426) includes entries with signed acknowledgements of debt written in several languages – Valencian, Castilian, French, Latin and Arabic – a fact which, incidentally, illustrates the mobility of medieval merchants. The second example concerns the oldest surviving business account books (1516-ca. 1538) in Austria, those of Alexius Funck, a prominent merchant and mayor of Wiener Neustadt. The Funck business required handwritten acknowledgements of debt from several customers (including Jews from Western Hungary and some members of the aristocracy). One entry is to the effect *inter alia* that the customer, Herbster, has made a reckoning with the honourable and wise Michael Hermann (Funck’s manager), acting on behalf of Funck, that he owes Funck 701 pounds and 5 shillings, and that the entry is in his own handwriting for assurance.\(^{22}\)

An older branch of the famous Medici family of Florence, engaged in cloth manufacture and trading, went further than simply requiring some customers to acknowledge their credit purchases in its ledger [Edler, 1934, pp.402-403]. In some cases, shortly after a transaction had been made, an employee of the Medici would be sent to the customer to ascertain whether he had entered the transaction in his own account book. If he had, an appropriate annotation would be made in the personal account in the Medici ledger. For example, the following is written below the debit entry for a credit sale in the personal account of Piero Ispina: + *Veduto iscrito a loro libro memoriale segnato*

BAD AND DOUBTFUL DEBTS

A serious business problem

In 1625, Dettleff Heldt, of Hamburg, compiled an inventory of his assets (mostly debts receivable) and liabilities of his business, and concluded with an appeal to Almighty God, *inter alia*, to have mercy on him, and that all his debts might be collected. In 1698, Barthold Festingh, a merchant of Abo (Finland), opened his account book marked “G” with an invocation beseeching God's blessing that the book should begin happily and end perfectly, and also that he will be protected from “evil, deceitful debtors.”

Many merchants in our period would have welcomed divine protection from the losses caused by debts becoming uncollectable. The prominent sixteenth-century Spanish merchant Simon Ruiz wrote that, like the plague, unsafe debts were to be avoided [Lapeyre, 1955, p.74]. A bankruptcy of a major debtor, or his escape from prosecution by absoconding to a safe haven, or his *de facto* immunity from prosecution, could cause heavy losses for his creditors. An interesting example is that of Francisco Dyas, a Spaniard who arrived in England in 1453. Five years later he returned to Spain, and left behind him “many large debts to notable and angry Londoners” as well as to Italian merchants operating in England [Childs, 1991, p.73-74]. In the sixteenth century, it was difficult for the Moscow branch of the (English) Russia Company to refuse selling on credit to the Emperor and his courtiers: the goods of the merchants who were members of the Company were “‘ever ready at hand for the Emperor and his nobilitie’, who took wares ‘upon trust ... and so it becometh desperate debt ...’” The impact of such debts (from all sources)

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could be heavy. The Company’s profits for 1585 were initially calculated in the accounts as the equivalent of £8.17s.8d per cent of the capital. The profits were later transformed into a loss of 30 percent, as a result of large losses from debts and other “remaines” in Russia and from “debts and other matters in England esteemed good at the time” but later “found not to be good” [Willan, 1956, pp.206, 214].

In his manuscript of 1458, Benedetto Cotrugli strongly advised his fellow-merchants not to allow their debts receivable to grow old. He told them, in effect, that uncollected debts filled the ledger but harmed the merchant. The merchant must not conduct his affairs so that his account books are rich but he is poor.25 The merchant must strive hard to collect the debts due to him. Indeed, according to Cotrugli, the merchant should refrain from all business activities every seventh year, except that he should settle his accounts and seek to collect the money he was owed.26 (But mainly he should spend the sabbatical year in peaceful repose and meditation.)

Many merchants in our period did try to collect their debts, even if some of them would not have measured up to Cotrugli’s high standards.27 According to Kermode [1998, p.233], writing about late medieval England: “However difficult and discouraging the exercise, recovering debts was an essential part of business. Failure to do so could result in commercial disaster, as happened to Gilbert Maghfeld, or the disappointment of legatees.”28 Sometimes merchants insisted that the

25 Tucci, 1990, p.156: “... non lasciare invecchiare li debito ... Fa in modo che li tuoi libri non sieno ricchi et tu povero ....”

26 Tucci, 1990, p.182: “... lo mercante debbe sempre all 7° anno riposare da ogni suo exercitio et traffico, et quello anno non fare alcuno contracto ma saldare li conti suoi et ridurre tucto in saldo et riscuotere ....”

27 For Marseilles merchants of the eighteenth century, see Carrière, 1973, p.740. One merchant, L. Isner, reported that he sent his younger son to Sardinia, and his elder son to Calabria and Sicily where he stayed for 15 months, to recover debts from various debtors.

Cotrugli, writing in 1458, advised merchants to use youths (giovani) to collect debts for them. Merchants have to be and appear to be human in their dealings (... debbono essere et parere humani ...). Youths, on the other hand, are not ashamed to be importunate and annoying or to embarrass the debtor. They will persist until they receive payment (... ma ali garzoni è virtù d’essere importunai et non lentare fino che habbi riscosso, et fare arossire mille volte il debitore ...). Cotrugli reported that many Genoese and Florentine merchants followed this practice of using youths as debt collectors (... questa doctrina seghuono molto più Gienovesi et Fiorentini ...). See Tucci, 1990, pp.156-157.

28 Maghfeld was a fourteenth-century English merchant whose account book is one of the earliest account books in English to have survived. (Geoffrey Chaucer
debtor should deposit a pawn. Thus Ditlev Enbeck, a merchant and alderman in Malmö (Sweden), wrote in his account book (1521-1535) that a particular debtor owes him 10 marks and has given three silver spoons as a pawn. After Alexius Funck (see p.17 above) would require a written bond from a customer to whom he did not want to extend further credit, and often required the customer to pledge as security such assets as his goods, his house, his wife’s finery, or indeed all his assets; and Funck would enforce the pledge when payment was not forthcoming. But there could be difficulties that made it impossible for Funck or his successors to collect a debt. Thus after Funck’s death, his manager who continued the firm’s operations recorded in his account book that a customer, Schiffer, could pay only 20 pounds on a debt of 110 pounds. There was nothing more available. His property had on two occasions been set on fire by the Turks (during their military invasion of Austria). The Medici bank, when it was a papal banker, was able to use the threat of excommunication in attempts to recover debts in its branch in Rome [De Roover, 1963, p.213]: “Apparently, ecclesiastics were more reliable debtors than laymen, because there was always the weapon of excommunication, and the Medici had little hesitation about using it against defaulters. However dreadful, it sometimes failed to impress, especially laymen who were impervious to the frightening prospects of damnation and did not have to fear the loss of their benefices.” In eighteenth-century Paris, according to Kaplan [1996, p.390], bakers and their suppliers often sought the intervention of senior public officials to enforce payment of debts. “In 1725 one of the foremost flour merchants of Pontoise threatened to boycott the capital because

29 Andersen, 1954, p.185: “... so is my schuldich Clawes ghlasemaker 10 mr., dar hebbe ik 3 sulwer lepel for to pande.”


But Funck could be generous on occasion. He did not do anything to enforce payment of an (admittedly small) amount; he wrote in his account book that the debtor could wait until he became rich again (“... die soll er mier bezalln wan er wider reich wiertt” (p.178).

a baker refused to pay his account of eight thousand livres. Pont­oise was one of the chief sources of Paris flour, the capital was in the throes of a serious dearth, and other merchants would surely follow the lead of this ‘big mealman [gross farinier]’. In these circumstances, Lieutenant General Hérault [the lieu­tenant general of police] vowed to extract payment from the debtor baker and any others who gave the flour dealers a pretext to abandon the supply of the capital” [Kaplan, 1996, p.390].

**Accounting treatment of bad and doubtful debts**

There were several methods for dealing with bad and doubt­ful debts in the ledger. One method was to do nothing about bad or doubtful debts in the ledger, but simply to keep open the personal accounts of all debtors, whether the merchant deemed them to be good (“sperate”), doubtful (“dubious”), or bad (“des­perate”). This practice, which, for example, the Bank of England seems to have followed in its mid-eighteenth century ledgers, took up space in the ledger, and involved more work when a ledger was being closed and a new one opened. On the other hand, the evidence of the debts’ existence was kept visible; and sometimes, though probably rarely, a doubtful or even desperate debtor might surprise the merchant by appearing and actually paying his debt after many years.

A second method was like the first, except that the merchant or his bookkeeper annotated the debtor’s personal account ap­propriately. A third method was similar, but more interesting. It involved the closing of the individual bad or doubtful debtors’ ledger accounts, and the transfer of the unpaid balances to a collective personal account suitably designated to indicate the nature of the debts, e.g. an Account of Bad and Doubtful Debtors. (Details of the individual debts could be recorded in a sepa­rate booklet or memorandum.)

A fourth method was for the merchant to give up hope, to close the debtor’s account, and to transfer the balance as a loss to the profit and loss account, either directly or through an intermediate Bad Debts account. For example, in 1755, Peter Du Cane (1713-1803), a merchant who was also director of the Bank of England and of the East India Company, in effect in 1755 wrote-off the debts of three Lisbon merchants to the profit and loss account. In the journal entry the reason given was “the

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32 For Italian and English examples of this method, see Yamey, 1994, p.261; Yamey et al., 1963, pp.200-201. For descriptions of the method in treatises, see Yamey et al., 1963, pp.105-106; also Flügel, 1781, pp.37-38.
destruction of Lisbon by an Earthquake the 1 Novr last.” By way of contrast, the partnership of Andries van der Meulen in sixteenth-century Leiden did not write-off two small debts but moved them into a Doubtful Debts account (Dubieuse schulden), although in each case the debtor is described as not having been traced (is onbekent ende tot deser can niet gevonden worden). Finally, some merchants followed what is the present-day method of leaving the doubtful debtors’ accounts undisturbed, but setting up a provision or reserve account to reflect the loss the merchant thought he was likely to suffer. There are early Italian examples of this practice (e.g. de Roover, 1963, p.247). A late eighteenth-century French example is in the accounts of the Manufacture de Papier Peints of Rixheim (near Mulhouse). An entry in the firm’s journal, dated 1798, indicates a credit to a reserve account, the balance on which was equal to 15 per cent of the dettes actives [Lemarchand, 1993, p.237].

Some early Italian merchants and banks had general reserves, which were set up to reflect losses likely to occur from current and past activities. A reserve (riserbo) of this kind was created in the 1392 accounts of the Pisa branch – a separate partnership – of the multinational business of Francesco Datini. It was designed to reflect, inter alia, the inclusion among the assets of debts owed by bankrupt debtors [Melis, 1962, p.419]. The ledgers of the fifteenth-century Cambini bank in Florence included a reserve account, which was credited from time to time with round sums (e.g. 400 florins): it was called fondo svalutazione crediti [Tognetti, 1999, e.g. p.213].

Over-statement of value of debts receivable

In all, it is evident that many merchants and bankers were reluctant to write-off even bad debts. Presumably this meant that the firm’s net assets and profits were over-stated. In some cases the over-statement was large. A memorandum of Lorenzo de Medici (il Magnifico), dated 1479, drew attention to the large accumulated losses of the Bruges and London branches of the Medici bank. Professor de Roover, the historian of the bank, after studying the surviving accounts and other records, concluded that this was a gross under-statement of the position, since it “rests on the assumption that most of the assets were worth their book value, which is certainly optimistic considering the high proportion of dead claims and slow accounts” [De Roover,
1963, p.350]. Another example concerns Simon-Emmanuel Le Normand, banker and financier, son of a French merchant established in Spain. He failed in 1792, and “the statement he furnished his creditors showed assets of more than thirteen million livres, including bad and doubtful accounts of six million and a deficit from profit and loss of nearly a million” [Taylor, 1964, p.490].

The merchant who owned the business, or the individuals actively engaged in running a partnership business – whether partner, manager or senior employee – would have been aware of such over-statement of assets and profits. But absentee owners, sleeping partners or owners (such as Lorenzo) and senior managers located in distant headquarters would have been in the dark. There certainly was scope for deception.

CONCLUDING OBSERVATIONS

Merchants were apt to treat their ledgers as valuable assets; and the information in the personal accounts included in them must have been an important consideration. One sixteenth-century Hamburg merchant kept his account books in an iron chest with three locks; another always carried with him the key to the chest that contained his account books [Gramulla, 1972, p.399, n.1]. When in 1646 an explosion caused by gunpowder stored in his house resulted in several deaths, a fire and much damage to property, Balthasar de Groote, a leading merchant in Antwerp, managed to escape, saving his life as well as his current ledger and journal [Baetens, 1976, p.32]. According to Ruddock [1954, pp.95-96], “sometimes, twenty years or more after a merchant was dead, his ledgers might be bequeathed as family valuables to his descendants and produced in court in the hope of recovering debts” (Ruddock is referring to sixteenth-century Italian merchants). Partnership agreements often stipulated what should happen to the firm’s account books and papers after the partnership’s dissolution, and who should have access to them.

In 1339, a mob in Genoa went on the rampage to celebrate the election of the popular Simone Boccanegra – the hero of Verdi’s opera – as doge of the city. The fire they started destroyed inter alia a series of ledgers kept by the stewards of the commune (the massari). The incineration of the ledgers destroyed evidence of the debts owed to the commune: the flames were not only part of a joyous celebration, but also served to destroy memory and wipe the slate clean.

About 150 years later, a burning ledger served as a meta-
phor. In 1485, King Frederick of Aragon chose an *impresa* (a personal device, usually a visual riddle) for himself. The King recently had had trouble from his nobles. But he forgave them, and wanted to show his forgiveness. He chose an *impresa* showing a ledger on fire, with flames issuing from its edges. The meaning of this conceit was that just as the burning of the ledger was deleting the debts recorded in it, so the King was erasing the nobles' misdemeanours from his memory. The visual metaphor neatly captures the functional essence of personal accounts.

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35 The *impresa* is illustrated and discussed in Yamey, 1989, plate 69 and p. 107.
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