

ACCOUNTANCY RECORDS AS ARCHIVAL SOURCES

by RONALD G. DRYEN

Senior Lecturer in Accountancy, University of New South Wales.

Accountants have been remiss in not setting up some guidelines for the retention of business papers and books of account as sources for historical investigation by members of their own profession and by economists, statisticians, business analysts, political and social historians. Perhaps the lack of attention to accounting sources is understandable. Most business entrepreneurs, ever-conscious of the impact of competition in a free enterprise economy, have been reluctant to release information which often is arbitrarily classified as "confidential"¹ and, consequently, they have preferred to destroy company records rather than lay them open to the prying eyes of investigators. Frequently, economic constraints discourage the retention of space-occupying records of little commercial value. Indeed, systems accountants have long been exhorted rigorously to jettison all but a small fraction of the books and documents accumulated by a business enterprise so that valuable space could be put to more productive purposes². Furthermore, in the comparatively brief period during which Australian business enterprises have operated, few significant developments have occurred in the philosophy and mechanics of accounting, the basic principles and practices of which were fairly well established long before this colonial outpost was contemplated. This possibly has discouraged Australian accounting researchers from utilising local sources as much as they might otherwise have done. While economic historians in Australia have been fairly diligent in unearthing, classifying and examining economic sources, thereby encouraging a preservation of such records, accountants have been activated by economic, rather than historical, motives; and this has encouraged records destruction, rather than records retention, to the detriment, not only of accounting research, but of research of a non-accounting nature as well, as will be suggested in this paper.

The purpose of this article, then, is to acquaint archivists, and business managements, of the research potential of accounting records, with a view to inculcating in both groups a sense of urgency to preserve business records that could throw some light on the development of our society.

That accounting historians to date have made little use of the archival material that is currently available should neither deter nor delay the collection of many business records normally thrown to the pulpers. An interest in accounting history is being stimulated in English-speaking countries³ by a few enthusiasts who lament that accountants generally are ill-informed about the history and development of their art; possibly less informed than the members of most other professions are about the development of their respective practices. Several American universities have recently introduced accounting history seminars into their graduate business programmes. In Australia, the professional accounting bodies are beginning to evince some interest in the historical development of

accountancy⁴. It is reasonable to expect that Australian researchers will shortly show an increasing interest in business archival sources.

The benefits to be derived from an examination of accounting records are not confined, however, to accounting historians. Because economic motives play a significant role in motivating individuals and shaping society, business archives, as material supplementing personal papers, press reports, public documents and institutional records, could prove a fruitful source of information for literati, historians and sociologists in the pursuit of their biographical and historical researches. An Italian accounting historian has drawn attention to the possibilities opened up for biographers and the like if they are prepared to delve beyond the personal papers into the commercial documents of their subjects.

The branch of the (Datini) Archives⁵ which has been explored to date has been that of the private and family papers from which partial and general studies of the private life of Francesco di Marco Datini have been drawn. As a result, it may be said fairly confidently that this great merchant has become known solely in the unoriginal and less interesting aspect of his personality. More specifically, it also may be observed that not only was he practically unknown as an economic operator, but even his private life had not been reconstructed exhaustively, because of insufficient research of the 'private and family' sources and the failure to examine the commercial papers, which often contain more significant elements than other sources.⁶

A comparatively recent biography of this man Datini⁷ was severely criticised on the grounds that the author had relied predominantly on the personal papers and had made merely a cursory examination of the ample business records available, thereby producing an incomplete and misleading portrait of the subject. "After all," complained the critic, "once it is proposed to draw 'a portrait of the merchant', how is it that all the mercantile correspondence is neglected?"⁸ Perhaps the critic's complaint is justified when it is observed that the Datini Archives, devoted wholly to Datiniana, comprise some 500 account books and ledgers, 300 partnership deeds, 400 insurance policies, 126,000 business letters and several thousand documents, including contracts, bills of exchange, bills of lading, letters of advice, letters of credit and cheques. The preservation of this collection was both purposive and fortuitous. Datini had given strict instructions to all his partners and associates that none of his records was to be destroyed. Nevertheless, some were destroyed⁹ and the remainder were not unearthed until 1870, when a Pratese archdeacon located them under the staircase of a house and set about putting them in order. The completeness of the collection (a common feature of Italian archives) not only has enabled some authors to prepare meaningful and definitive biographies of Datini, and of his wife, but also has furnished valuable information on the philosophy and techniques of mediaeval accounting and management. The fact of the matter is that the accounting system is something more than a series of bookkeeping entries. Over many centuries it has developed into an information service planning, controlling and decision-making functions. The manner in which it is used may suggest rationalisations for personal behaviour and character traits not ascertainable from other sources. In short, the accounting system

is an important economic determinative, the influences of which the modern researcher can no longer afford to ignore.

Reference has been made to the completeness of many of the archival collections in Italy. This stems, not only from an acute awareness by Italians of their cultural and historical heritage, but also from the archival responsibility imposed from ancient times on the notaries, who were required to store the originals of all documents which they prepared. As early as 1308, these documents were collected into notarial colleges, which have formed the basis for the present Communal and State Archives. The result is that an abundance of material is available to the researcher, provided he is patient enough to overcome the disabilities of poor cataloguing.

The situation in Australia is somewhat different, for the general pattern which confronts the researcher is the incompleteness of the business collections. A historical analysis of accounting sources requires a two-way completeness — complete as to contents and continuous within each fiscal period. To explain what is meant here necessitates a brief excursion into the component parts of an accounting system.

Any account recording system consists of a set of related procedures that together provide an integrated structure for carrying out some basic objective of the business, such as buying, selling, or manufacturing. Any business consists of some combination of these basic objectives and, hence, some combination of systems that correspond to the basic objectives. Allowing some variation for different types of businesses (e.g., personal service, retail and wholesale, and manufacturing), the basic systems are:

- a. the accounting system proper, supported by
- b. the sales and cash collecting system
- c. the purchase and payments system
- d. the timekeeping and payroll system.
- e. the production and manufacturing cost system,

each having a set of related procedures and using primary documents.

The basic books of the accounting system proper comprise a general ledger, journal and cash book (a type of journal). The general ledger contains various accounts classified in a particular way that distinguishes between assets and liabilities, income and expenses. The balances of asset and liability accounts are summarised at regular intervals (not less frequently than yearly) onto the Balance Sheet, which indicates the net worth of the enterprise and the equity position of the owners at the balance date. The balances on the income and expense accounts are transferred, at the same regular intervals, to a Profit and Loss account, which shows the net income or profit earned for the period since the last balance date. The journal is a medium for classification and adjustment, for initiating entries which open and close ledger accounts, provide for accruals and prepayments and for transfers between accounts. The cash book records the receipt and disbursement of monies and is "controlled" by the Bank Account in the general ledger. In other words, the journal explains the precise reason for many of the entries in the ledger accounts; while the cash book provides details of entries that appear only in total in one ledger account; the Bank Account.

In addition to the basic account books, subsidiary books often supply the details of transactions too voluminous to be entered in their entirety in the general ledger. These subsidiary books include sales and purchase journals, debtors' and creditors' ledgers, bills (of exchange) books and, for a manufacturing concern, a factory ledger. Control totals of these subsidiary books are entered periodically in relevant accounts in the general ledger. All these records may be prepared manually or by mechanical means. In the former case, the books of account will consist of bound ledgers and journals; but in the latter case, the set could be a series of loose-leaf cards, batches of punched cards, a computer tape or a "memory bank".

An important record maintained by private and public companies is the Minute Book, which records the deliberations and decisions made by the Board of Directors. What happens in the books of account results largely from the policy decisions recorded in the Minute Book and from the objectives set out in a company's Memorandum and Articles of Association. These records could be invaluable in appraising policy-making, managerial philosophy and integrity and sometimes in evaluating the worth of individual executives.

It should now be appreciated that the researcher would like to have all these records available if he is to form meaningful conclusions about the accounting environment or the management philosophy in the time period he wishes to examine. The absence of a general ledger, for example, could seriously prejudice his enquiries, even though the other records were available. Absence of the other books of account may not be so important if the general ledger is preserved; because it at least will enable the Balance Sheets and Profit and Loss accounts to be reconstructed from its contents. On the other hand, a researcher wishing to establish, say, the customers with whom a company did business, might be thwarted if the debtors' (subsidiary) ledger was missing.

Just as it is desirable to have a complete set of interrelated records to work upon, so it is necessary for those records to span the complete fiscal period. The accounting period usually covers one year's operations; and it is the results of this year's operations that are epitomised in the Balance Sheet and Profit and Loss account. For management planning and control purposes, operating statements and probably Balance Sheets and Profit and Loss accounts are prepared more frequently, usually each month; but the researcher might not be particularly interested in these unless the general ledger is missing. It does not matter when the financial year commences (1 January, 1 July, 30 September, or some other date) so long as the basic records and documents cover the complete financial year. It frequently happens that, in many of our collections, the general ledger covers eleven (or less) months of the year and its continuation volume is missing; or the subsidiary books and related procedures cover only the first few months while the available general ledger covers the last few months of a year. Even more exasperating is the attempt to evaluate trends or make comparisons when the records are complete only for one portion of one year and a different portion of the next year. It is perhaps unfortunate that the accounting researcher demands so much; but attention already has been drawn to the fact that accounting comprises a combination of systems and related procedures and the unavailability of

any component part may render the whole research exercise of no avail. Whereas the social historian may not unduly be inconvenienced by the absence of a letter from a file of many, the accounting researcher could be seriously handicapped if one of the basic books, particularly the general ledger, is missing for the financial period being examined.

The related procedures which have been referred to are built around the primary documents and papers which comprise such items as purchase and sales invoices, time sheets, cancelled cheques, bills of lading, bills of exchange, etc. It is hard to see now how these could be of much use to the researchers, provided that the basic records are available. Yet primary documents of this nature relating to the mediaeval period have been extremely valuable in the investigation and evaluation of the banking and monetary systems of those days. Perhaps in the twenty-second century our present primary documents will indicate to some future investigator how backward our twentieth century really was!

It has been suggested thus far that it is desirable to preserve all the available records of a business enterprise if archives are to meet the needs of the present and the future. Unfortunately, many business managements do little to bring this state of affairs about. The systems accountant is instructed that

The time to begin thinking about the retention, preservation, and eventual destruction of company forms, including ledgers and books of original entry, is when the forms are being considered for adoption, since these factors influence the choice of papers and ink.¹⁰

Here again economics takes precedence over history, for in Australia our choice of papers and ink, and also bindings, does not compare favourably with those used by Italian businessmen some six or seven centuries ago. To conserve space, it has also been suggested to systems accountants that business records be classified as "vital", "important", or "non-essential". Vital records are those generally considered to be irreplaceable, such as ledgers and journals, minute books, share records and employment records. These should be kept permanently and should be composed of high grade materials. Records which can be replaced, and would have to be replaced if destroyed, are classified as "important". These would include sales records, customer credit cards, records of experiments in progress and most of the primary documents. Retention periods for other than permanent records generally depend on two factors — one external and one internal. The external factors relate to the laws and rules of governments and other regulatory bodies. The internal factor is the period during which reference is likely to be made to the record. The periods usually involved are somewhere from two to twenty years. The plea here directed to business managements is that they retain the records only for so long as will satisfy the requirements of regulatory bodies and the individual desires for the immediate security of confidential information; and then that they forward the records to the nearest archival centre.

One further problem confronting the accounting researcher is incorrect classification of some records. To an accountant the words "general ledger", "debtors ledger", "creditors' ledger", "factory ledger",

“cash book” and so on, mean specific types of records. If these are each given a separate sub-file number and are shown in the catalogue under the general heading of “ledgers” or “account books”, the researcher may have to requisition every item in the collection before he comes upon the records he is seeking. The cataloguing task is not facilitated either when a particular record, say a debtors’ ledger, has the word “Ledger” emblazoned on its spine. In one instance, such a “ledger” (of immense size) recently examined turned out to contain nothing more than a list of stock items in store. Now, it is not suggested that the non-accounting archivist can rectify this problem himself; but it is suggested that, perhaps, the services of an accountant could be sought, whenever a new collection is acquired, to help with the correct classification, labelling and cataloguing of the material.

A great mass of business records which are potential archival sources is destroyed each year. Salvaging this material primarily is the responsibility of business managements, whose present attitude to the destruction of records probably could be changed by an education programme, for undoubtedly most of them ‘know not what they do’. A campaign should be directed at acquainting managements with the future historical value of business papers and books of account to both the accounting and the non-accounting researcher; and should attempt to dispel the fears presently held that the release of “confidential” information after a suitable (but not prolonged) lapse of time would place donors at a commercial disadvantage vis-a-vis their competitors. The initiating, directing and sustaining of such a campaign could well be undertaken by archivists, whose efforts in this regard would most certainly gather increasing support from professional accountancy bodies, researchers generally and particularly from accounting historians of the future.

Because accountancy consists of a series of closely interrelated systems, the accounting records in a collection need to be as complete as possible and to be classified in a way that is both exhaustive and exclusive in each class, if they are to fulfil the requirements of accounting researchers. Here the responsibility of the archivist is torn between the desire to retain everything and the constraint of insufficient space to do so. The services of an accountant could be sought to help determine a priority of what records should be retained, how they should be classified for cataloguing, and what documents and papers might be worth committing to microfilm.

Such a programme undoubtedly would contribute to an increased usage of business archives, with benefit to researchers and to the community generally. The longer its implementation is postponed, the longer will archives continue to store business records, the incompleteness of which seriously prejudices their profitable use.

REFERENCES

1. Very few companies announce their sales turnover; and the formal, published accounts generally are merely broad summarisations or abstractions of the details contained in the books of account and associated business papers.
2. A few enterprising operators have established flourishing businesses which specialise in the shredding, pulping or burning of business records under supervision, thereby preserving the aura of “strict confidence” demanded by their customers.

3. A course in the history of accountancy has been offered for some years in the Faculties of Economics in the Universities of Rome and Florence, Italy, where a great mass of archival material has long supported sustained research into the development of accountancy.
4. For example, the journal of the Chartered Institute of Accountants, *The Chartered Accountant in Australia*, recently has published in two successive issues (February and March, 1969) articles by the writer on the history of accountancy.
5. The Datini Archives are located in Prato, near Florence, Italy. Datini was a highly successful merchant, industrialist and banker who controlled a vast business complex extending throughout Europe and the East between 1350-1410.
6. Federigo Melis—*Aspetti della Vita Economica Medioevale*, Siena, Monte dei Paschi di Siena, 1962, p. 45.
7. Iris Origo—*The Merchant of Prato*, London, Jonathan Cape, 1957.
8. Federigo Melis—*A Proposito dell'una Nuova Volume*, Milan, A. Guiffre, 1959; after which Origo brought out a revised edition of her biography of Datini, published by Peregrine Books in 1963.
9. Most of the records relating to the period 1364-1382 are missing; but those from 1382-1410 are practically complete in all aspects.
10. F. E. Moore and H. F. Stettler—*Accounting Systems for Management Control*, Illinois, Irwin, 1963, p. 171.

JAMES BONWICK, "ARCHIVIST OF NEW SOUTH WALES"

by R. F. DOUST

Senior Archivist, Archives Authority of N.S.W.

The history of the establishment of a government archives in New South Wales is in large measure and for twenty years, the story of one man, James Bonwick, Fellow of the Royal Geographical Society, school-master, novelist, historian, and eventually copyist extraordinary.

Bonwick was born in London on 8 July 1817, of parents of good yeoman stock but in circumstances which, if falling short of poverty, suggest that life was never easy. Eighty years later Bonwick wrote

Candour requires that I chronicle the fact of my not being born with the proverbial silver spoon, and that I have had, under many difficulties, to blunder my way through the dangers, sorrows and seductions of a considerable length of days.¹

Earlier Bonwicks, he said, had been not only yeoman farmers, but also scholars and churchmen. Two were Headmasters of the Merchant Taylors' School. But James's own father was a victim of the economic upheaval of the Napoleonic Wars, and became a carpenter². Bonwick was in his way something of a social snob, although it would be grossly unfair to suggest that he was in any way an intellectual snob; it is rather typical that he writes of his father's "profession, or trade, once honoured by Jesus of Nazareth" on the same page of his published reminiscences as he remarks that his "racial pride is gratified" by his scholastic ancestors³.

He never achieved fame or riches, despite an impressive list of published works⁴. There are reasonable grounds for believing that it was poverty and ill-fortune as much as the desire to serve scholarship which led him to embark on the various copying projects from sources in London and elsewhere; yet it is for this that Australian archivists and historians will remember him.