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EARLY EXPERIENCES OF THE BRITISH BALANCE SHEET

By Sadao TAKATERA*

I Origins of the British Balance Sheet

Speaking of the different forms of balance sheet, it is usual to arrange assets on the Dr. side (left side or upper part) and liabilities on the Cr. side (right side or lower part), and in all countries other than the United Kingdom and Australia such a universal form is being used[1]. Contrariwisely, in the United Kingdom and Australia the so-called British form has been traditionally adopted, in which, contrary to the universal form, liabilities are placed on the Dr. side and assets on the Cr. side[2]. Therefore, when John Richard Hicks, the British economist, used the balance sheet form to express the national capital in *Social Framework: An Introduction to Economics*, this national balance sheet was re-arranged in the universal form in the American edition, whereas in the original British edition it was prepared in the British form.

Then, when and under what circumstances did the specific form of balance sheet, different from that of other countries, appear in England? George Lisle, the British accountant, first proved, after his survey on how assets and liabilities were treated by the authors of works on book-keeping prior to 1859, that the universal form was the form that had been chiefly adopted in England prior to about the passing of the Companies Act of 1862[3], and secondly confirmed that the authors of works on book-keeping published in the United Kingdom after that date in most cases adopted the method of placing liabilities on the left side and assets on the right side[4], and finally arrived at the conclusion that "the custom seems to have

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* Assistant Professor of Economics, Kyoto University

1) The universal form is known as the Continental or Scotch form. This is because it was the form almost universally used not only throughout the European Continent but also in Scotland until as late as the end of the 19th century. Consequently the arrangement of liabilities on the Dr. side and assets on the Cr. side should be termed the 'English form' from the aspect of the history of accounting, but because of its extensive use throughout Britain in this century, it will be called here the 'British form'.

2) Raymond J. Chambers, *Function and Design of Company Annual Reports*, London, 1955, p. 110; Frank H. Jones, *Guide to Company Balance Sheet and Profit and Loss Accounts*, 6th ed., Cambridge, 1964, p. 12.

3) George Lisle (ed.), *Encyclopaedia of Accounting*, Vol. I, Edinburgh, 1903, p. 206.

4) *Ibid.*, p. 206.

Mode of Placing Assets and Liabilities in Balance Sheets

Author.	Date.	Title of Work.	Description of Statement or Account.	Method of Placing	
				Left-hand Side.	Right-hand Side.
S. Monteage	1708	Debtor and Creditor made Easy	Balance	Assets	Liabilities
A. Malcolm	1718	Arithmetick and Book-keeping	Balance	Assets	Liabilities
William Webster	1721	Essay on Book-keeping	Balance	Assets	Liabilities
A. Malcolm	1731	Book-keeping	Balance	Assets	Liabilities
John Mair	1800	Book-keeping Modernised	Balance Account	Assets	Liabilities
T. Dilworth	1801	The Young Book-keeper's Assistant	Balance	Assets	Liabilities
W. Lorrain	1807	Book-keeping by Double Entry	Balance	Assets	Liabilities
Chas. Hutton	1810	A Complete Treatise on Book-keeping	Balance	Assets	Liabilities
Rees *Cyclopedia*	1819	Article on Book-keeping	Balance	Assets	Liabilities
J. Morrison	1820	Practical Book-keeping	Balance Account	Assets	Liabilities
P. Kelly	1821	The Elements of Book-keeping	Balance	Assets	Liabilities
J. P. Corg	1839	Practical Treatise on Accounts	Balance Account	Assets	Liabilities
C. Morrison	1843	Practical Book-keeping	Balance Account	Assets	Liabilities
J. Caldecott	1850	Practical Guide to Book-keeping	Balance Account	Assets	Liabilities
B. F. Foster	1852	Double Entry Eluidated	Balance Sheet	Assets	Liabilities
G. H. Boulter	1857	A Course of Book-keeping by Double Entry	Balance	Assets	Liabilities
W. Inglis	1858	Book-keeping	Balance Sheet	**Liabilities**	**Assets**
James Haddon	1859	Rudimentary Book-keeping	Balance Account	Assets	Liabilities

George Lisle (ed.), *Encyclopaedia of Accounting*, Vol. I, Edinburgh, 1903, p. 207.

arisen through the influence of the forms given in Acts of Parliament, chiefly the Companies Act, 1862, which must have been prepared by those unacquainted with the theory of accounts."[5]

This view held by Lisle attracted a great many followers in the United Kingdom and United States of America[6], and it was also introduced to Japan in 1908. Being accepted without any criticism, it has come to be the universal opinion in Japan since then.

Nevertheless it must be pointed out that several errors are involved in Lisle's historical approach. The reason is because, Lisle, presupposing that the mode of placing assets and liabilities in a balance account or balance sheet appearing in works on book-keeping did actually reflect the form of balance sheet prepared by enterprises, proceeded to survey only balance accounts or balance sheets appearing in works on book-keeping, and completely failed to survey actual cases of balance sheets prepared, or particularly reported by typical and representative enterprises at different dates. Speaking from the viewpoint of there being a difference, regardless of the times, between the accounting guidance written in published works and accounting practice in actuality, and moreover that balance accounts are different from balance sheets as a means of reporting, it is a prerequisite to survey actual balance sheets. Furthermore, it is utterly impossible for us to believe that an entirely new model of balance sheet which disregarded the traditional customary form could have been adopted in Table of the Companies Act in England, where a custom was looked upon with the greatest weight. Besides, even if it is admitted that it might have been prepared by those unacquainted with the theory of accounts, as urged by Lisle, it would be far more natural that the conventional form of balance sheet should have been accepted as it was. Therefore, it would be more adequate to conclude, as pointed out by Robert H. Montgomery, the American accountant, that "the English practice is purely the outcome of a custom. A long time ago some one started that way and every one since has followed, until now the form has the sanction of law. (See forms prescribed under the English Companies Act.)"[7]

Therefore, when I surveyed, in conformity with Montgomery's view, actual balance sheets of representative enterprises at different dates, going as far back as

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5) *Ibid.*, p. 205.

6) Cf. Alfred Nixon and J. H. Stagg, *Accounting and Banking*, London, 1907, p. 14; H. C. Edey and Prot Panitpakdi, "British Company Accounting and the Law 1844–1900", in A. C. Littleton and B. S. Yamey (eds.), *Studies in the History of Accounting*, London, 1956, p. 366; A. C. Littleton and V. K. Zimmerman, *Accounting Theory: Continuity and Change*, Englewood Cliffs, 1962, p. 83; Jones, *op. cit.*, p. 12.

7) Robert H. Montgomery, *Auditing Theory and Practice*, New York, 1920, pp. 247–48. After expressing a view quoted in the text, Montgomery further adds that "the only sound reason the author can think of for the custom is that a conservative Englishman looks for his liabilities first and then looks to see if he has enough assets to discharge them." (*Ibid.*, p. 248) Such a psychological explanation, being a groundless guess, will not be discussed here.

the times prior to the Companies Act of 1862, almost all of them were found to be of the British form and moreover my survey led me to confirm that the origin of the British balance sheet can be traced back to the balance sheets of the East India Company in 1671 and of the Bank of England in 1696, and that its original form "is based upon the idea that the management charges itself with all of its liabilities and credits itself with its assets."[8] Putting it in other words, the arrangement of items to the Dr. and Cr. side was determined from the standpoint of the company (joint-stock) or its manager. The arrangement of items to Dr. and Cr. side was decided from the standpoint of the private enterprise (personal capital) or its proprietor, of course, not in the case of a joint-stock company, such as the East India Company and the Bank of England, but in the case of a private enterprise such as Hoare's Bank, which started business as a goldsmith banking in London[9]. Therefore, the author intends to discuss these points in this paper, quoting a few actual balance sheets.

II The Balance Sheet of Simon Stevin

It was Simon Stevin (1548–1620), the Dutch mathematician, who persuaded merchants to make it a rule to summarize accounts at the end of every year. We can see his method of summarizing accounts in a chapter entitled, 'Commercial Book-keeping in the Italian Way (Coopmansbouckhouding op de Italiaensche wyse)' of his *Mathematical Memoirs* (*Wisconstighe Ghedachtenissen*) published in Leiden, 1605–08. An interesting variation is that he summarized accounts on a sheet separate from the ledger. This method was different from the procedure to close the accounts on a ledger. "A further peculiarity is that in Stevin's [balance] "sheet" the assets are listed on the right-hand ("credit") side, and the liabilities on the left-hand ("debit") side, as is the case in the modern English practice."[10] As seen in Cas. I, "his statement......places liabilities on the left and assets on the right. This is a feature of the British balance sheet.......Even if we assume that somehow the Dutch author, Stevin, provided a precedent, we note that he furnished no explanation for this arrangement."[11]

8) Herbert G. Stockwell, *Networth and the Balance Sheet*, New York, 1912, p. 19.

9) "It is interesting to note that a[-n imaginary] proprietor account having entries in contrast to entries in other accounts, would, when copied out in detail, correspond in arrangement of assets (right) and liabilities (left) to the British form of balance sheet." (Littleton and Zimmerman, *op. cit.*, p. 37). In fact, "An Englishman regards his balance sheet as the account of the owner [or the concern]." (Harry G. Guthmann, *The Analysis of Financial Statements*, New York, 1926, p. 18.) Also see Arthur Lowes Dickinson, *Accounting Practice and Procedure*, 2nd ed., New York, 1914, pp. 36–37.

10) O. ten Have, "Simon Stevin of Bruges", in Littleton and Yamey, *op. cit.*, p.244.

11) Littleton and Zimmerman, *op. cit.*, p. 77.

Cas. I **Staet van my Dierick Roose gemaeckt op den laetsten December, 1600.**

Staet of **capitael debet**		Staet of **capitael credit**	
Per Aernout Jacobs fol. 14	51. 8. 0	Per noten fol. 7–173 Ib 5 onc. tot 7 s'tpont, comt	60. 13. 2
Rest debet hier gestelt by slote van desen	3140. 9. 1	Per peper fol. 7–120 Ib tot 40 dt'pont, comt	20. 0. 0
Somme	3191. 17. 1	Per Omaer de Swarte fol. 9	513. 12. 0
		Per Adriaen de Winter fol. 11	150. 6. 0
		Per Pieter de Witte fol. 11	448. 0. 0
		Per Iacques de Somer fol. 13	54. 18. 6
		Per casse fol. 19	1944. 7. 5
		Somme	3191. 17. 1

P.G.A. De Waal, *Van Paciolo tot Stevin*, Roremond, 1927, bl. 274; John B. Geijsbeek, *Ancient Double Entry Bookkeeping*, Denver, 1914, p. 120.

Although the balance sheet he required every enterprise to prepare every year was based on entries of the ledger, it was so designed as to prepare it on a separate sheet from the book of accounts. Accordingly it may be concluded that it became possible to arrange liabilities on the Dr. side and assets on the Cr. side from the standpoint of the personal capital or its proprietor, without being restricted by the principle of account-entry. At any rate "it is interesting...... to note that Stevin's balance sheet is in the form now followed in England and to speculate on the question of whether or not this Dutch author was the inspiration for the British practice."[12)]

The influence of Stevin's balance sheet is seen, for example in Cas. II, on the balance sheet prepared in 1702 by Richard Hoare (1648–1718), a private banker of London who started his business as a goldsmith banker in 1672. Then, why is it that the followers of Stevin's balance sheet made their appearance not in his native country, Holland but overseas, specifically in England? It will be hardly possible to give a clear answer to this question, but the author is of the opinion that there will probably be no error in finding the solution in the fact that British enterprises established the published accounts system sooner than Dutch enterprises.

III The Balance Sheet of the East India Company of London

In the Dutch East India Company (Vereenigde Oost-Indische Compagnie) established by consolidating its pre-companies (vóór-compagnien) in 1602, the terminable nature of the pre-companies disappeared and the business began to be operated as a going concern. But the characteristic feature of a joint-stock corporation under the autocracy of pre-capitalistic merchants continued to be reflected in its accounting, and regardless of the provision of Clauses VII and XIV of the Charter

12) A. C. Littleton, *Accounting Evolution to 1910*, New York, 1933, p. 134.

Cas. II **Balance Sheet of Richard Hoare, 1702**

1702	**Mr. Richard Hoare Dr.**	£	s.	d.	1702	P. Contra **Cr.**	£	s.	d.
Sep. 21	To Severall persons as appears in folio 12, 13, 14, 15, 16, 17, 18, 19, 20	113,997	2	2	Sep. 21	By Gold and Silver valued at in folio 1 & 2	4,799	7	7
	To Severall persons as due to them for Plate & Jewells in folio 21	537	0	5		By Severall Diamonds, & Pearls, etc. valued at in folio 3 & 4	4,690	0	0
	To Severall Plate Workers & other Workmen, due to them on 21st Sep. in do.	42	1	6		By Severall People as lent with Interest in folio 5, 6, 7, 8	44,036	13	6
	To Money due to Richard Hoare to Ballance this Account	31,787	17	2		By Severall People in the Severall Ledgers folio 9	55,851	10	10
						By Severall People for Plate in folio, 23, 24, 25, 26, 27, 28, 29	4,090	16	5
						By the Ballance Remaining Cash on Monday the 21st Sept. 1702	32,895	12	11
	£	146,364	1	3		£	146,364	1	3

WE whose names are hereunto subscribed upon a serious and deliberate consideration and examination of the particulars hereafter mentioned for severall days, doe find that Monday the 21st day of September 1702 there was in the shop and belonging to the trade of Richard Hoare Goldsmith, the severall pieces & parcells of plate, Solver & Gold etc. etc., as within hereunto we have sett our hands this sixteenth day of October 1702.

Witness.

John Arnold.
Wm. Cooke.
Thomas Cooke.

RICHARD HOARE.
HENRY HOARE.

Hoare's Bank, A Record 1672–1955, The Story of a Private Bank, London, 1955, p. 79.

pertaining to general accounts (generale afrekening) in every decade, the company's finances for the first ten years were treated as an unclarifiable secret by the autocracy of the board of directors and the publication of general accounts was postponed by their decision. Since then general accounts and their publication were never undertaken. Consequently the accounting system remained in as crude a situation as that of the pre-companies due to such a secretive policy and a balance sheet for reporting purposes was never prepared.

On the other hand even the East India Company of London (the Governor and Company of Merchants of London trading to the East Indies) established in 1600 remained in the same situation up to its reorganisation by Cromwell as that of the Dutch East India Company. "Nor were any financial disclosures made to members."[13] "Apart from this tradition of secrecy, it is doubtful whether [or not] the company itself possessed a complete and continuous statement of accounts. Its book-keeping was still of the mediaeval type."[14]

However, a complete change took place after the reorganisation by Cromwell. "In 1657 the company secured a new charter, in which provision was made that the stock was to be valued, first at the end of seven years and at the end of each three years thereafter. On the basis of that valuation, any shareholder was entitled to have his place taken by another who wished to join the company. ......Under this new charter, therefore, it would be simpler to withdraw or to become a member. Such a provision also opened the way for trading in the shares of the company and thus made it easier to attract the necessary capital."[15]

Under the regulations based on Cromwell's Charter of 1657 the East India Company of London, which used to subscribed the terminable stock for each voyage, cast off its mediaeval skin, shook off the traditions of the regulated system, and grew into one united, continuous and permanent joint-stock corporation in the full sense of the word[16]. At that time it was so settled as to make appraisement of the company's property at the end of seven years and thereafter at the end of three years, so that any share-holder who wished to retire might be able to receive the money equivalent to the current value of his original subscription. But the joint stock was to continue as the common capital of the Company and the money drawn out by retiring members was to be made good by any other persons who chose to join the company[17]. Then, as a matter of fact, the appraisement of the Company's property was made on 1st December 1664, namely at the end of the seventh year from the subscription of 1657, and it was disclosed that

13) William Wilson Hunter, *A History of British India,* Vol. II, London, 1912, pp. 171–72.
14) *Ibid.*, pp. 172–73.
15) Littleton, *op. cit.,* p. 211.
16) Hunter, *op, cit.,* p. 135.
17) *Ibid.*, pp. 134–35.

its actual value was one-third more than at the original outlay[18].

In fact, in the general meeting (General Court) held on 12th December 1664, this valuation of all remaining stock undivided was announced. The Governor of the Company stated that the inventory sheet (the detailed statement of assets and liabilities) was to remain open in the Company's house to anyone who desired to be satisfied in any particulars[19]. Accordingly, "these triennial appraisements resolved themselves into periodical statements of assets [and liabilities] by which the members and the public might regulate their dealings in the stock."[20]

In short "these periodical audits [or examinations of the Company's property] mark a new departure from the method of secret book-keeping followed by the Company down to Cromwell's Charter in 1657. They were originally designed to allow members to withdraw their capital at its real value, but they also enabled outsiders to judge of the profits of business and acted as an advertisement [for the Company]. They formed the forerunners of the published accounts upon which the modern system of joint stock rests, and rendered the shares a marketable security on the basis of the ascertained return."[21]

Consequently, it can be concluded that the East India Company of London "was the first English corporation which combined the modern advantages of continuous joint stock and periodical audit of a semi-public character, with a monopoly inherited form mediaeval commerce."[22]

The oldest semi-public balance sheet of this Company recorded in *A Calendar of the Court Minutes, etc. of the East India Company* compiled by E.B. Sainsbury is the inventory sheet of General Joint Stocks dated 30th April 1671 which was submitted to the general meeting held on 30th August 1671[23].

Cas. III

1671	**Stock.**	**Dr.** £	*s.*	*d.*
April 30	To several persons, as in folio 6 of the book of valuation	361,286	11	6
	To balance	645,827	2	3
		1,007,113	13	9
	Out of this estate is to be deducted a division of ten per cent. made in May last, amounting to	36,989	2	6

18) *Ibid.*, p. 276.

19) Ethel Bruce Sainsbury, *A Calendar of the Court Minutes, etc. of the East India Company 1664–1667*, Oxford, 1925, pp. 113–16.

20) Hunter, *op. cit.*, p. 135.

21) *Ibid.*, pp. 276–77.

22) *Ibid.*, p. 227.

23) Ethel Bruce Sainsbury, *A Calendar of the Court Minutes, etc. of the East India Company 1671-73*, Oxford, 1932, p. 69.

1671	**Stock.**	**Cr.**		
April 30	By several debts owing to the Company, as in folio 1 of the book of valuation	136,735	19	0
	By Stock in shipping, as in folio 3 of the said book	17,709	18	8
	By remains at Surat & the Coast of the cargoes of five ships sent in 1670, as in folio 7 of said book......................................	170,586	8	10
	By plantation of St. Helena, being a place of charge for the accommodation of shipping			
	By remains at Bantam and the cost of the cargoes of seven ships sent thither in 1670, as in folio 9 of the said book	129,213	8	6
	By remains at the Fort, Metchleptam, and the Bay, and the cost of the cargoes of five ships sent thither in 1670, as in folio 10, ditto book	235,709	11	0
	By remains in England, as in folio 4 and 5 ditto book	313,255	11	6
		1,003,210	17	6
	By money in cash	3,902	16	3
		1,007,113	13	9
	By the profit on £ 98,569 5 *s.* 9 *d.* cost of the cargoes of four ships sent to Surat in 1669, and arrived there and part of them sold, which we hope will produce 10 per cent. clear of charges.			
	By the profit on £ 199,815 1 *s.* 2 *d.*, the cost of the cargoes of four ships from Surat, five from Bantam, and three from the Coast & Bay, arrived in England, which we hope will produce, clear of all charges, about 50 per cent.			
	By desperate debts owing the company at home and & abroad..............................	65,542	17	2

Ethel Bruce Sainsbury, *A Calendar of the Court Minutes, etc. of the East India Company 1671–1673,* Oxford, 1932, pp. 69–70; William Robert Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720,* Vol. II, Cambridge, 1910, p. 134.

This balance sheet shown as Cas. III was prepared by adopting a form arranging liabilities on the Dr. side (upper part) and assets on the Cr. side (lower part) from the standpoint of the Company (joint stock) or its manager.

As is clear from the foregoing description, the original form of the British balance sheet came to be created as a semi-public statement of assets and liabilities separate from the book of accounts entried by the East India Company in 1670 or thereabouts. Therefore, it is very natural that it was prepared with the notion that according to the principle separate from that of account-entries, items to be arranged to the Dr. and Cr. side should be decided from the standpoint of the company.

IV The Balance Sheet of the Bank of England

"The early months of 1696 were the most critical period of any history"[24] of the Governor and Company of the Bank of England which was established as Whigs Bank in 1694. But "during the year 1697 the Bank gradually overcame its difficulties"[25]. In the meanwhile, "on the 25th November 1696,......directors of the Bank were invited to attend at the House [of Commons] for a consultation with the Committee of Ways and Means" about the plan to raise the Bank's capital and "they were asked to furnish a statement of the Bank's assets and liabilities"[26]. By this order of the House of Commons, on the 4th of December 1696, the governor and directors of the Bank attended at the bar of the House of Commons and therein presented to the House of Commons a statement of their affairs[27] which could be regarded as "the Bank's first public statement of accounts"[28], because "the very first return issued by the Bank"[29] was printed in the vote on the date of its presentation[30], and it was published in *the Journal of the House of Commons for December 1696*, XI, p. 614[31].

Now, "the Bank of England's first public statement of accounts dated 10th November 1696"[32] was composed of two papers, one a debtor and creditor account of the Bank, the other a list of tallies on the Parliamentary funds which were in their possession[33]. A glance at the balance sheet which constituted the main body of the papers, shows, as reproduced here in Cas. IV, that they did adopt the British form in which liabilities were arranged on the Dr. (left) side and assets on debtor the Cr. (right) side from the standpoint of the Banking Company (joint stock) or its manager. Incidentally it is noteworthy that a detailed list on tallies

24) W. Marston Acres, *The Bank of England from within 1694–1900*, Vol. I, London, 1931, p. 61.
25) *Ibid.*, p. 67.
26) *Ibid.*, pp. 76–77.
27) William John Lawson, *The History of Banking*, London, 1850, p. 74.
28) R. D. Richards, "The First Fifty Years of the Bank of England 1694–1744", in J. G. van Dellen (ed.), *History of the Principal Public Banks*, The Hague, 1934, p. 258.
29) Eugen von Philippovich, *History of the Bank of England*, translated by Christabel Meredith, Washington, 1911, p. 80.
20) James E. Thorold Rogers, *The First Nine Years of the Bank of England*, Oxford, 1887, p. 81.
31) Philippovich, *op. cit.*, p. 80.
32) R. D. Richards, *The Early History of Banking in England*, London, 1929, p. 280.
33) Rogers, *op. cit.*, p. 82.

Cas. IV **Stock** for the Honourable the Governor and Company of the Bank of England

Dr.	£	s.	d.	**Cr.**	£	s.	d.
To Sundry Persons, for sealed Bank Bills standing out	893,800.	0.	0.	By Tallies on several Parliamentary Funds as per List thereof annexed with interest	1,784,576.	16.	5.
To Ditto due on Notes, for running Cash ...	764,196.	10.	6.	By Half a Year's Deficiency of the Fund of 100,000 l. per Ann. in the 2nd year	50,000.	0.	0.
To Monies borrowed in Holland	300,000.	0.	0.	By Mortgages, Pawns, other Securities and Cash.....................	266,610.	17.	0.
To Interest due upon Bank Bills standing out	17,876.	0.	0.				
Balance	125,315.	2.	11.				
	2,101,187.	13.	15.		2,101,187.	13.	5.

London, November 10. 1696.

Examined by Order of the Court of Directors,

Per Thomas Mercer, Accountant.

William John Lawson, *The History of Banking*, London, 1850, p. 74; James E. Thorold Rogers, *The First Nine Years of the Bank of England*, Oxford, 1887, p. 82; Eugen von Philippovich, *History of the Bank of England*, translated by Christabel Meredith, Washington, 1911, p. 80; R. D. Richards, *The Early History of Banking in England*, London, 1929, p. 280; W. Marston Acres, *The Bank of England from within 1694–1900*, Vol. I, 1931, p. 77.

of various Parliamentary funds was attached therewith as already referred to, although it could not be quoted here on account of the limited space of this article.

On the following day when the papers were presented to the House of Commons, namely "on 5th December 1696, a Committee of fourteen, with a quorum of five, was appointed to inspect the books of the Bank of England and on 10th December Sir John Bolles reported"[34] the results of the inspection. This Committee agreed that the statement furnished was substantially correct."[35]

V Spreading Use of the British Balance Sheet and its Legal Sanction

As considered above, the original form of the British balance sheet was created by the East India Company of London and the Bank of England during the last third of the 17th century, and from those times up to the end of the first half of the 19th century spread to many banking enterprises in England. "But, the publication of balance sheet was still a rarity except among the London joint stock banks,"[36] because "most of the banks, having been established under the Act [for the better regulation of co-partnerships of certain bankers in England' (7 Geo. IV,

34) *Ibid.*, p. 82.

35) Acres, *op. cit.*, p. 77.

36) W. F. Crick and J. E. Wadsworth, *A Hundred Years of Joint Stock Banking*, London, 1936, p. 30.

C. 46)] of 1826, were not required by law to publish balance sheets"[37] until the passing of the Act 'to regulate the Joint Stock Banks in England' (7 and 8 Vict. C. 113) of 1844, "requiring a statement of assets and liabilities to be published once a month, and arranging for the annual accounts to be examined by auditors elected by the shareholders."[38] Nevertheless, all balance sheets prepared——including those which were not published in the period from the last quarter of the 18th century to the first half of the 19th century can be classified into (1) one type in which liabilities were placed on Dr. side and assets on Cr. side exactly in the same mode as arranged in the original form of the British balance sheet, and (2) another type in which, though the same arrangement of liabilities and assets on the left and right side was adopted, such headings as 'Liabilities' and 'Assets' were used instead of such traditonal symbols as 'Dr.' and 'Cr.'.

Needless to say, it cannot be said that balance sheets of the universal form were never found during those days. For instance, on the balance sheet of the Exchange Bank of Bristol (Worrall and Hale), 17 January, 1778[39] and Thomas Leyland's balance sheet taken from his Books, 31st December, 1826[40], it was found that assets were placed on the Dr. side (the former in the upper part and the latter to the left side), capital and liabilities on the Cr. side (the former in the lower part and the latter to the right side). However, it was only in a small number of exceptional cases that the universal form was adopted among all country banks during the period of the Industrial Revolution[41].

Furthermore, the balance sheets of the Bank of England in those days, dated 25th February 1797[42], 30th January 1819[43] and 29th February 1832[44] had succeeded the original form of the British balance sheet. Since then such symbols as 'Dr.' and 'Cr.' ceased to be used[45]. Besides, it was also found that the British

37) *Ibid.*, p. 30.

38) *Ibid.*, p. 26.

39) See L. S. Pressnell, *Country Banking in the Industrial Revolution*, Oxford, 1956, p. 520.

40) See Crick and Wadsworth, *op. cit.*, p. 413.

41) See Pressnell, *op. cit.*, Appendixes.

42) See *The Theory of Money, or, A Practical Inquiry into the Present State of the Circulating Medium*, London, 1811, p. 70; Lawson, *op. cit.*, p. 95.

43) See Lawson, *op. cit.*, p. 479.

44) See J. Ramsey McCulluch, *Historical Sketch of the Bank of England*, London, 1831, p. 73.

45) In 1832 "the necessity for a publication of the accounts was fully recognized at this time. There was no differences of opinion on the subject of Parliament though there was some opposition before the Committee of Inquiry on the part of directors of the Bank. There was, however, no suggestion as yet of a weekly statement, it was merely a question of deciding between monthly and quarterly publication". (A. Andréadès, *History of the Bank of England*, translated by Christabel Meredith, London, 1909, p. 261.) According to the Act of 1833, "the Bank had to furnish the Chancellor of the Exchequer with exact accounts of the amount of its bullion, of the number of notes in circulation and of the total of its deposits. The London Gazette was to publish monthly the balance sheet for the previous quarter." (*Ibid.*, p. 262.) Now, taking up as a case

balance sheet had been adopted by every joint stock bank established after the Act of 1826. Of course even under this circumstance it was found that in some cases liabilities and assets were respectively placed on 'Dr.' and 'Cr.' as in the case of the first balance sheet of the London Joint Stock Bank dated 20th November 1837[46] and in other cases the arrangement on the left side and right side was the same but such headings as 'Liabilities' and 'Assets' were used instead of 'Dr.' and 'Cr.' as in the case of the first balance sheet of the Preston Banking Company dated 24th July 1845[47].

These balance sheets were in the British form: none of them were found to have been prepared in the universal form. The aforementioned conclusions are convincing enough from the fact that the model of balance sheet for a bank (A Statement of the Affairs of the Bank, December 31st, 1834) illustrated on page 43 of *A Practical Treatise on Banking* (3rd ed.) published in 1834 by James William Gilbart (1794–1863), who became the general manager of the London and Westminster Bank, placed liabilities on 'Dr.' and assets on 'Cr.' and the return rendered once in three month from private or joint stock banks to the government printed on page 97 of *The History of Banking in America* published in 1837 by Gilbart, placed liabilities on the upper part and assets on the lower part. Moreover, the British form was current not only in England but also in Ireland. This point can be brought to light from the fact that, according to balance sheets of the Agricultural and Commercial Bank of Ireland dated 15th October, 1832 and 17th October, 1836[48], 'Liabilities' were placed on the upper part and 'Assets' on the lower part.

Nevertheless, we should not fail to note that the universal form was adopted in Scotland under the influence of the Continent, even in the days when the British

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the 'quarterly return, 31st of May to 23rd of August, of the Liabilities and Assets of the Bank of England', it can be seen that the balance sheet used the headings of 'Liabilities' and 'Assets' instead of 'Dr.' and 'Cr.'. (See A Liverpool Merchant, *Letters on the Bank of England*; *with a Prospectus of a New Joint-Stock Banking-Company*, London, 1836, p. 10.)

As explained above, "before 1844 the balance sheets were not published weekly." (Andréadès, *op. cit.*, p. 291.) But under the Act of 1844 "weekly accounts in a specified form were to be sent to the Government and published in the London Gazettee." (*Ibid.*, p. 290.) Moreover, because this Bank was divided into two sections, the 'Issue Department' and 'Banking Department', by the Act of 1844, the model of balance sheet as Schedule (A.) was correspondingly divided into such two departments, and such headings as 'Liabilities' and 'Assets' were no longer used, not to speak of such headings as 'Dr.' and 'Cr.'. (See *Selected Statutes, Documents and Reports relating to Britisn Banking 1832–1928*, selected and with an introduction by T. E. Gregory, Vol. I, London, 1929, pp. 144–45.)

46) See Crick and Wadsworth, *op. cit.*, p. 284.

47) See *ibid.*, p. 148.

48) See *Report from the Select Committee on the Joint Stock Banks, together with the Minutes of Evidence, Appendix and Index*, Ordered, by the House of Commons, to be printed, 15th July 1837, pp. 252–53; Malcolm Dillon, *The History and Development of Banking in Ireland from Earliest Time to the Present Day*, London, 1889, p. 75.

form of balance sheet was sanctioned. For example, the balance sheet of the books of the Western Bank of Scotland for the year ending 27th May, 1857[49] was prepared by using headings of 'Assets' on the left side and 'Liabilities' on the right side.

From the foregoing considerations we can conclude that the two kinds of British balance sheet adopted extensively by many joint stock banks in England and Ireland during the second quarter of the 19th century came to be unified, and a formal model of balance sheet having such double headings as 'Dr.'='Capital and Liabilities' on the left side and 'Cr.'='Property and Assets' on the right side, came to be prescribed by Table B of the Companies Act of 1856, namely "the first of the Companies Acts to be extended to Scotland"[50], and then by Table A of the Companies Act of 1862.

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49) See Robert Somers, *The Scotch Banks and System of Issue*, Edinburgh, 1873, p. 123.

50) A. B. Levy, *Private Corporations and Their Control*, Vol. I, London, 1950, p. 78.