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Richard H. Homburger

Hermann Kellenbenz

Rosa-Elizabeth Gassmann

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R. H. Homburger
WICHITA STATE UNIVERSITY

SUMMARIES OF PAPERS PRESENTED AT THE FIRST INTERNATIONAL ACCOUNTING HISTORY SYMPOSIUM

The State of Bookkeeping in Upper Germany at the Time of the Fuggers and Welsers

By Dr. Hermann Kellenbenz
University of Cologne

I. Since the work of Penndorf on the subject, appearing in 1913, substantial new research has been done and considerable progress been made. Among the authors being mentioned are the following:

Prior to World War II:

Jakob Strieders, A. Hummel, Alfred Weitnauer, Joseph Loef-
fenholz.

After World War II:

Raymond deRoover, Wolfgang Stromeer von Reichenbach,
Goetz, Freiherr von Poelnitz, Hanns Linhardt, and his students
Hartmut Schiele and Manfred Ricker.

II. Bookkeeping developments in Germany can be observed since the end of the 13th century. The earliest books are in Latin; but since the middle of the 14th century, a gradual change to the German language can be observed. The earliest available sources come from the hanseatic cities of Lower Germany, such as Luebeck and Rostock. Their approach to bookkeeping procedure is very conservative and no traces of double entry are noticeable in these early records.

In South Germany, more reliance was placed on the Italian method at an early stage, considerably earlier than the publication of Pacioli's *Summa*. It was customary to send the sons of South German merchants to Italy to study the Italian double entry method—Jacob Fugger visited there in 1473; thus South German firms, in Nuremberg and other cities, developed bookkeeping under the Italian method. The transition from Roman to Arabic numerals was

a gradual one; sometimes, the detail was reported in Roman, and the totals and subtotals in Arabic numerals.

III. The development of the bookkeeping system of the Fuggers is traced in some detail. Each branch maintained a Journal, Obligations Ledger (*Schuldbuch*) and an Inventory Ledger (*Gueterbuch*). The Obligations Ledger contained all the personal accounts and a cash record with receipts and disbursements. Transactions involving receipts and issues in the Inventory Ledger were related to reciprocal entries in the cash record (Obligations Ledger). Entries reciprocal to the entries in the books of the branches were made on the books of the Augsburg Home Office, and balances were reconciled with those of the branches.

Inventories were taken from time to time—not necessarily every year, inventory figures being determined at current values. A balance sheet was drawn in account form in conjunction with the inventory, and profits were determined by comparison with the last balance sheet. One such report is available, covering the period from December 31, 1527 to December 31, 1533.

IV. The enterprise of the Welsers was considerably smaller than that of the Fuggers. While we know that 250 books were in existence for the years 1534-1575, only fragments of some books have come to us.

Transactions were first recorded in subsidiary records, then posted to the Journal and to the Main Ledger. We have no inventories or balance sheets from the Welsers, but have such reports from another firm—Anton Haug, Hans Langnauer and Ulrich Linck—from the years 1531-1551. They contain 12 inventories and balance sheets. All accounts of this period are in bilateral form, with references to related entries.

V. These developments are also reflected in the literature of the period. Books to be mentioned in this connection are the earliest German texts on bookkeeping such as Heinrich Schreiger (1518), Johann Gottlieb (1531), Gottfried (1546), Ellenberger (1537), and Schweickert (1549). These texts illustrate and demand, in varying degrees, the procedures related to bookkeeping, inventories, and balancing practiced by the early German merchants.

Survey of the Development of Auditing in Germany

By Rosa-Elizabeth Gassmann

Librarian of the Institute of Auditors in Germany

According to Penndorf, the Fuggers and Welsers were the first private enterprises in Germany having their books audited. The first

audits were internal audits; but later on, external audits were employed for the purpose of control. Aside from this, there were independent auditors appointed by the courts in case of disputes or business failures. An early example of such an external audit dates back to 1578. A major purpose of such early audits was the discovery of fraud.

The number of early audits was relatively small; only since the industrial revolution did their number increase. The corporate form of business led to compulsory examination of financial records. At the time there were no mandatory qualifications prescribed for examiners; but communal authorities and chambers of commerce were permitted to lay down guidelines for their qualifications.

The University of Leipzig was instrumental in introducing a program for the training and certification of auditors. Professional organizations also began to subject their members to professional examinations. The first uniform examination was prescribed in 1924. In 1931 mandatory examination of year-end financial statements of corporations was introduced.

The function of the examiner of financial statements was expanded through legislation of 1959 and 1965. Included were the examination of the entire financial report, as well as the full examination of enterprise relations with affiliated concerns. Aside from this, mandatory examination was expanded to include non-corporate enterprises of a certain size.

The preceding presentation is in no way meant to be complete; but it shows that the scope of independent examination has been expanded to constitute a comprehensive guardianship, not only in the interest of the enterprise under review, but also of the economy as a whole.

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