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"WHETHER MALCOLM'S IS BEST OR OLD CHARGE & DISCHARGE"*

Abstract: In 1775 A.D. the recommendation was made that the accounts of Glasgow College be changed from the traditional charge and discharge type of records to a double entry bookkeeping system. This touched off an academic controversy that lasted for many years and generated much bitterness among the Faculty of the College.

Public sector accounting in the 18th Century was still in most countries clearly derived from medieval practice. But important innovations in Exchequer practice in Britain began in the 1780s. Some of these reforms were anticipated in a dispute at Glasgow College which illustrates certain themes, and the resistance innovators could encounter. In Scotland and not least in Glasgow a new liberalism flourished at the same time as the American tobacco trade brought prosperity. For the University, a period of peace and international repute ended as Adam Smith resigned his Chair in 1764. Subsequent efforts to reform the university constitution and administration aroused donnish disputes of growing intensity.

John Anderson, Professor of Natural Philosophy, advocated the University's accounts should be kept in journal, cash book and ledger, referring to Alexander Malcolm's "Treatise of Bookkeeping or Merchants' Accounting" (1743 A.D.). Principal Leachman supported the traditional stewardship accounts being maintained by the factor, Professor Morthland. A local satirist observed:

"No strife about book-keeping sharpened their range
Whether Malcolm's is best or Old Charge and Discharge:
Of which as examples of learning and wit,
Long speeches were made and huge volumes were writ.
and still as their noodles were puzzled,
They got swarms of book-keepers' clerks to unravel the knot;
When after rewarding with thanks and with plate,
They let loose on their steward a tempest of hate."¹

*The author acknowledges advice generously given on earlier drafts by Professors B. S. Yamey, W. E. Stone and G. A. Lee.

The Visitation System

The University, the second in Scotland, had been founded by a papal bull of 1451 A.D. It was reformed in 1577. After the Glorious Revolution of 1688, and the establishment of Presbyterianism, the revenues of the former archbishopric were granted under lease to the University, with its single college. Income was also received from a sub-deanery. General revenues were brought together in a third, ordinary account. In addition, specific bequests or mortifications had to be separately accounted for.

In 1727, there had been accusations of malpractice against the Principal, leading to a special Royal Visitation. The powers of dean and professors or masters were at this time clarified, leaving the principal responsible for practical matters and for chairing faculty meetings. Professors resided during term-time in houses on the campus. The close, collegiate life prompted disputes, the settlement of which, along with other functions, was entrusted to the College Visitors.

The visitation system originated in the supervision of medieval religious houses. In 1772, when applying to the Courts in Edinburgh for some constitutional reforms, John Anderson referred to William Blackstone's "Commentaries on the Laws of England", which noted:

". . . the tendency for individuals and corporations to deviate from the end of their institution. The law had therefore provided proper persons to visit, enquire into and correct all irregularities in such corporation." (1765, I, cap. p. 46)

(Blackstone in 1753 had written a treatise for his fellow Bursar of All Soul's College, Oxford, where the accounting system was "of as high Antiquity as the Mallard or College Mascot.")

In Dr. Robertson's History of Scotland published in 1759, Anderson also found support for asserting that societies are never reformed from within but always as forced by some "foreign hand".

An alternative course was suggested by Adam Smith in 1776, when he implied that the invisible hand of competition could guide, motivate and correct the efforts not only of the butcher and baker, but also of masters, provided they were remunerated from fees and not from funds.²

The Visitors of Glasgow College could scarcely, however, be described as "a foreign hand". One was himself a master, in his office of dean of faculty. The second was the Presbyterian Minister of Glasgow, a post combined somewhat later with that of college principal. Only the third, the rector, was elected by masters and

students each year. Normally, he was a national figure. In 1775, the rector was the 9th Lord Cathcart, to whom John Mair dedicated his "Book-keeping Modernized". In 1776, it was Baron Montgomerie of the Scots Exchequer. In 1783, Henry Dundas was elected: he was twice Treasurer of the Navy and in 1806 was unsuccessfully impeached for privately holding state funds. In 1784, the rector was Edmund Burke, who four years before had proposed "Economic Reform" of the Exchequer. In 1786 and '87, Adam Smith was elected. The long-drawn out controversy over college accounting came to the attention of important people, and may be set in national perspective.

Auditor independence could thus scarcely be guaranteed, especially when the rector's inauguration was accompanied by much conviviality, the expenses of which in 1755 are fully detailed and vouched. (The food and drink were not as rich, however, as that provided for feasts of the audit at Trinity College, Cambridge early this century, commemorated by turtle shells on the old kitchen walls!) In addition to the Visitors, Glasgow magistrates normally signed the college accounts, until 1778, when they refused, and the Principal appended a note of his disagreement with the Visitors' docquet approving an experimental and minor change of form, thus constituting himself "Visitor to the Visitors", Anderson claimed.

New Professionalism

While Lords and Magistrates were accustomed to audit functions, a new professionalism of administration was emerging in this century. The Royal Visitation had prescribed that the college books should be kept by a single factor, who was to be a near relative neither of the principal nor masters. Yet the interests of incumbents were preserved! Professor Morthland continued to act as factor at that time; and in 1745, the college factor's duties were taken over by his son Matthew, a writer with some legal training.

It was Matthew Morthland's accounting which Anderson found so hard to change. One of those brought in to help was James Hill, who succeeded Morthland in 1784. Hill's son later joined him in a partnership, which with changing membership continues as legal factor to the University till the present day.

Gradually, therefore, professionals took over administrative and accounting functions from the faculty, whom Anderson sought to involve in technical matters:

"The art of book-keeping never was and never will be disparaged by those who know it. It is the duty of every mem-

ber of this College to know as much of it as will enable him to judge whether the Factor's accompts and his Cash book, Journal and Ledger be properly kept."³

The Principal confessed he had neither talents nor taste for such accounts as required deep skill in book-keeping but, after thirty years of application and drudgery, felt that he knew how to keep accounts in the best order. Of his colleagues he wrote:

"The Faculty satisfied with the accuracy of the account . . . did not think it of much importance to enquire minutely into the particular modes of book-keeping which few of them understood and fewer had leisure to study from constant application to the business of their profession."

Charge & Discharge Accounts

The controversy in 1775 focused on the form and timing of Morthland's accompts, which were inscribed in three large volumes and submitted annually to the faculty. For each of the three classes of revenue, to sums outstanding from the previous year were added current revenues, and from this total charge were deducted payments made by the factor and his salary, leaving a balance due for settlement, or carry forward. The system had originated in the Exchequer of the Norman kings in the 12th Century. It was traditional, widely spread and emphasized personal accountability. The Principal was "the accountant" for the Archbishopric revenues, and had to appear at the Scots Exchequer every three or four years to have accounts derived from Morthland's passed by the officials and auditors, paying fees of £33 before receiving his quietus (*See Illustration I*).

In 1775 Professor Anderson appealed to the Edinburgh Law Courts for changes to be made in the accounts, but the matter was remitted for decision to the College Visitors. They met first in Glasgow and then at Lord Cathcart's Schaw-Park house. Their decree prescribed a scarcely amended form of account (*Illustration II*). A footnote suggested that:

"the order of articles is a matter of indifference: only to facilitate the comparing the accompt that is examined with the preceding year's accompt, one and the same order should be preserved."

Anderson held that clarity depended upon the distinctness of order in which articles were stated. Later the faculty resolved that the

ILLUSTRATION I

"In the book of foreign Accompts, In the nineteenth year of the reign of his Majesty King George the Third—

Doctor William Leechman Principal of the University of Glasgow and the other Masters and Professors in the said University Accounting for the Tack Duty of the rents and duties payable to the late Archbishop of Glasgow as per Tack from his present Majesty under the Privy Seal, dated the 12th day of May 1779 to the said Principal and Masters and to their Successors in office for the use and behoof of the said University for the space of nineteen years, commencing from the term of Midsunday 1773 and ending at the term of Whitsunday 1792 being for the crops and years of God 1773, 1774, 1775, 1776 which is the first four years of the present Lease, and of their issuing, paying and disbursing the same rendereth an account of £MM.CC. vi: s d xix: vi 8/12 the yearly sum of £551. 14.10 8/12 sterling as the tack duty payable by them."

(From the total Charge above was deducted bursaries, salaries and grant for instruments for making experiments in Natural Philosophy).

Excerpts from

The Principal's "Quietus" from the Scots Exchequer" (Scottish Record Office, E215/3 p. 57).

same order and form must be used in the primary books and in the final accounts.

Double-entry Books

In appearing before the Visitors and subsequently, Anderson pressed for double-entry books.

The Royal Visitation of 1727 had prescribed that the factor should keep an accurate cash-book, journal and ledger. Thomas Harvie, a merchant, had at that time put the College books in order. But a half century later there was a problem of interpretation. Morthland insisted to Anderson that his cash-book was rightly kept, meaning his rental or collection book. When earlier asked for his ledger, he claimed to have a book of that kind which would give every satisfaction.

Anderson with a small committee was put in charge of the implementation of the Schaw-Park decree. For this purpose they may well have bought a handsome folio book still preserved in the university archives and inscribed "The Factor's Ledger": inside there are no entries whatsoever! The problem, of course, was to adapt Italian, traders' book-keeping, as described by Mair or Malcolm, to the needs of estates and stewards. Principal Leachman and others

ILLUSTRATION II

The Factor's Annual Accounts

Approved for Glasgow University, according to the Schaw-Park Decree of October, 1775.

<i>Charge or Dr.</i>	<i>Discharge or Cr.</i>
1. Balance of last Account when due by the Factor and not paid	1. Balance of last account when due by the College and not paid
2. Deductions or rests, judged not be absolutely desperate stated in one article as they stood in the discharge of the last account.	2. Disbursements stated and casual, including the Factor's Salary.
3. Rental divided into its different articles as normal.	3. Deductions or rests judged to be absolutely desperate and irrevocable and therefore unnecessary to be carried to the next account
4. Annual Rents or sums belonging to the account which the Factor is empowered to levy within the year accounted for.	4. Deductions or rests, judged not to be absolutely desperate, referring to a particular list, signed and dated by the Factor and examined by the Faculty, which the Factor is to charge himself within the second article of the next account.
5. Casual articles that come into the Factor's hands: such as donations or legacies to the College, gross sums, etc.	5. Balance of Account when due by the Factor.
6. The Balance of this account when due by the College.	

Source—"The Management of the College Revenues" p. 184.

doubted whether the visitors of 1727 had meant to tie the factor to the artificial modes in use among merchants who had extensive and complicated dealings: neither journal nor ledger could be applied in a normal sense, they submitted, nor were the rules of the art really necessary except as always applied. The Principal felt that the *origo mali* or real source of conflict would appear to a disinterested spectator as lying in a perhaps bigoted attachment to long established practice on one side, and in an enthusiastic admiration of speculative rules of art on the other.

Fears were expressed that the new system to be introduced might be found cumbersome, tending to the utmost confusion.

Anderson admitted that the new system could be abbreviated, if accompanied by an accurate ledger and a bill of arrears. Against the outdated practice, Anderson claimed, there were three laws: the law of reason, the laws of book-keeping, and the Statute of Visitation.

Professor Anderson was sanguine that improvement could soon be obtained since in 1776, he said, there were in Glasgow five hundred persons who had studied and understood the regular method of book-keeping, as taught by many: a few guineas would be enough to arrange the accounts better than Morthland had managed. Some time later he challenged the Principal to pay the fifty or hundred guineas due, or to get people willing to put the accounts in order and take nothing for their trouble.

The first practitioner brought in 1776 to open the new books was Carrick, a banker: after a month or two he declared himself averse. Then Marshall, Hill & MacNae were each set to work. By 1778 the work was at a standstill and Anderson tried to blame Morthland for the delays. Then, in 1780, McNae & Hill

“declared that in their opinion the complex, laborious and expensive mode of keeping accounts which may be necessary in complicated mercantile business is not necessary nor proper nor useful in accounts as plain and simple as the college ones indisputably are.”

Principal Leachman called that if all the masters of book-keeping in Europe were assembled they could devise no shorter, simpler and safer form than charge and discharge. The law courts had ordered accounts presented in the artificial form of book-keeping “to be thus simplified for the examination of persons not adapted in the art.”

Finally the Principal offered to submit all Morthland's accounts as being in conformity with the Decree to the opinion of any three merchants, such as Glassford, Speirs & Henderson: and engaged under penalty of £500 to exhibit a form of College accounts acceptable to those merchants or any three noblemen's factors. The old forms of accounts, he was ready to show, were clearer and better by induction of particulars.

Accountability

Further significant differences emerged over whether Morthland was accountable for cash received or for a “full charge”. Anderson believed that a cash accounting system was best. Although Morthland's duties included the raising of revenues and the enforcement

of dues, Anderson held that he should be accountable only for his "intrusions", or the actual levies received by himself and subordinates. A distinction was made between a tax-farmer responsible for the precise amount bid and a factor or agent; and Morthland should not be seen as "some mongrel kind of being". The Principal explained that Balliol College accounted to them on the basis of full charge, while they accounted to the Treasury for a bequest by King William III in terms of *proventus et expensae* formally, but in practice for full rentals collectible. Caught within the traditional and state system, Leachman asked if it would be for the general benefit of all civilized nations to account for actual receipts and actual disbursements, without the check and control of a rental or charge. Morthland defended the accuracy of his rental and demanded:

"What is the authority the college goes upon in making any alterations in their original charge given to me and my predecessors past memory, whereby you account with the Lords of the Treasury and with the Court of the Exchequer who have the rental of the Archbishopric recorded exactly the same as in your charge."

Many of the misunderstandings focussed in the balances carried forward and in the requirement of the Schaw-Park decree that the debts on the three branches of revenue be brought together "hereby a full and single account may arise yearly, and the whole estate and condition of the University may appear at one view". The inventory on which Italian Book-keeping builds is not readily derived from the charge-discharge system.

The Glasgow faculty in 1776 voted monies for a new chapel and college frontage only to have the Visitors refuse approval till they knew the debt and surplus monies and unappropriated funds available. Anderson protested later that:

"in the year 1778, in Britain and in a great commercial town, there is an incorporated body, Glasgow College, which keeps its accounts in such a manner that their debt and wealth cannot be ascertained, nor had they a proper bill of arrears nor even an accurate rental."

Some of these needs were met by a simple listing of the securities in the College chest, after noting "in their bosom or on their backs" the fund or funds to which they were appropriated. Anderson was particularly sensitive about misapplications of college funds, for in-

stance to commercial ventures such as canal building. He opposed a contribution of £1,000 to raise a battalion to fight the American rebels. Morthland was expected to clarify the funding and the flows and the wealth in his accounts.

Failure to distinguish personal and cash accounting had significant consequences. The link could be found in the "bills of rest" and the bad debts allowances made every dozen years. Anderson complained that Morthland had only once been able to submit a list of rests or dues unpaid. The balance carried forward in the charge-discharge accounts was thus made up in unknown proportions of debts irrecoverable or recoverable by Morthland, and of excesses of receipts over payments due by him. Undoubtedly he had difficulty in enforcing annual payments of small sums from thousands of debtors. Rentals and tithes were fixed largely in quantities of specific grains, salmon, capons and poultry. These were converted to money at prices struck at "Friars Courts" held each Candlemas, due for payment at Whitsun "with a mark further for each boll of meal in case of non-payment at or before that term". The 1775 rental still shows cash due in Scots pound, although English sterling had been the legal currency since 1707. Scots money values were shown in the books till 1762. At 1/12 of sterling value, Scots pence and half-pence thereafter appeared as very vulgar fractions in Morthland's very precise accounts. In 1762 there had been a special drive to collect dues outstanding in some cases for 39 years. Morthland at that time was allowed "interest" of £500 Scots for his special expenses.

From 1775 there was pressure for quicker collection, even of very small dues, symptomatic perhaps of a move from networks of debts which remained open at least till death towards a cash and bank transaction society. There was also pressure on stewards and others to operate with smaller or nil balances and to account for interest earned on longer term funds. On one mortification or special fund alone, Morthland suddenly found himself charged with interest over 20 years amounting to £800. The rests or balances outstanding in his other accounts were reduced for ground annuals no longer enforceable at law, and for rents owed by "broken tenants": for the remainder he was forced to grant a bond on which he would have to pay interest. Thus at the same time as there was a new effort to collect punctually and to distinguish each year's income and expenditure, there was an innovation going on in depriving stewards and tax collectors of their banking functions, and concentrating these last in ever fewer specialized firms,

Conclusions

Efforts to prove incompetence or dishonesty against Morthland were far from successful. Anderson's committee found errors of £3, £5, and £2, the largest being a balance of £383 in 1776 which he showed as due from rather than to himself! Formally his rights were secured by his heirs to uplift and appropriate outstanding dues for which he was said to have made 'thankful payment' to the College (*Illustration III*). Such wording, however, Anderson rightly described as a farce which could be dangerous and unjust to the factor. Many another factor of the time was broken on retirement, or relieved of debts for sums which he may never have been able to collect.

In 1782, Morthland retired, Leachman ensuring for him the praise of the faculty and the award of an inscribed plate. (The account for this long remained unpaid). But large sums due in "rests" were then demanded from Morthland, he claiming discharge on grounds of "long service, vast buildings and immense additions to collect revenue". Retrospectively over 37 years, he then claimed expenses with interest accruing, in total exceeding his debt. When this was disallowed he was declared bankrupt shortly before his death. Intricate legal process was initiated against his cautioners or guarantors and their heirs. The degree of specific funding and obligation was investigated by William Keith, a sub-auditor to the court and a fore-runner of the Scots accountancy profession.

ILLUSTRATION III**Morthland's Discharge**

7th May, 1761 A.D.—The whichday the Masters of the university having seen and examined the above Accounts in Charge and Discharge given by Mathew Morthland their factor of his intromissions . . . and compared the Charge extending to (£9,587.17/10½ Scots.) with the Discharge extending to (£8,124.4/8 Scots). They find there is resting by the said M.M. to the Masters, the sum of £1,463.13/2½ with which sum he is to charge himself in his next year's Accounts, and which accounts the said Masters do allow . . . and hereby . . . discharge the said M.M., his heirs and executors for the said Cropt and year (excepting the above Balance.) But also by these presents empower him and his foresaids to uplift and receive what is resting and owing unpaid by those liable in payment . . . and to appropriate the same for his own use in respect he hath made thankful payment to us thereof (excepting the above balance as said is . . .)

Sgd. Will Leechman VR
 Adam Smith D.F.
 John Anderson P.N.P.

Source—University Archives 2667.

Anderson after increasing alienation from his fellow professors died in 1796, founding in his Will an 'anti-university', which grew steadily until it was granted a charter as the University of Strathclyde in 1964. An incompatibility was thus imperfectly resolved at this time between accounting systems appropriate to landlords and to the "Tobacco Lords", and other tradesmen of Glasgow with whom Anderson was on friendly terms. Neither the books nor the form of final accounts altered significantly from the tenure of Morthland through that of his immediate successors. Gradually through small sequential changes, income and expenditure accounts and balance sheets for the university emerged.

But charge-discharge forms and terms remained long in use in Scotland especially for trust or benevolent funds, (such as that for the Edinburgh Chartered Accountants, where the accounts were thus headed up till 1948. Through the controversy, one can sense the robust simplicity of stewardship accounts, presented for audit for successive periods in columnar form.

FOOTNOTES

¹Murray, p. 106.

²Smith Book I, p. 120 & Book II p. 247.

³Precise References to Faculty Minutes, etc. are given in Forrester., *passim*.

⁴The accounts and vouchers of the period have been safely stored in the university archives. One voucher of 1756 records the supply to Dr. Black of a Papin's digester which in 1761 proved invaluable in the development of the steam engine with separate condenser. (See Law, pp. 10 & 16). The supplier was James Watt, who had a shop on the campus, and in co-operation with Black patented this improved engine. The transaction of 1756 is recorded in Watt's Day-Books which are preserved in Birmingham (C. F. Swinbank P.)

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