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Farewell Sixpence and Shilling! a Hundred Pennies Make a Pound

To any American—in fact to anyone from the rest of the world who has visited Britain—the ancient British currency system is a source of confusion for at least the first few days. All other currencies are based on the decimal system, cumulating in units, tens and hundreds. We count dollars and cents in the same way we count everything other than money.

For centuries in Britain, however, twelve pence have been required to make a shilling and twenty shillings to make a pound. As a result, visitors make mistakes checking a hotel or restaurant bill. American servicemen in World War II had trouble with their change until a little fast action with poker and dice taught them to think fast in British money terms. One can imagine the difficulties met by the British schoolchild, or the time lost by the bookkeeper in small business transactions, when the system of adding (or dividing) money does not correspond to the decimal system of counting.

Now all this is going to be changed. In February 1971 Britain is joining the rest of the world in shifting its money system to a decimal base. Mr. Alex Thomson of the London office of Deloitte, Plender, Griffiths & Co. prepared a paper on currency decimalization for the 1969 seminar of the United Kingdom staff of Deloitte's. *H&S Reports* presents here a shortened version of Mr. Thomson's paper explaining the coming changeover and the history behind it.

We are the last of the major countries inheriting European civilization to give up our ancient currency system. The United States, with the enterprise of their newly independent people, were first, in 1792. They introduced a dollar/cent currency based on the silver dollar which already circulated widely in America. France followed the next year, discarding a system of livres, sous and deniers with similar origins to our own, in favor of a franc/centime system. The Commonwealth countries have now changed. We, the Republic of Ireland and the small islands round our coasts are the only such countries still keeping to the old system.

Three units of currency: pounds, shillings and pence, and three systems of notation: 10, 12 and 20. And why mark pence with a *d*, and pounds with an *s*? It is confusing to our own school-children, confusing to our visitors from abroad and needlessly slow.

The difficulties of our present system have been apparent for many years. The first suggestion of a decimal currency recorded in England was in the translation of a suggestion by a Dutchman (Simon Stevin) in 1608 for decimal currency and weights, and a number of writers during the seventeenth century wrote of its advantages. Among them was the famous engineer and architect, Sir Christopher Wren, the builder of London's famous cathedral, St. Paul's. He suggested a coin divided into tenths, and tenths again, "which continual division will be very proper for accounts."

Little more was heard of these proposals until 1824 when a motion for decimal currency was put forward in the House of Commons. Royal Commissions were appointed in 1857 and 1920; both reported unfavorably. In 1960 a committee formed jointly by the British Association for the Advancement of Science and the Association of British Chambers of Commerce reported in favorable terms. This report led the Government to decide in 1961 that a change to decimal currency was desirable, and it appointed the Halsbury Committee to advise on the best method to proceed.

On February 15, 1971 the old system finally goes. To appreciate the full significance of this historic change we must consider its origins.

Until 1914 all the main currency units, in this as in other countries, obtained their value from the weight of gold or silver which they contained. The first penny, accordingly, contained

a specific weight of silver, about 1/240th of a pound, or 22½ grains. The origin of this weight is not known, but it is similar to that of a late Roman coin (Thrymsa) still circulating in Europe in the eighth century, when the first pennies are known to have been struck in England. The authorized version of the Bible translated the Roman coin denarius as a penny, and when today we write *d* for pence we are referring to this Roman coin. The symbol for our pound (£) is an ornamental *L*, the initial letter of libra, the Latin for pound.

Although the Romans introduced trade and currency from the Indian Ocean to the Atlantic, and from the Danube to the Sahara, they never invented a satisfactory system of expressing numbers. Every schoolboy learned to use the abacus, a wire frame with beads which enabled calculations to be done on the decimal system. But in writing down numbers no improvement had been made on the old system of I for one finger, of V for the five fingers and of X for the fingers on two hands. For a hundred and a thousand the initial letters (C and M) for these words were used.

When the English first introduced their silver pennies they needed some way of counting them up to one pound weight. To help them count money the Saxon and medieval accountants and treasurers used a chequerboard, similar to that used for the game of chess. Pennies were placed in the penny line of squares until they reached twelve, when the pile or a counter was transferred to the shilling line of squares. When twenty shillings had been reached this was transferred to the pound line. Counting by twenties continued until a hundred pounds was reached, and so on. It is from this practice that the Government's chief accountant, the Chancellor of the Exchequer, derives his title.

The first coins of twelve pence value were not issued until about 1544. The name shilling means a piece cut off a larger piece, and may owe its origin to the practice in previous centuries

of using a piece cut off a silver amulet as a means of payment.

During the tenth and eleventh centuries, while the medieval English merchants, stewards and chancellors of the exchequer were struggling with £, s, d and Roman numerals, the Arabic numerals became known in Europe. So for a thousand years this knowledge has been available to make a simple system of currency; the change which takes place on February 15, 1971 has been a long time coming.

In December 1961 the Government appointed the Halsbury Committee to advise on the form which a decimal currency might take, the timing of the changeover and the probable cost of such a proposal. Statements made in the House of Commons following this appointment showed that the Government had already decided in favor of a decimal currency, unless the new committee found serious difficulties. The committee reported in September 1963, making these main recommendations: adoption by the United Kingdom of a £-cent-½ cent system of decimal currency; and a fixed changeover date, "Decimalization Day," to be not less than three years from the Government's decision to decimalize. It also reported that the estimated cost of the changeover could be held to about £100 millions.

The Government accepted these main recommendations and in March 1966 announced that "D-Day" would take place in February 1971. These decisions were given statutory form by acts of Parliament in 1967 and 1969. Under the new system, the pound will remain unchanged from the present pound. The new penny will have a value of one hundredth of a pound, equivalent to 2.4d of the present currency. The half penny will be worth 1.2d of the present penny. The sixpence and the shilling will disappear, but they will linger on in memory and in story.

One advantage of the retention of the pound is that no change is needed in the existing use of £1, £5 and £10 notes. The new coin denomina-

tions will be ½p, 1p, 2p, 5p, 10p and 50p. The lowest three in value will be bronze coins, with weight proportional to their value. The new 5p and 10p pieces, already in circulation, are round cupro-nickel coins, with the same value and the same weight and size as the present one shilling and florin (two shilling) coins.

A novelty is the new 50p coin (equivalent to the 10 shilling note) which is also made of cupro-nickel but is seven-sided—a shape not previously used for currency anywhere in the world. It is the only new coin which displays Britannia, the seated woman with a shield, which first appeared on the Roman Emperor Hadrian's coin in 134 AD, was reintroduced by Charles II in 1672 on the first copper half-penny made and has continued on our coinage since then.

As professional accountants we can be thankful the Government reached the decision to retain the pound. Our wives might find shopping easier with the familiar shillings retained in the currency. But we in accounting have rarely to deal with shillings and pence, and the retention of the pound means that no alteration is required to financial and accounting records of the past to make them comparable with the new currency.

Although the system adopted, £, p and ½p, can be adversely criticized as not being a true decimal currency, the decision, taken by banks and agreed to by the Government, not to use the halfpenny in banking business means that there will be a true decimal system for the great majority of financial transactions. The halfpenny will be used only in retail trade and perhaps for some services such as transport.

Under the Decimal Currency Acts conversion is to be made into whole new pence, not making use of the new half pence, and the law includes the conversion table to be used. To provide for non-exact conversions of many items that end in sixpence (equivalent to 2½ new pence), the law provides that 6d following an even number of shillings be rounded up, and that sixpence following an odd number of shillings be rounded down.

Conversions of prices of goods will be needed from the quotations of the manufacturer down to the price labels in the shops. In respect to services, changes will take place in the pricing of everything we use: transport, electricity and so on. In the case of some goods, price changes may be associated with changes in quantities, for example

a box of matches can contain more or fewer matches. The length of a fare zone for a bus can be altered, or the length of time on a telephone. For our clients a great deal of time and manpower will be involved in these conversions, but it seems unlikely that it will have much effect on our work as auditors.

I have concluded that the effects of the decimal currency on our work as auditors will embrace these:

1. The effect will be small on the preparation of accounts; shillings and pence, however, should be omitted in those few cases where they still appear.
2. There will be a perceptible economy in time in all calculations, and we should encourage our staff to make use of mechanical means to reduce even further the time spent on calculations.
3. Most problems of decimal currency are not expected to arise in the accounts department, but in the other aspects of a client's business: buying, selling and wages. We have no great knowledge of these aspects and the assistance we can give is therefore limited.
4. A substantial economy in accounting time could be achieved by the adoption of round pound accounting for internal records, and we should recommend this to our clients. □

Mr. Thomson is a Scottish accountant, trained in Glasgow. He joined Deloittes just before World War II, served throughout the war as an infantry officer, reaching the rank of Major and being awarded the Military Cross. As a senior manager in Deloittes he has had wide experience in the accounting and audit problems of financial and commercial institutions.