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Goldberg: Reflections upon a few pages of Cronhelm
**REFLECTIONS UPON A FEW PAGES
OF CRONHELM**

by
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Many years ago I was fortunate enough to acquire a copy of Cronhelm's *Book-keeping*, published in 1818, and on reading some parts of it again recently I noticed one or two points that I felt should be shared with others. Perhaps somebody has already raised them, but, if so, I am not aware of it.

As most students of accounting history know, A.C. Littleton pointed out that Cronhelm had produced a book "in which classification of accounts was so well analyzed as to present a lucid statement of the fundamental nature of double-entry bookkeeping." (Littleton, 1933, p. 167) Littleton included extracts which amply support this claim. (Ibid., pp. 168-170) He also examined Cronhelm's contribution to the development of cost accounting, but in this area was of the opinion that, despite "an excellent grasp of mercantile bookkeeping by double entry" Cronhelm's treatment of manufacturers' accounts was seriously deficient. (Ibid., pp. 333-334) This criticism was also made by S. Paul Garner in his notable history of cost accounting. (Garner, 1954, pp. 63,64)

Neither of these contentions is here in dispute. But there is at least one other point to be noticed. Littleton's discussion of Cronhelm's "lucid statement" lies in his chapter on the Proprietorship Theory in *Accounting*, the implication being that expressing the fundamental accounting equation in the form:

$$(a + b + c) - 1 - m - n = S$$

(positive property) - (negative property) = stock

indicates that Cronhelm was a "proprietorship theorist" rather than an "entity theorist." (Littleton, 1933, p. 170, especially the footnote*)

Littleton's chapter on The Entity Theory in *Accounting*, which immediately follows that on Proprietorship Theory, seems to emphasize this proprietorship attitude of Cronhelm, and, further, suggests that the entity view was not put forward until late in the nineteenth century. However, there seems to be grounds for regarding Cronhelm to have been an "entity" theorist rather than, or, better perhaps, as well as, a "proprietorship" advocate. (This raises the question whether the entity and the proprietorship "theories" or points of view are, as Littleton and other writers seem to propound or imply, mutually exclusive. But, for present purposes this matter is not pursued; it is deferred to some other occasion — and perhaps some other investigator.)

For one thing, although he does not use the word "entity," Cronhelm clearly suggests the creation of a notional being to explain the bookkeeping relationship in double entry:

Should it be inquired why the Stock appears to be negative when the property is positive, and positive when the property is negative; this seeming

The Accounting Historians Notebook, Vol. 14 [1991], No. 1, Art. 7
 contradiction will be removed by the following consideration. In these general relations of Debtors and Creditors, *the estate or concern itself is abstracted* from its proprietor, and becomes a whole, of which the Stock or proprietor's Account is now also *one of the component parts*. If, therefore, his property is positive, the Concern is Debtor to him for that property, the same as to any other person; and he classes among its other Creditors. If, on the other hand, his property be negative, or himself insolvent, the Concern is Creditor, and he classes among the other Debtors.

We are now arrived at the most comprehensive view of the subject, having generalized the three specific cases of property into one. For, *when we thus abstract a Concern from its Proprietor*, and place the account of Stock or entire capital among the component parts, *the Concern itself is constantly neutral*, consisting of a mass of relations between Debtors and Creditors, in perpetual and necessary equilibrium. The Concern thus abstracted, *is always a cypher*; and all its component parts are equally and mutually dependent upon each other, and upon the whole. It is no longer merely the Stock which is the result of all the other accounts collected together: every Account has the same property, and may be found or proved

in the same manner.
 (Cronhelm, 1818, pp. 7-8, emphasis added)

He goes on to show that, with double entry, every account can be portrayed as a residual of all the other accounts. (He is referring, of course, to the balances of the accounts.)

Hence the truth of that general proposition already laid down, that any debtor or creditor in the books is equal to the collective result of the other debtors and creditors, an affection which has been commonly supposed peculiar to the stock account.
 (Cronhelm, 1818, p. 9)

An extensive passage, including the above extracts, is included in Yamey et al., 1963.

Note that Cronhelm was fully aware of the distinction between the abstraction — “the Concern” — and the proprietor; “concern was an accepted synonym for a business, as shown in a contemporary dictionary, which places “business” first among five distinct meanings:

CONCERN, s. business; circumstances; engagement; interest; importance.
 (Barclay, 1813?)

Neither does Cronhelm show any trace of confusion between the Concern and the proprietor, whom he seems to be quite prepared to regard, for this purpose of explanation, as a creditor of the Concern. This must surely be as clear and downright an exposition of the “entity theory” as we could wish for without the use of the word “entity” itself.

Not that “entity” was not available at that time; it had been in the language for two centuries or more, as the entry in the Shorter Oxford Dictionary shows:

Entity. 1596. [ad(aptation of) L(atin) *entitatem*, f(ormed on) *ens, entis*; see ENS.] 1. Being, existence, as opp(osed) to

Goldberg: continued from page 15

non-existence; the existence, as dist(in-guished) from the qualities or relation of anything. 2. That which makes a thing what it is; essence, essential nature 1643.

3. *concr(etely)* An ENS, as dist(inguished) from a function, attribute, relation, etc. 1628. 4. 'Being' generally 1604. 1. Both Night and Coldnesse..have reall entitie H. MORE. 3. An ideal E., like the Utopia BOLINGBROKE.

Ens sb. Pl. entia. 1581. [Late L(atin) f(ormed on) L(atin) esse, after absens, etc.] 1. Philos(ophy) a. A being, entity as opp(osed) to an attribute, quality, etc. 1614. b. An entity as an abstract notion. 1581. 2. (Obsolete) ESSENCE - 1730. b. (Obsolete) Alch(emy) 'The most efficacious Part of any natural Mixt Body' (Kersey) 1715.

1 a. Men have needlessly multiplied *entia* HALE (The Britannica, 1962)

Barclay also had it:

ENTITY s. [*entitas*, from *ens*, a being, low Lat.] the being, or rather actual existence of any thinking thing; a particular collection of qualities which constitute the species or nature of a thing. (Barclay, 1813?)

However, it appears that it hadn't yet been borrowed by writers on business or bookkeeping; that came later. And John Stuart Mill's pertinent, but biting, observation was still to be written:

In consequence of this perversion of the word Being,

philosophers looking about for something to supply its place, laid their hands upon the word Entity, a piece of barbarous Latin, invented by the schoolmen to be used as an abstract name, in which class its grammatical form would seem to place it; but being seized by logicians in distress to stop a leak in their terminology, it has ever since been used as a concrete name. (Mill, 1886, Book I, Ch. III, Sec. 2)

Cronhelm expressly states that the abstract Concern is always "neutral" and always "a cypher." Now, this word "cypher" (also spelt "cipher") had several meanings, even in the early nineteenth century. Barclay, for instance, gave the following:

CIPHER, (*sifer*) s. [*zifra*, Ital.] an arithmetical character of number marked thus (0); though of no value itself, in integers it increases the value of figures, when set on the right hand, and decreases them in the same proportion, when set before them, in decimal fractions; a collection or assemblage of letters consisting of the initials of a person's name, interwoven together, and engraved on plate, or painted, instead of escutcheons, on coaches; certain character made use of by persons to conceal the subject they write about from others; the key to explain any private characters.

A *mere cipher*, a person of no importance.

To CIPHER, (*sifer*) v.n. to perform the operations of arithmetic.

Out of these, the one meaning that seems to make most sense in our present context is that of the arithmetical nought or zero, that is, the symbol for nothing, neither positive nor negative, which Cronhelm may well have regarded as symbolizing equilibrium between his positive properties and negative properties. The abstract Concern was nothing or symbolized nothing, but could be conceived of as having the proprietor as a creditor if the positive properties (assets) exceeded the negative properties (liabilities), or a debtor if the negative properties were greater than the positive ones, that is, in insolvency.

In his examples of five sets of accounts, Cronhelm uses the word "Concern" to designate the form of proprietary interest. Three of the businesses included are "Individual" and two are "Partnership." (Cronhelm, 1818, pp. 47, 67, 128, 217, 303) Thus, for Cronhelm's exposition of double entry, the Concern or business was an abstraction distinct from the proprietor; it was a cypher or nothing, but conceptually was composed of parts which always and at any time are arithmetically in equilibrium.

Perhaps what this points to is that the concept of the entity (by whatever name we signify it) and the concept of the proprietor are not of necessity mutually exclusive unless we choose to define them and use them as such. The existence of each is in our minds. All we have to do is to see them for what they are: creatures of our intellect. As such, they can both be made to do whatever work we make them do. If this seems tautological, the tautology reflects our thinking. If they are interpreted as doing different things, this is a reflection of the work we assign them to do, not work which they choose freely for themselves to do, for, as creatures of our mind, they have neither freedom nor choice to exercise.

William Murray wrote that Cronhelm's book was a "very clever and elaborate work, which, unfortunately, was nearly all consumed by fire at the publisher's." (Murray, 1862, p. 45) If Murray is reliable, one wonders whether this sad circumstance may have contributed to that "same fate of neglect" which has been attributed to the abstract approach in Cronhelm's writing (along with those of Hustcraft Stephens and James Williamson Fulton). (See Yamey et al., 1963, p. 178)

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