

Accounting for the estates of deceased travellers: an example of early Spanish double entry bookkeeping

Rafael Donoso Anes
Universidad de Sevilla

Abstract

In 1510 the second regulation for the Trading House of the Indies of Seville (Casa de la Contratación de Indias de Sevilla) established accounting regulations for the administration and control of the belongings of citizens who died in the Indies (Indias) or during the round trip journey. A book of charge and discharge (Libro de cargo y data), kept in the same way as the book used to account for the transactions in the Royal Treasury (Real Hacienda), was used in which the origins and destinations of goods were required to be registered. Subsequently, accounting for the goods belonging to the deceased developed in a similar way to accounting for the Royal Treasury. As early as 1550 the double-entry accounting system was used in the form of the "Cash and Journal Book" (Libro de Caja y Manual). The implementation of this system was motivated by the need to maintain strict control over the debit balances of the accounts assigned to the owners of the goods accounted for. This paper presents an analysis of the development of this accounting system and the accounting practices associated with the implementation of the double-entry bookkeeping system.

Keywords: *Public accounting; double entry bookkeeping; deceased estates; Spain; sixteenth century.*

Acknowledgements: Appreciation is expressed to the two anonymous referees for their comments.

Address for correspondence:

Rafael Donoso Anes
Departamento de Contabilidad y Economía Financiera
Universidad de Sevilla
Avda. Ramón y Cajal, No.1
41018 Sevilla
Spain
Telephone: +34 954 55 7568
Facsimile: +34 954 55 7569
Email: rdonoso@us.es

Introduction

The General Archive of the Indies in Seville, Spain has rich and extensive holdings of accounting and mercantile records which chronicle many of the important economic events in Spanish history. In addition, the contents of this archive document a sustained period of development in accounting practice in Spain. This paper utilises this archival material to reconstruct the past so that its implications can be understood and appreciated in the present. Hernandez Esteve (1986) has nominated this to be a key responsibility of Spanish accounting historians. As recognised by Lapeyre (1955) and de Roover (1937), a general history of accounting in Spain will only be able to be written after more of the specific episodes making up that history have been analysed and documented. One of the most important of these episodes – and which is the focus of this paper – is the adoption in Spain of the double-entry system of recording and its subsequent evolution during the fifteenth and sixteenth centuries throughout the Iberian Peninsula.

The broader historical background to this research is the European discovery of America in 1492 and its subsequent colonisation, exploitation, commercialisation and control by European interests. A key event in this process was the creation in 1503 of Seville's Indies Trading House and the enactment of its by-laws on the instruction of the Catholic Kings on 20 January that year.¹ This mercantile institution was to have a central role in commercial activities in the New World. In the first article of its by-laws the main functions of the House were defined as: (1) to constitute a kind of warehouse where all the merchandise moving to and from the Indies would be picked up; and, (2) to act as a customs house where adequate taxation could be levied. Three responsible officials were appointed to administer these commercial and taxation functions: Factor, Treasurer and Accountant.²

The officially recognised accounting method used by the House was that of "Cargo y Data", that is "Charge and Discharge". These records were to be kept in "binding books of a major brand", and have the following general functions:

- To charge all the items the Treasurer had received and discharge all that had been spent, specifying how it had been spent, on what matters, on whom and for what reasons.
- To record by "isolated entries" all transactions so that the essential features of the operation could be exposed. Each entry had to be signed by the three officials.

These instructions were in operation from the time they were issued in 1503 until the promulgation of the definite by-laws of 1552, although some ad hoc reforms were implemented in response to the development of business activities in the Americas, particularly those involving trade in precious metals.

As indicated by prior research (Donoso Anes, 1992, 1994a, 1994b), the charge and discharge method was an important development in accounting and served the needs of commercial practice. It was a simple and effective means of controlling the funds entrusted to another by registering the origin and destination of those funds, with the end balance calculated periodically. However, as the method considered only bilateral relationships it became somewhat inadequate in disclosing the overall situation of an entity dealing with a number of other parties. Besides the Treasurer, the Trading House had commercial relations with gold and silver buyers, the Treasurer of the Mint House, other treasuries, businessmen, the Master of the Vessel (whose fleet expenses were paid), and others.

This necessitated that the officials of the Trading House also use subsidiary accounting methods, in particular the double-entry system which was readily available and already in use by businessmen in their commercial practices. The use of double-entry by the Trading House of the Treasury is of historical significance – and marks a notable accomplishment for Spain – as it indicates that Spain was the trailblazer in the use of this method by public institutions. The oldest document located by the present study indicating the application of the double-entry method dates from 1555 and was used to register the origin and destination of American treasures.

The double-entry method has an informative richness extending well beyond that provided by the charge and discharge system. Thanks to its application it was possible to reconstruct precisely the underlying economic events being recorded. This research has been devoted to a particular item, being the possessions of the deceased – that is, the possessions of those people who died in the Indies or during the round trip journey and whose heirs were in Spain. The Treasurer of the Trading House was in charge of the administration of this matter for an extended period of time and controlled it directly from the House or through accountants or auditors appointed for that purpose. The findings reported in this paper reveal that accounting for the possessions of deceased people followed a similar pattern of development to accounting practices generally within the Royal Treasury.

It is appropriate to issue a caution before proceeding. There are some words and expressions pertaining to the original records examined that present particular translation difficulties. However, an attempt has been made, wherever possible, to facilitate understanding of these original terms and their translation through the use of footnotes.

The regulation, administration and control of the possessions of deceased and absentee estates

One of the major concerns of the Crown at the time covered by this study was the adequate administration of the possessions of those citizens who died in the Indies. This is evident from the large amount of regulations issued for that purpose.

However, numerous problems emerged in connection with this process, particularly during the early seventeenth century when Juan Castellanos de Espinosa was in charge. Espinosa, an unscrupulous banker, used the possessions under his jurisdiction for his own benefit and left a great number of heirs without their rightful inheritance. It was only after this scandal that the Treasurer of the Trading House became the sole administrator and, as a result, more accurate calculations were made in order to assess the value of the possessions of the deceased. This gave rise to a great number of confrontations between heirs and censors, in order to determine the right amount of the balance due.

In the *Sección de Contratación* (Dealing Section) of the *Archivo General de Indias de Sevilla* (General Archive of the Indies of Seville) there is a large number of bundles relating to the distribution of possessions among heirs. Among these were found five bundles (576-579 and 584, dated from 1557 to 1703) which contained the accounts used to register the transactions through single and double-entry bookkeeping procedures. The great concern of the Crown in administering the possessions of the deceased, either in the Indies or in the round-trip journey, was reflected in the regulations issued by the House on 14 June 1510. In accordance with these regulations the House had to keep a book to register the possessions using the same accounting system already in use for Royal Finance. The book was to be kept in a coffer with three locks. The regulations also established the procedures for the delivery of the possessions to the heirs.

The *Consejo de Indias* (Council of the Indies) gave evidence of their concern, admonishing several officials for their lack of diligence in the administration of the possessions.³ Many abuses were committed by those who saw a great opportunity to make easy profits from the possessions left by the deceased.⁴ The most representative example is Juan Castellanos de Espinosa, whom the King appointed in 1600 as trustee in charge of the possessions of the deceased. In 1601, after he had left a large number of heirs without their possessions, the Crown decided to keep the belongings of the deceased in the Sala del Tesoro (Room of the Treasury) of the House and appointed the Treasurer, Francisco Tello, as their Trustee.⁵

The *Ordenanzas* (Ordinances) issued in 1552 (arts.89-120) and the Summary of the Laws of the Indies of 1681 (Book XI, Section XXXII and Book IX, Section XIV), represent the main body of regulations issued in respect of the possessions of the deceased in the Indies. In both cases, there were two types of procedures:

- Those related to the administration of possessions by ministers in the Indies who were in charge of the possessions belonging to the deceased in their jurisdictions.
- Those related to the administration and control of possessions once they were received in the House.

A brief description of the second of these sets of procedures will be provided as a large proportion of them are of an accounting nature and an understanding of them will assist in appreciating the broader administrative processes.

- In the House there was to be a coffer with three different locks in which all the gold, silver, pearls, precious stones and any other thing belonging to the deceased had to be kept. The property of each party had to be recorded in a book similar to the ones that were used in the Royal Finance. This book contained the details of the owner of the possessions, identified who sent the possessions, specified when the possessions arrived and were put into the coffer, recorded to whom the possessions were to be delivered, and nominated the ship on which they were to be sent and who would have responsibility for delivering them.
- Three days after possessions arrived in Seville the officials had to make a comprehensive list and publish it at the main gate of the House and in the *Puerta del Perdón* (Door of Forgiveness) of the Cathedral.
- If the deceased was from Seville and no-one had claimed an interest in the possessions it was necessary to locate the house and possible heirs of the deceased. If the deceased was from outside Seville, one month after the list of possessions was published a messenger was sent to the deceased's hometown to inform the heirs that they had the right to go to Seville or send a delegate to claim the possessions once their identity was shown to the judge.
- If no heirs claimed the possessions, they were considered as uncertain or belonging to absent citizens and would remain in the House. This was an important source of funds to pay salaries and other expenses of the Crown.

The costs associated with the disclosure of information were allocated in the accounting books to the parties associated with specific possessions. In 1526, when the Counsellors Gonzalo Maldonado and Dr Beltrán visited the House for the first time, it was agreed that the *peones* (messengers) would receive two and a half reales every day. The messengers received part of their salary in advance and then, when they returned, they adjusted the final amount in view of the list of expenses they had incurred during the journey. If the value of the possessions was low and the cost of the information process high, the House informed the Counsellors so that they could find the cheapest possible way to disclose the information.

According to Heredia Herrera (1974, p.42), the locating and informing procedure was carried out by means of a document known as the *Carta de Diligencia* (Letter of Diligence). It had to be proclaimed in a loud voice in the main square and the church of the town. A standard form with blanks to be filled out with the specific information required in each case was used on account of the great amount of letters sent by the House.

The possessions of the deceased were under the supervision of the Treasurer of the House after 1601. However, the *Contador* (Accountant) was compelled to keep the records and place the possessions in their corresponding coffer. In the accountant's department there was an official in charge of this task. Given the amount of work involved, in 1555 the King decided to appoint Pedro Luis de

Torregrosa⁶ as the person in charge of the accounting for the transactions related to the possessions of the deceased in the Indies.⁷ However, Torregrosa continued to be distracted by his many businesses and other duties.⁸ He finally excused himself and requested the Crown to appoint another person to take care of these matters. In November 1556 the King appointed Domingo de Gomarza⁹ to the position, on a salary for the first year of 60,000 mrs.¹⁰ His future employment would depend on his performance and the needs of the House.

However, perhaps the most outstanding happening from an accounting standpoint took place in 1607, when Felipe III ordered the *Contadores de la Avería* (Average Accountants)¹¹ to take responsibility for the accounts of the deceased.¹² According to Schäfer (1934, p.343), these accounts were still handled with little rigour. A decree issued on 22 October 1617 declared that, except for the accounts handled by Francisco Tello, no update of the possessions of the deceased had been made since 1550. Although the decree compelled the new accountants to carry out a comprehensive revision, it never took place. Given the great amount of work to be done, in 1619 the accountant Antonio López de Calatayud requested that the King appoint one more official who was to respond promptly and accurately to the requests of the accountants in charge of the possessions of the deceased in the Indies after 1550. Finally, in 1622, Fernando de Vargas y Solís and Rodrigo de Medina Lasso were appointed to take care of the accounts of the deceased from 1550 at an annual salary of 200,000 mrs. This was to be paid out of the so called uncertain possessions during the period of employment.¹³

The audit of the accounts of the deceased and the litigation with the heirs was an overwhelming problem for the treasurers. The accountants in charge of the audit process were extremely strict. As a result, all the *datas* (discharge) in each account were inspected and those without a valid *recepta* (receipt) were reassessed in order to estimate the new *alcance* (balance) which had to be reimbursed to the coffers.¹⁴

In a report submitted to the Council of the Indies by the accountants of the *avería* (average),¹⁵ a comprehensive summary of the audit performed on the possessions of the deceased in the treasury between 1604 and 1651 was found. Some results of this audit included the following:

Melchor Maldonado (Treasurer 1604-1621): During the period he was the Treasurer, he received more than 1,017 million mrs. in gold and silver owned by deceased estates and introduced corrections in the amount of 1,893,826 mrs. due to depletion. As a result of the auditing process carried out between 9 January 1618 and 11 January 1621, the accountants assessed a depletion of 5,978,264 mrs. of silver. That amount had to be reimbursed to the coffer of possessions of the deceased. Therefore, the balance was reduced by 2,000 ducados¹⁶ due to depletion and failures.

Antonio Manrique (Treasurer 1634-1640): No reimbursement is stated in the report for this Treasurer since there was unresolved litigation concerning his extraordinary

salary and depletion. However, in order to complement the information contained in the report, the following information was extracted from the Treasurer's accounts¹⁷ showing the results of the audit of his account between 1634 and 1639:

Charge:	957,685,553 mrs.
Discharge:	948,272,357 mrs.
Difference:	9,413,296 mrs. (to be reimbursed to the coffer)

The Treasurer had assessed a discharge of 949,878,850 mrs. which resulted in a balance of 7,807,291 mrs. This amount was in the coffers and to be distributed among those who had the right to receive it. The items audited in the account of the Treasurer were:

1. Salary: 1,125,000 mrs., that is, 600 ducados a year (225,000 mrs. x 5 years), since, according to the auditors, salaries should not be paid out of the accounts of the deceased unless the possessions were declared as uncertain.
2. Losses in the handling of coins: 380,000 mrs., which the Treasurer justified on the grounds that there was a large amount of people handling the money. This, he said, together with the rush inherent to all procedures in the House, led unavoidably to losses.
3. Expenses due to the handling of the money: 71,400 mrs., (one and a half *real* for each 20,000 *reales*).¹⁸

A revision was made by the accountants of the *avería* (average) on 10 January 1642 and received the approval of the attorney as follows:

Mateo de Parra, average accountant and deputy who works as the House's prosecutor, has seen the accounts. He requests that all entries in the discharge due to salaries, absences, costs and conducting expenses plus any illegal entries, be returned by the Treasurer D. Antonio Manrique and put in the coffer of the deceased and missing people belonging to this House.

The Treasurer had to provide a deposit of 30,000 ducados in order to be appointed and 15,000 ducados as a warranty for the possessions of deceased persons that he handled. It was not until 1671 that a salary was paid to the Treasurer for this work. The Treasurer, who at this time was Joseph Veitia Linaje,¹⁹ was to receive one per cent of the value of the possessions of the deceased and possessions declared uncertain up to a maximum of 400 ducados.

These observations provide evidence of the concern of the Crown for the correct administration and strict control of the possessions of the deceased in the Indies. Nonetheless, there is also evidence of abuses committed by the Public Treasury. In spite of the origin of the possessions and the poverty of those who had the right to receive them, such possessions were often unscrupulously confiscated. Modesto Ulloa (1977, p.152) states that the belongings of the deceased in the Indies were almost considered to be the property of the King. This is confirmed by

Donoso Anes (1992, Chapter 4) and is also evident in the pronouncements of the Tribunal of the House (Trading, Bundle 4989-A). These frequently contain orders to appropriate part of the possessions of the deceased.

Veitia Linaje (1672, p.80) acknowledges that the availability of these possessions, the opportunity of easy access to money and the needs of the Crown in paying its expenses, led the King from the outset to order borrowings from the coffer of the possessions of the deceased. According to Veitia Linaje's calculations, the Average Treasury owed to the coffer 39,842,947 mrs. since 1561, while between 1629 and 1632 the amount increased to 100,537,441 mrs. By 1633 the amount borrowed had increased to 500,000 ducados.

Accounting practices applied to register and control the possessions of the deceased

As indicated above, following the creation of the House – and particularly from 1510, when the second *Ordenanzas* were enforced – accounting regulation applied to the administration and control of the possessions of those who died in the Indies or while travelling to and from there. Two main procedures were implemented under this regulation: recording of the origin and destination of possessions in a *Libro de Cargo y Data* (Charge and Discharge Book)²⁰ and the use of a coffer with three locks to secure possessions. A major concern of the Crown was the rigorous administration and strict control of the process, especially after the bankruptcy suffered by Juan Castellanos de Espinosa. For control purposes the Accountants of the *Averia* (average) were appointed in 1607 as the officials in charge of auditing the accounts of the Treasurer of the House. They were also made responsible for possessions received in deposit after 1624.²¹

The procedures adopted to record the possessions of the deceased were developed alongside those applying to the Royal Finance and were a consequence of the need for strict control, particularly over the assessment of owners' accounts balances. Two *Libro de Caja* (ledgers) were put into use. One was a complement of the *Libro manual* (journal) and implemented a system of subsidiary double-entry bookkeeping. The other complemented the *Libro de Cargo y Data* (Charge and Discharge Book). The combination of these two sets of books created a particular kind of accounting system, the analysis of which is beyond the scope of this paper.

A document dating from the second half of the sixteenth century,²² entitled *Relación de libros de asientos que había en la Casa de la Contratación* (List of the Account Books Existing in the Trading House), contains a precise description of the *Libro de Caja* (ledger) used to record the possessions of the deceased:

Alphabetically ordered, so that entries may be easily found, the book contains the accounts of the deceased and records what each owes (debit) or has (credit). For entries corresponding to the accounts taken to the masters and other people who are in lists apart from those of the official ones and from

which the entry is handed to the party of the deceased, the following procedure is made: adjust the accounts by making him debtor of average costs and what he receives till he comes to adjust and close down. The following words will be written on the entry margin:

On such and such day of the month and year, this item was handed to so-and-so as a deposit under the judges who handed a payment proof before so-and-so who originally remained in the Accounting Office of this House and signed by the notary and marked by the accountant.

Open another general account in the Ledger (cash account) including the deceased's possessions and make them a debtor of what is put in it and a creditor of what is taken out. The entries will be signed by the officials.

The following section explains the accounting processes carried out in order to record the possessions of the deceased using double-entry bookkeeping.

Double-entry bookkeeping applied to record the possessions of the deceased in the Indies

Analysis of the accounting documentation found, and using Bartolome Salvador de Solózano's (1590) work as a reference, led to a definite conclusion. The method used for the registry and control of the possessions of the deceased, and correlating with the official charge and discharge records, was double-entry. The two classic components of the double-entry system are in evidence:²³

Libro manual (journal), where all the transactions which affected the possessions were recorded chronologically.

Libro de Caja (ledger), where notes were taken as they were recorded in the *manual* (journal) by adopting the classic structure of facing pages for each account. As is now done, debits were recorded on the left page and credits on the right one. This book showed summarised entries as opposed to the *manual* which described them in detail.

For the period 1561 to 1563,²⁴ the first accounting document found with respect to the application of double-entry bookkeeping to record the possessions of the deceased in the Indies is the *Libro de Caja* (ledger). Its index lists all the accounts used with a reference to the page of the book where they appear. During this time the Crown relied particularly on Pedro Luis de Torregrosa to design the accounting processes. Whenever there was any problem in filling the position of chief accountant, such as occurred between 1560 and 1562, Torregrosa was appointed on a temporary basis.

Accordingly, it seems unlikely to have been a coincidence that the first application of the double-entry bookkeeping system took place at a time when Torregrosa was closely involved with the House. Two facts support this view: first, Bartolomé Salvador de Solózano (1590) has informed us of the significant influence of Torregrosa in the development of the double-entry system in Spain in

the sixteenth century; second, in 1592 King Felipe II appointed Torregrosa as the person responsible for the implementation of the double-entry bookkeeping method in the Royal Finance of Castilla (Hernández Esteve, 1985b, 1986, 1991).

The implementation of double-entry accounting in the second half of the sixteenth century: *Libro Manual* and *Libro de Caja* from 1566 to 1568

A *Libro Manual* (journal) covering the period 1566 to 1568 highlights the use of the double-entry method to record and control the possessions of the deceased.²⁵ During this time, the possessions of the deceased were handled by the officials of the House and, therefore, there were two main types of accounts in the first stage of the accounting process. These were structured as follows:

- account of possessions of the deceased. Under this heading there are a large number of accounts corresponding to specific deceased citizens, together with some aggregate accounts from which funds were transferred to the specific ones when the owners were known.
- The *Caja* (cash) account. This represented the coffer of the possessions of the deceased and was later named after the Treasurer of the House who was in charge of the coffer.

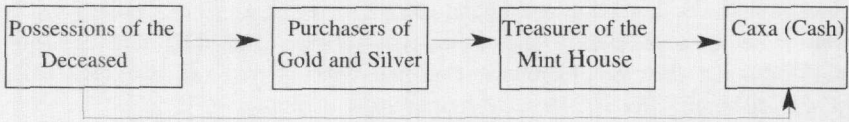
Other accounts used in the recording process included the *Cuenta de Gastos* (expenses accounts), which registered all the expenses related to the possessions received until they were delivered to the heirs. These accounts were debited for the expenses, with the corresponding credit to the cash account. Other accounts were used only occasionally, for example to record the allocation of possessions for a different purpose than payment to the heirs. Such allocations became more frequent causing the use of these accounts to increase over time. However, in the more usual case where the accounting process terminated with the delivery of the goods to the heirs only two accounts remained open: the account of the Unknown Possessions with a debit balance and the *Caja* (Cash) account with a credit balance. These two accounts were then cancelled when the possessions were transferred to the Royal Treasury or to any other purpose as ordered by the Crown.

Curiously, transactions related to the sale and coining of metals and the return of the proceeds to the coffer of the possessions of the deceased were not recorded.²⁶ Nonetheless, careful reading of the records in the *Manual* book discloses that such sales took place and were reflected by means of a comment which could be expressed as:

--- X ---
Cash owes for Possessions of the Deceased
 --- X ---

This was the standard annotation which registered the entrance of the possessions of the deceased. When the metals were sold, this was included in the record together with a reference to the sales book where it had also been registered. The final result was the same, since the only accounts open at the end of the process were the two mentioned above, as can be seen in Figure 1.

Figure 1: Accounting itinerary of the deceased properties



In order to analyse the accounting process registered in the *Manual* book of the possessions of the deceased between 1566 and 1568, consideration will first be given to describing the general accounting process and transactions and explaining the meaning of certain accounts. Figure 2 presents a diagrammatic representation of the transactions and their relevant debits and credits, with the arrow point indicating the account being debited and arrow tail the account credited. Each arrow is numbered to indicate the transaction being represented and which corresponds to the following explanations:

- (1) Represents the entry of the possessions to the coffers of the possessions of the deceased. It also represents the transfer of balances from different books (the old book, the white book, and so on) to the *Manual* book. In some cases the annotations were mere descriptions of the possessions since they were often pieces of jewellery without a definite value.
- (2) This transaction is the same as (1) but for possessions considered uncertain. It also represents the return to the coffers of possessions which had been previously transferred out in order to cover some urgent need.
- (3) Payment to the heirs.
- (4) Expenses paid by the *Caxa* (Cash) of the possessions of the deceased, which would ultimately be allocated against the possessions and deducted from the final amount to be paid to the heirs. All the amounts paid were related to the treasury of the possessions of the deceased in the form shown by the following example:

98

106 *Cebrian Gomez Librero owes for²⁷ the Caxa iiUDcccLvi mrs.²⁸ for a cash book of twelve hands of paper of a better quality to record the possessions of the deceased that came to this House from the Indies (iiUDcccLvi).*

- (5) The balance of the accounts reflecting expenses was transferred either to the general account of the possessions of the deceased or to a specific account if they were to be allocated to a specific group of possessions. For example:

134

98 *Possessions of the deceased owe for Cebrian Gomez Librero iiUDcccLvi mrs. for a cash book (iiUDcccLvi).*

- (6) This transaction is similar to (5), but refers to the account of uncertain possessions. The common expenses registered in transactions (4) and (5) were those related to the process of locating heirs and the payment of their heritage. Among these expenses, those paid to the *peón* (messenger) had a special relevance. Another important concept with regard to the expenses was the *avería* (average), which had to be paid by for the possessions and persons coming from the Indies. Three typical annotations related to this expense are illustrated as follows. Recognition of the expense of specific parties corresponding to the two existing types of *averías* (averages): galley and navy. A type (5) transaction:

117

35 *Juan Lopez Galan, deceased, owes for the galley average a thousand and seventy-nine mrs. which is recorded at three quarters per cent (iUcLxxix).*

117

136 *That person owes for navy average two thousand three hundred and fifty-eight mrs. which is passed on to the averages account at one and a half per cent (iiUcccLviiij).*

Payment of the *avería* (average) expenses, as a type (4) transaction:

135

106 *Galleys averages owe for Cash three hundred and forty thousand mrs. which were given to Ochoa de Urquiza. He was the receptor of such averages owed by the possessions of the deceased. They came from the Indies in the Cristobal de Eraso fleet at three quarters per cent. It was given to him as the averages had to fulfil the orders of His Majesty to pay twenty five thousand ducados to Lucian Centurion and taken care of by the accountant of such average, Cristobal de Espinar, in the books on this day. That responsibility, the payment proofs and the charge made in the average books is a big thing (cccxLU--).²⁹*

- (7) Amounts transferred to the account of uncertain possessions in cases where no heirs were found, for example:

1

113 *Fco. Gomez, deceased, owes for uncertain possessions a thousand nine hundred and four mrs. which is passed on to such account as no heirs showed up (iUDccciv).*

- (8) Application of funds from the account of uncertain possessions. Besides the expenses mentioned in (4) and (6), these possessions could be applied to charity or as donations to monasteries and convents, according to the orders of the Crown. The following record is an example of this:

- January 25th IUDLXVII -

113

106 *Uncertain possessions of the deceased owe for Cash eight hundred and fifty-five thousand mrs. which were given to our factor Fco. Duarte to buy ornaments, calices, crosses, bells and other things for certain monasteries of the Order of Santo Domingo de las Indias. They will be declared further ahead in virtue of his Majesty and as agreed on this day. They are the following ...* (next follows the King's document mentioned in the entry, DcccLvU--).

- (9) Annotations made to correct an excess payment error to a *peón* (messenger). This transaction is a clear example of the level of precision in the application of the accounting method and the strictness of the controls implemented. Any amount, regardless of its materiality, was registered in the records as follows:

98

52 *Juan Perez Peon, owes for Fco. de Labalde, deceased, two hundred and thirty two mrs. which cccviiij mrs. were overtaken. His debit account will not exceed a hundred and seventy-six mrs. (Uccxxxij).*

- (10) This reflects the amounts corresponding to the value of the possessions left by the deceased to be applied to the redemption of captives:

11

5 *Joan de Villoria owes for captivity redemption two hundred and seventy-two mrs. for a "peso" [equivalent to 8 reales or 272 maravedis] that the deceased sent as apparently mentioned in his will (UccLxxij).*

- (11) Delivery of the amounts collected for the redemption of captives:

5

146 *Captives redemption owes for Cash iiUccL mrs. handed to the rafter J. Antonio Gomez for the rescue of Anton Herrera (iiUccL).*

- (12) Application of possessions considered as uncertain due to the redemption of captives.

- (13) When the space assigned to an account in the *Ledger* was finished, the balance was transferred to a new page. This transaction was not always reflected in the *manual* (journal):

14

84 *Juan Ortega, deceased, owes for himself two thousand nine hundred and fifty eight mrs. which will show in sheet 14 and pass on to sheet 83 (iiUDccccLviiij).*

- (14) This annotation, like others in this book, reflects the transfer of past balances from other books and the recording of current transactions corresponding to the transfer of possessions of the deceased to the Royal Treasury. These funds could be either paid with *juros* (public debts) or reimbursed later in cash. The transfer of past balances was registered as follows:

96

106 *His Majesty owes for Cash xxxvqosDcLviiUDccxii mrs. as shown in the red book of the deceased sheet 186 (DcLviiUDccxii).*

And the borrowing of funds by the Royal Treasury was recorded as:

191

186 *His Majesty owes for Cash xxxviijqosDcccU mrs. which he ordered to be taken away as the value of the gold, silver and reales brought from the Indies in the ships of General Cristobal de Eraso. The treasurer Juan Gutierrez Tello is in charge of the aforementioned mrs. as shown in the charge and discharge book sheet 55 (xxxviijqosDcccU).³⁰*

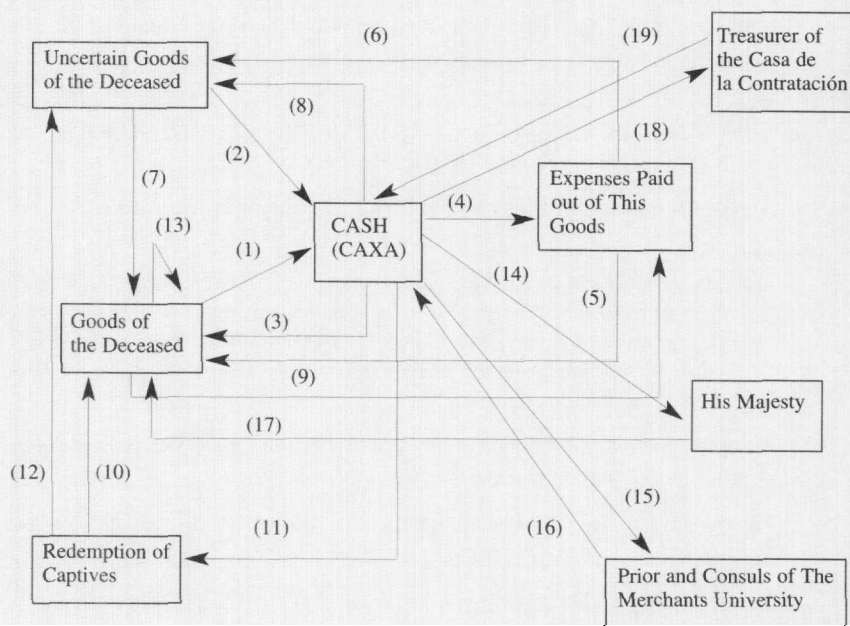
- (15) Amounts borrowed by the prior and consuls of the University of Merchants in order to pay galley expenses.
- (16) Repayment of the above amounts to the coffer of possessions of the deceased.
- (17) The borrowing reflected in this book was 38,800,000 mrs. and was paid in the form of *certificaciones* (public debts) of 14,000 mrs. per thousand, that is at approximately a 7 per cent interest rate.
- (18) Amounts borrowed by the Treasurer of the House to pay the salaries of the crews and other expenses of the navy when there was no cash available in the Royal Treasury. An example of this annotation is the following:

189

186 *Juan Gutierrez Tello, this House's treasurer owes for Cash DccccxxxvU mrs. which were to be sent to Sanlucar de Barrameda to pay sea people and for two ships which carry supplies to the province of Florida. The amounts will be taken from the small coffer of the deceased and will be given back from His Majesty's treasury (DccccxxxvU).*

- (19) Reimbursement to the coffer of the possessions of the deceased of amounts borrowed by the Royal Treasury.

Figure 2: General scheme of the *Manual* for the properties of the deceased



Conclusion

Scarce international recognition has been given to accounting developments in Spain in the first era of modern accounting. Yet, the research reported here adds to other recent findings which suggest that Spain was one of the most important promoters of the double-entry system of accounting. In particular, recent historical research on accounting in Spain has indicated that it was:

- The first country to require, by law, bankers and businessmen to apply the double-entry bookkeeping system (Cigales and Madrid Royal Pragmatics, 1549 and 1552 respectively) (Hernández Esteve, 1985a).
- The first country to establish a double-entry system for keeping the Royal Treasury books of account (1592) (Hernández Esteve, 1985b, 1986, 1991).
- The first country to implement the double-entry system in special public institutions such as Town Halls (Seville, 1567) (Martinez Ruiz, 1988, 1992), Spanish Kingdom Factories (1556) (Hernández Esteve, 1984) or the Trading House (1555) (Donoso Anes, 1990).

Accounting played a particularly important role in the operations of the Trading House of the Indies following its establishment in Seville in 1503. This institution reflected and assumed the economic and mercantile spirit of the times and which marked the discovery of the New World and its subsequent exploitation. These ideals were reinforced when the main positions involved in managing that institution were established: Factor, Treasurer and Accountant. These public officials had to be experts in business matters and in the art of bookkeeping.

Due to the development in the American trade, these experts had to apply an accounting system, being double-entry, to overcome a basic limitation of the official "Charge and Discharge" system: that the treasury debit or credit situation could not be known with regard to other possessions or people. In addition, there was a further rationale for the application of the double-entry system to the possessions of the deceased. This was that since it was other people's property that was being accounted for there was added need for strict control of the accounts.

The documents examined as part of the research reported in this article indicate that the double-entry method was applied from the second half of the sixteenth century. These documents included a *Libro de Caja* (Ledger) in use from 1561 to 1563. An important personality in the development of accounting in Spain, Pedro Luis de Torregrosa, was linked to the Trading House during that time. This suggests that the application of the double-entry system in that period may have been a deliberate policy in this treasury.

The strict censure to which the accounts were submitted gives an indication of the extent to which control by the Treasury was exerted through its officials. In the case of the possessions of the deceased, this censure was exerted by special accountants, average accountants, who methodically prepared the accounts for presentation to treasurers. Any entry recorded as "Discharge" without its corresponding written proof was eliminated and its balance recalculated. This archival research has located a great deal of documentation regarding the activities of these accountants and has elucidated the nature of their work.

A final comment: there is no doubting the profound implications for humanity of the discovery and subsequent colonisation of America by European interests. This research has contributed to showing that those events were often subject to the control of an administrative and accounting framework.

Notes

1. A.G.I. of Seville Patronato 25, R. 1.
2. As per article 4 of the first by-laws which provided for these roles. This article, along with number 12, contains the same accounting rules as dictated for the Trading House.
3. An instance of a lack of diligence is found in the documentation relating to the visit of Gregorio Lopez to the House in 1543 (A.G.I., Patronato, 251, R 48) which

resulted in a number of charges against the officers of the House, with the treasurer Francisco Tello, the accountant Diego de Zárate and the lieutenant factor Juan de Almansa being punished. In 1526 the Bishop of Ciudad Rodrigo, Gonzalo Maldonado and Dr Diego de Beltrán made their first visit to the House and dictated the first precise instructions for the administration of these possessions, which were later compiled as the ordinances of 1552. These instructions established all the procedures to be followed for the delivery of possessions to heirs.

4. Heredia Herrera (1974, p.39) explains that the officers overseeing the administration and control of the possessions in the Indies and Spain usually made non-rigorous inventories, sold possessions for less than their real value, justified numerous amounts as debts, kept the possessions for longer than was necessary and omitted names, surnames and hometowns of the deceased, making it very difficult to locate heirs.
5. "Acuerdos y mandamientos del Tribunal de la House de la Contratación", Agreement of 15 April 1601. A.G.I., Contratación, Bundle 4989 (A).
6. Torregrosa was a well-known businessman and an expert in double-entry as Hernandez Esteve (1985b, 1986, 1991) has revealed.
7. Royal Cedula of 26 October 1555, by means of which Pedro Luis de Torregrosa was appointed as the accountant for the possessions of the deceased. Torregrosa argued that given his commitment to other businesses that he would not take up the position unless his salary allowed him to leave his other duties. The King asked his officials to recommend the amount that should be paid to the trustee, and they suggested that a fair salary would be 200 ducados for the first year and 50,000 mrs. (see Note 10) a year thereafter. This salary would be paid out of the account of uncertain possessions (A.G.I. Contratación, 576).
8. There is a great deal of correspondence related to this issue (A.G.I. Contratación, 5010).
9. By means of a Royal Cedula (A.G.I. Indiferente General, 1965).
10. Abbreviation of "maravedis" which, in the period studied, was used as an account currency since coins were not minted. That is, it was a measuring unit that homogenised the accounting information.
11. The average accountants were so called as their job was confined to the censure of the accounts of the "average"; a tax that had to be paid for the one way as well as round trip transportation of merchandise and people to America to defray the costs of the armies that protected the fleets. However, over time, the activities of the average accountants were extended so as to constitute an audit office. Almost all the accounts of the House were checked there and it established important precedents for modern auditing.
12. A Royal Cedula of 21 August 1607 was sent by the Royal Council of the Indies to the accountants of the *avería* for them to present it to the president and official judges of the House (A.G.I. Contratación, 5784, L.3). This commandment was later

included in the Laws of the Indies of 1681 (Book IX, Chapter XIV, Law XIX) compelling the official judges to present every year in one book all the accounts corresponding to the possessions of the deceased.

13. A.G.I., Contratación, Bundle 5785, Book I, Display 42.
14. Royal Cedula of 13 August 1622, acknowledges that the possessions of the deceased had not been accounted for since 1550, except for those of Francisco Tello, accounted for upon request of the heirs in 1610. This is related to a warrant of the 22 October 1620 by means of which the accountants Bartolomé Manzolo and Joan López Ybartola had been put in charge of the accounts. However, due to impediments faced by the latter, they never carried out this task (A.G.I. Contratación, 5785, L.1).
15. A.G.I., Contratación, Bundle 4560.
16. The ducado was, like the maravedis, a currency of account. Although it was not used in accounting books as a currency unit, it was worth 375 mrs.
17. A.G.I., Contratación, Bundle 4580, stands for accounts of possessions of the deceased and absentees of the treasurer Antonio Manrique between 1633 and 1640.
18. The *real* was an official currency and worth 34 mrs.
19. A.G.I., Contratación, Bundle 5785, Book 2, Display 596. See also Veitia Linage (1672, p.88).
20. The general operation of which has already been explained in the introductory section.
21. A.G.I., Contratación, Bundle 4989b, stands for Agreement of the House on 12 October 1624, to comply with the royal document of 16 September 1624.
22. A.G.I., Patronato 251, Ramo 8.
23. For further insights to the operation the double-entry system in Spain, see Donoso Anes (1992, 1994a, 1994b).
24. A.G.I., Contratación, Bundle 576.
25. A.G.I., Contratación, Bundle 576.
26. However, as shown in Donoso Anes (1992, p.244), the transactions related to the process of sale of the metals were also accounted for by the double-entry bookkeeping method.
27. The expression "owes for" in the daily book entries separates the account debited, which comes before, from the account credited which follows.
28. As already mentioned, the *maravedis* was used as a currency unit in the accounting documentation and to represent different amounts a system called the "Castilian account" was used. This consisted of a combination of Roman numbers and special symbols. These symbols were the "quento" (q1), or "quentos" (q1s) if there were more than one and it represented one million, multiplying by one million the amount on the left of the symbol. The other symbol used was the "calderón", some kind of enlarged "u" (U) that represented one thousand and multiplied by 1,000 the amount on the left and which was on the right of the "quento". The hundreds and units did

not have any distinctive symbol, nor did the "M" which represents one thousand in Roman numbers have a place in this system. The amounts written were represented in the central body of the entry and in one column on the right which was always set aside for this purpose whether the book was charge and discharge, journal or ledger.

29. This annotation contains a great deal of information and also reflects the destination of the possessions. Annotations (4) and (5) could appear in this order or (5) before (4) if the expense was first recognised and paid afterwards.
30. This refers to the *cargo y data* (charge and discharge) book of the Royal Treasury, although the account of the King appears with a debit balance, given that the amount was owed to the coffer of the possessions of the deceased.

References

Primary sources

Archivo General de Indias de Sevilla (A.G.I.), Manuscript Sources:

A.G.I. Sección Indiferente General, Bundle 1965.

A.G.I. Sección Patronato, Bundles 25(R1), 251(R8 y R48).

A.G.I. Sección Contratación, Bundles 576, 577, 578, 579, 584, 4560, 4580, 4989(A y B), 5010, 5784(L3), 5785(L1 y L2)

Secondary sources

De Roover, R., (1937), *AAux origines d'une technique intellectuelle: La formation et l'expansion de la contabilité à partie double. Annales d'Histoire Economique et Sociale. Vol.IX.*

Donoso Anes, R., (1992), *El mercado de oro y plata de Sevilla en la segunda mitad del siglo Sixteenth. Una Investigación Histórico-Contable*, Seville: Department of Publications of the Seville City Council.

Donoso Anes, R., (1994a), "The Double-Entry Bookkeeping Method Applied in Spain to Account for Transactions Related to the Minting Process of Gold and Silver in the Sixteenth Century", *The Accounting Historians Journal*, Vol.21, No.1, June, pp.97-116.

Donoso Anes, R., (1994b), "The Trading House of the Indies and the Application of Double-Entry Bookkeeping to the Sale of Precious Metals in Spain, 1557-83", *Accounting Business and Financial History*, Vol. 4, No.1, March, pp.83-98.

Heredia Herrera, A., (1974), "La carta de diligencia de bienes de difuntos", *Archivo Hispalense*, tomo LVII, n.174.

Hernandez Esteve, E., (1984), "Las cuentas de Fernán López del Campo, primer Factor General de Felipe II para los Reinos de España (1556-1560)", *Revista Hacienda Pública Española*, n.87.

- Hernandez Esteve, E., (1985a), "Legislación castellana de la Baja Edad Media y comienzos del Renacimiento sobre la contabilidad y libros de cuentas de mercaderos", *Revista Hacienda Pública Española*, n.95.
- Hernandez Esteve, E., (1985b), "Pedro Luis de Torregrosa primer contador del Libro de Caja de Felipe II. Introducción a la Contabilidad por partida doble en la Real Hacienda de Castilla (1592)", *Revista de Historia Económica*, n.2, año III.
- Hernandez Esteve, E., (1986), *Establecimiento de la partida doble en las cuentas centrales de la Real Hacienda de Castilla*. Vol. I: "Pedro Luis de Torregrosa, primer contador del Libro de Caja". Banco de España. Servicio de Estudios. *Estudios de Historia Económica* n.14. Madrid.
- Hernandez Esteve, E., (1991), "Propuesta de Contabilidad por partida doble para llevar las cuentas centrales de la Real Hacienda castellana (hacia 1574)". Opening Conference of the *IV Meeting of the Spanish Accounting Association*. Santander.
- La Peyre, H., (1955), *Une famille de marchands: Les Ruiz. Constitution à étude du commerce entre la France et l'Espagne au temps de Philippe II*. Ecole Pratique des Hautes Etudes. Vie Section. Librairie Armand Colin. Paris.
- Martinez Ruiz, J.I., (1988), La reforma de la contaduría municipal de Sevilla y la introducción del libro de Caja (1567). Una aportación al estudio de la modernización de la contabilidad pública. R.E.F.C. Vol.XVII, n.56.
- Martinez Ruiz, J.I., (1992), *Finanzas municipales y crédito público en la España moderna. La Hacienda de la ciudad de Sevilla 1528-1768*. Ayuntamiento de Sevilla, Sevilla.
- Recopilacion de las Leyes de los Reynos de las Indias*, (1973), Ediciones Cultura Hispánica. Madrid (4 vols.). Facsimile edition of the original by Julián Paredes (1681).
- Salvador De Solorzano, B., (1590), *Libro de Caja y Manual de Cuentas de Mercaderes, y otras personas, con la declaración dellos. Dirigido al rey D. Felipe nuestro Señor. En casa de Pedro Madrigal MDXC*.
- Schäfer, E., (1934), "Una quiebra ruidosa en el siglo XVI". *Investigación y Progreso*, October.
- Schäfer, E., (1935), *El Consejo Real y Supremo de las Indias. Su historia, organización y labor administrativa hasta la terminación de la Casa de Austria*. University of Seville. Publications of the Centre for American History Studies. Seville.
- Schäfer, E., (1945), "La Casa de la Contratación de las Indias de Sevilla durante los siglos XVI y XVII", *Archivo Hispalense*, n.13.
- Ulloa, M., (1977), *La Hacienda Real de Castilla en la época de Felipe II*. Spanish University Foundation. Madrid.
- Veitia Linage, J. de, (1672), *Norte de la Contratación de las Indias Occidentales*. Sevilla.