

# Why did the 19th Century Japanese Government Adopt the Double-entry in the Accounting System?

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## Abstract

*In the middle of the nineteenth century a revolutionary social change arose in Japan. It is called the Meiji Restoration. The government established newly strove for construction of the modern nation by taking in Western culture and social system energetically. Under such a situation, the knowledge and technology about the Western style double-entry bookkeeping was transferred. However, since most existing commercial organizations continued using the accounting system peculiar to each, introduction of this new accounting technique did not spread widely as accounting practice. A few exceptions which adopted the double-entry into their accounting systems are in some organizations under the influence of the government, e.g. the Mint Bureau or commercial banks. Furthermore, it is interesting that the government itself introduced the Western style double-entry as that recording and accounting system. Since the central government and the local government are the new organizations founded after the Meiji Restoration, the government did not have any accounting system till then. Therefore, when the*

*government adopts the double-entry bookkeeping, it is doubtful whether it was considered carefully the accounting method was the most suitable for the government management. As the proof, in 1889, when the Constitution and other some important codes were enacted, the government abolished application of the double-entry bookkeeping, and changed into it to single-entry. The double-entry bookkeeping application to the government accounting system in the 19th century was a temporary phenomenon in the early stages of a modernization process.*

**Keywords:** *Western style double-entry bookkeeping; modernization; Japan*

## 1. Introduction

For the past 30 years or more, in Britain and New Zealand, etc., reform of the public sector accounting system has been developed<sup>1)</sup>; to introduce methods like double-entry and accrual basis, which are based on the corporate accounting methods adopted in general in private companies, to their accounting system.

There has been a movement toward the reformation of public sector accounting since about the end in the 1990's in Japan. For instance, from October 2000, 'the Japanese Government Balance Sheet' has been prepared and disclosed.<sup>2)</sup> And one of the local governments and the largest one, Tokyo, has reformed its accounting system more drastically. Tokyo Metropolitan Government Accounting Standard was set in August 2005, and the financial statements were prepared and disclosed from 2006. The Tokyo Metropolitan Government implemented the use of accrual basis accounting along with the double-entry bookkeeping procedures and applied them to its General and Special Accounts (with the exception of Public Enterprise Accounts, such as Waterworks). However, these cases are a few exceptions. Most government accounting systems, both of central and local, in the 21st century in Japan are still based on cash revenue and expenditure, recorded basically by the

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1) See, Bac (2001), for example.

2) The Japanese Government Balance Sheet is prepared by 'Study Group on Explanatory Methods of Fiscal Position' and disclosed by the MOF, and they say that the balance sheet "gives an overview of the entire fiscal position of the Government on a stock basis, and is a useful reference tool for explaining the Government fiscal position to Japanese citizens and thus improve the Government accountability for its fiscal policy". This balance sheet is not an official report by the Japanese Government. It's just a 'preliminary trial'. However this project is developing thereafter, the consolidated financial statements, not only the balance sheet but also like income statement and cash flow statement, are also prepared.

single-entry bookkeeping method.

To our surprise, in the 19th century, as a newborn and a unified nation, the government of Japan had adopted the double-entry method to its accounting system. Furthermore, the accounting practice using double-entry was adopted only for 10 years. In the late 19th century, adoption of the double-entry method to the government accounting was abolished. Why was the accounting system based on double-entry taken in, and why was that system done away with?

## **2. Modernization and Double-entry Bookkeeping**

### **2.1. Modernization and Westernization**

For about 700 years, from the end of the 12th century to the middle of the 19th century, society in Japan was based on feudalism. During what is called the Edo period, spanning 250 years from the beginning of 17th to the middle of 19th century under the political power of the Tokugawa Shogunate, Japan almost had no diplomatic relations with foreign countries, and had an isolated economy and unique culture.

However, some of the great European imperialistic powers such as Russia, Britain, and France had already come to approach Asia in the 18th century, and the Tokugawa Shogunate had been informed that the Qing dynasty (China) in the neighboring country was defeated in the Opium War. The most significant event for the revolution of Japanese policy was when M. Perry, the commander of the American East Indian fleet appeared in the coast of Tokyo Bay in 1853, requested the opening of the country, and demanded the conclusion of an agreement with the U.S.

Not only did opening the country to the world bring a change in diplomatic policy for Japan, it also converted the political dispensation of Japan. We could say the whole of social values were changed.

In the social structure of the Edo period, though the Tokugawa Shogunate (*'Bakufu'*) was the supreme government organization, at the time a number of feudal domains (*'han'*) also governed with independent power. Such a social system was overturned, and this reform and the revolution for building a brand new nation is now called the "Meiji Restoration."

The reform of a variety of social systems was rapidly advanced in the Meiji Restoration. The range of the reform included central government organization, the legal system, social class system, local administration, finance, distribution, industry, economy, education system, diplomatic policy, and religious policy, etc. To create

this new culture and sense of values, Japanese would have learned from the West. It was the aim of Japan at the time to become the first “modern nation” in Asia.

To learn the system and the culture of the West, the new government made many Japanese, especially young Japanese, go abroad to study foreign cultures and civilization. The most notable project was the Iwakura Mission in which prominent people in the new government traveled and experienced foreign countries from December 23, 1871 to September 13, 1873. This project brought big resulting changes for the modernization of Japan. Many foreign experts [*Oyatoi-gaikokujin*] had been employed by the government to learn and import Western technology and knowledge. They gave the skills and knowledge about Western industry, the education system, and military system, etc., and helped construct a new and modern nation.

That is, for Japan, “modernization” or “building a modern nation” meant “Westernization” or “change to the West”.

There is an opinion to symbolize an absolute Westernization oriented in those days. It is unbelievable immediately, but it was the claim that made change a Japanese language into “English”. This was insisted on by *Arinori Mori* who became the Japan’s first Minister of Education later. The language is an integrated inheritance of the culture. An opinion to exchange the language that has been cultivated in own custom and tradition with a foreign language is to mean identity and the loss of the folk culture. As a result, his opinion was rejected, but it is an episode to express the spirit of the period for construction the modern nation in oriented Westernization.

## 2.2. Double-entry Bookkeeping as Knowledge and Technique

In the 19th century double-entry bookkeeping was introduced in Japan. The process of this transfer tells us an interesting fact when we see from two viewpoints: the one is in education and the another is in practice.

Yukichi Fukuzawa was a key philosopher in the modernization of Japan. In 1873 he translated a bookkeeping textbook in the United States, known as *Cho-ai no Ho* [Bookkeeping]. This book is the first instruction manual in Japan for universal use. Moreover, Western style bookkeeping was taught at *Keio-Gijuku* school that Fukuzawa had founded. And, a number of young people studied this new Western technology. In addition, several other kinds of Western style bookkeeping textbooks were translated by some of those who attended the school, and they also went on to

write and published textbooks in Japanese which were made from original textbooks in Europe and the U.S. *Keio-Gijuku* had produced many teachers who had studied double-entry bookkeeping, and they taught at many schools in various places all around the country. The government also established the educational system during the same period. As a result, the school system from elementary to higher education established, and quite a lot of schools were built up all over the country.

Number of School			
year	elementary	middle	higher
1873	12,597	46	29
1878	26,584	888	188
1883	30,156	1,477	147
1888	25,953	1,869	98

source; Statistics of Education, MEXT

Western style double-entry bookkeeping as a subject was taught to even the young students in upper grades (age 10 to 13) at elementary schools. The textbooks used at these elementary schools were written by teachers and/or authors from *Keio-gijuku*. Thus, it can be understood that double-entry bookkeeping as knowledge permeated widely into Japanese society at the beginning of the Meiji period.

On the other hand, the first example of adopting Western style double-entry bookkeeping to private companies was seen in banks. *Kokuritsu Ginko Jorei* (The National Bank Ordinance) was enacted in 1872 when the Japanese government planned to establish the modern banking system. It was hard to prove to have a positive response and the number of banks that had been established by this law sum up to 153 in number by 1879 including the *Dai-ichi Kokuritsu Ginko* [National Bank No.1] in 1873. The government supervised the business with rigorous guidelines for all of these banks. In addition, the establishment of a uniform system, which focused mainly on the bookkeeping, was applied. This earliest attempt is an example of making a united accounting system apply to a specific industry in the world (Nishikawa 1982, p.21). In order to make a plan for establishing an accounting system for banking and engage in the education of bank clerks to promote their ability, the government employed Alan Shand who was a Scotsman and a skillful banker (Tsuchiya 1966). He taught his knowledge of the double-entry method to the staff of the bank and the officers of the Ministry of Finance. The book in which the content of his lecture was recorded in Japanese is *Ginko Boki Seiho* [A Method of

*Bookkeeping for Bank*] (1873), which is one of the oldest textbooks about double-entry bookkeeping in Japan.

There was no unified accounting system because a modern banking system did not exist before the Meiji period. In other words, there were no inhibiting factors for adopting double-entry as a new technology for the bank.

We can observe some other ordinary private companies, for example *Maruzen* and *Mitsubishi*, that did adopt the double-entry method to their accounting systems.

*Maruzen* was a trading company established in 1869 that imported foreign books and medical equipment, and a company that was in contact with Western civilization. Yukichi Fukuzawa was deeply involved in the management of *Maruzen*. *Mitsubishi* is well-known worldwide as a financial conglomerate today, but unlike companies such as *Sumitomo*, *Mitsubishi*, which has a history going back hundreds of years, was a comparatively new business organization founded by Yataro Iwasaki in the latter half of 19th century. Iwasaki befriended Fukuzawa, and he was employing many excellent people who came from *Keio-Gijuku* school to the company.

Thus the private companies that introduced double-entry bookkeeping were brand new organizations that were less inhibited when it came to adopting new method. Besides, there were key people from *Keio-Gijuku* school who had thorough knowledge about the double-entry method in these companies.

How about other companies, especially those that have a long history? Many of large-scale commercial organizations had their own accounting system that had already functioned well. For example, *Mitsui* had a precise and complex accounting system which is equal to the Western double-entry bookkeeping. According to Nishikawa (1996), most of those companies did not need to change their traditional accounting systems to the Western style new method, although the knowledge about it had been spread widely by education.

In sum, in Japan at the beginning of Meiji period, the double-entry bookkeeping as 'knowledge' permeated into the society quickly and widely with the spirit to trying to assimilate Western technique and culture. But as technology it did not. The existing commercial organization would not feel inconvenience in using their familiar accounting system. In Japan of the Meiji period, there was difference in social significance between double-entry bookkeeping as the knowledge and as the industrial technology.

However, as technology it was adopted in the accounting system for special organization. It was for the government.

### 3. Development of Accounting System for Government

#### 3.1. Precedents in European Countries

Some examples that adopted the double-entry bookkeeping as management technique for the government organizations are already in the Europe of the early modern times by previous studies. (Lemarchand 1999, Nikitin 2001, Edwards *et al.* 2002, Edwards and Greener 2003, Gomes *et al.* 2006).

As Gomes *et al.* (2006) summarized, from the late of 16th century to the beginning of 18th century, Spain, France, Portugal and some other European countries experienced adopting the double-entry for the central government accounting.

First time adoption of DEB in European Central Government

Country	First introduction	Organization	Interruption	Re-introduction
Spain	1592	Real Hacienda (Royal Treasury)	1621	
The Netherlands	1604	Royal Finances	Not known	
Sweden	1623	General Ledger of the Kingdom	1654	1659
Germany/Austria	1703	Imperial Treasury	1715	1760
France	1716	Royal Treasury	1726	1808
Portugal	1761	Royal Treasury		

Gomes et al., 2006, 1148

And according to Edwards *et al.* (2002) and Edwards and Greener (2003), in the first of the 19th century, “the mercantile system of double-entry” was adopted into British central government accounting system. They clarify the following points; there was rivalry with the old and new strata with the change of the social system behind this accounting system reform.

Two social elements are found about the introducing the double-entry to the government accounting in European countries. At the first, it is approved about the double-entry bookkeeping that a merchant used socially is given. Including Luca Pacioli’s *Summa* (1494), many books or descriptions regarding the double-entry (Italian or Venetian method) bookkeeping technique as a merchant using recording system were published in sequence after the 16th century. These “textbooks” were the social devices which were effective vehicle made knowledge and technology as a standard, and to spread widely. The technology and knowledge about the double-entry had already become general and was shared widely in the early modern times in the Europe.

The second reason why European countries introduced double-entry bookkeeping into their government accounting system is that “better practice” can be realized. It was reform of the government accounting system. In other words they introduced the double-entry replacing with existing recording system to solve fiscal rebuilding, big change of economic system, to get the power in the government rivalry, or other factors.

However, the government accounting in Japan of the 19th century are different from these European cases and it was unique and interesting. In the following sections, we describe a process how and why did Japan introduce the double-entry bookkeeping into its government accounting.

### 3.2 At the Beginnings: from Chaos to Order

The Meiji Restoration was a certain kind of revolution. About 20 years from 1860, it was a period when new social systems began being formed to settle society. To solve the problems exposed, various trial and error measures were put into practice. Social regulations or laws concerning national finance and accounting were created and changed on an ad hoc basis. In December 1867, *Kinkoku Suito Jo*; the Receipts and Disbursements Office of Money and Grain<sup>3)</sup> was established as the first government office concerned with national accounting and finance. Only two months later, in February 1878, *Kaikei Jimu Kyoku*; Accounting and Finance Office, and, in April, the office changed the name to *Kaikei-kan*; Administrative Office of Accounting. In July 1869, at last, when a framework of all the government offices were completed, the office concerning national accounting and finance changed its name to *Okura-sho*<sup>4)</sup>, the Ministry of Finance.

#### ***Suito Tsukasa Kisoku-sho* (1869)**

This is the first national accounting rule in the Meiji period. Before and after the Meiji Restoration, not only was the political situation unstable but also the nation was in an extreme financial trouble. There was no strict discipline for national finance, and much money and other resources were wasted. As a result, this regulation to

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3) The money economy did not develop in Japan of the age of feudalism, and the standard of the economic value was “rice”.

4) The name of *Okura-sho* remained until 2001. By reorganizing government offices in 2001, *Okura-sho* was divided two offices, *Zaimu-sho* [the Ministry of Finance] and *Kunyu-cho* [the Financial Services Agency].



manage the receipts and especially disbursements was put in force. It was only *Suito Tsukasa* [the Office of Finance, later MOF] who managed the national central government finance that this regulation targeted, and was included in neither other ministries nor local governments. This regulation had regulated just about order to disburse from the national treasury, but had not ruled about an accounting procedure and a system of account books.

### ***Kinkoku Shuito Junjo (1873)***

In December 1873, the government enacted “*Kinkoku Shuito Junjo*” [the Procedure of Receipts and Disbursements] as a new regulation concerning the national treasury. In the preamble, as follows.

To order the national treasury correctly, a system of account books are required, and need to be recorded everyday receipts and disbursements in minute detail. If daily records are made correctly and exactly, there will be no extra cost for monthly checking.

Several account books that were kept are shown as follows. Their forms are also illustrated.

*Nikkei Bo* [Day Book]

*Kingin Azuke Cho* [Deposit Book]

*Kingin Uketori Cho* [Loan Book]

*Kinkoku Ukebarai Cho* [Cash and Grain Book]

*Tsuisan Bo* [Book of Unpaid and Uncollected]

*Sashitsugi Bo* [Book of Advance]

*Showatari-mai Shukketsu-sashihiki Cho* [Book of the Amount of Rice  
delivered as a Tax]

*Kinkoku Aridaka Cho* [Book of Amount of Cash and Grain]

By this regulation, the accounting system that had a recording method and standardized account book system came to be applied to central government offices and all of the local governments. Thus, the modern Japanese government accounting system had started.

### ***Kinkoku Suito Keisan Jorei* (1875)**

Especially, provisions on accounting concerning the Ministry of Finance that managed the central government finance were made more precise.

In July 1875, *Kinkoku Suito Keisan Jorei* [Ordinance of Reckoning on the Receipts and Disbursements] and, its application notes, *Keisan Jorei* [Ordinance of Reckoning] were enacted. It was recognized that the importance of management of revenue and expenditure on each item. In addition it was stipulated that monthly accounting reports should be submitted to the Lord of Finance.

## **3.3 Trial Period of the Adoption of Double-entry**

### **Osaka Imperial Mint Bureau (1871)**

The monetary system of Japan was very confused before and after the Meiji Restoration. To solve this confusion, the new Japanese government started to construct the Imperial Mint Bureau in 1867 in Osaka. The Mint was a Western style building made with bricks and equipped with the newest machines and was a symbol of modern Japan.<sup>5)</sup>

The accounting system at the Osaka Mint was introduced by Vincent E. Braga; a Portuguese who was born in Hong Kong. The objects recorded were the receiving bullion, which was the material used to make coins, the minted coinage, and income from minting. The accounting documents needed were as follows (Nishikawa 1971, pp.93-95):

- (1) *Shoko*; Voucher: the initial record of receiving gold and/or silver bullion
- (2) *Nikki Soko*; Waste Journal: a rough copy of journal entry, which be divided debtor and creditor
- (3) *Nikki-bo*; Journal: that is made a fair copy of Waste Journal
- (4) *Gen-bo*; General Ledger: that has a balance column
- (5) *Nikkei-hyo-cho*; Daily Balance: a kind of trial balance which may totalized every balance item in General Ledger

From these documents, profit & loss accounts, balance sheets, and financial statements, were prepared periodically. That is, the accounting system of the

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5) After the British Mint Bureau founded in Hong Kong in 1866 was closed in only two years, the machines were bought by Japan and installed in the Osaka Mint. Moreover, not only casting machines but also many technical staffs had moved together from Hong Kong to Japan.

Imperial Mint in Osaka had consisted of four sets of accounting books and two financial statements. Furthermore two sets of accounting records were arranged for each of gold bullion and silver bullion.<sup>6)</sup>

These accounting books were kept in both Japanese and English. The Mint initially consisted of two departments: the Minting Department and the Accounting Department. The Minting Department was controlled by a foreign supervisor and the Accounting Department was managed mainly by a Japanese clerk. (Nishikawa 1971, p.91) Since there were administrators who used different languages in the same organization, accounts data needed to be written in two languages. The procedure was as follows: To record a voucher which was an original record, entry was made in Japanese on left-hand side, and in English on the right-hand side of the space of one sheet. After that, the account books following the Waste Journal were entered by the foreign staff, Braga and etc., in English, and the entry made by the Japanese staff in Japanese, receiving instruction from Braga.<sup>7)</sup> This double record system should be understood to be what was practiced independently; not the procedure of translating into Japanese the accounting record first kept in English, but the two accounting records written in two languages compared with each other, respectively.

As mentioned above, the accounting system in the Osaka Mint was based on Western style double-entry bookkeeping. However, the measurement of value used in the system was weight, an ounce of gold and silver, not a monetary unit. It can be said that the double-entry bookkeeping brought to the Osaka Mint was a unique practice (Nishikawa 1982, p.118).

The bookkeeping method that Braga practiced in the Osaka Mint was described by Tametsugu Mishima, the Japanese management officer, in *Zohei Boki no Ho* [*Method of Mintage Bookkeeping*] (Mishima 1873). This book is the first textbook of double-entry bookkeeping that had been written by a Japanese author (Nishikawa 1982, p.118). Although it is a textbook, this book is a hand manuscript and was not carried out in large quantities. Mishima's writing probably served as a teaching material for study among the Japanese staff. As such, it seems that this book hardly influenced the spread of Western style double-entry bookkeeping.

By the way, how were physical units entered to the account books using the

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6) Then, when casting of a copper coin started, the accounting books for the receipt and payment of copper were inevitably needed.

7) This method is provided in the office rule of the Mint Bureau enacted in 1871.

double-entry method? By reviewing how this was done in practice, we can evaluate the significance in introducing double-entry to the Mint's accounting system. The following illustration of a transaction is shown:

*Metal weighing 734.45 oz. was received from the Ministry of Finance and delivered to the Melting Division.*

This transaction was journalized as follows;

(a)	(Dr)	The Metal	734.45 oz	(Cr)	M O F	734.45 oz
(b)	(Dr)	Melting Div.	734.45 oz	(Cr)	The Metal	734.45 oz

What is the meaning of this journalizing? In entry (a), should we understand that the Metal Division, the accounting entity, received 734.45 oz. of metal, then the Division debits the received metal as an increased asset, and credited a liability in the value of 734.45 oz to the MOF? And in entry (b), the Division delivered the metal to the Melting Division. Does the Metal Division credit as the asset decreased, and debit as the claim to the Melting Division in value of 734.45 oz? In other words, we have some doubt about whether such journalizing by double-entry was relevant to the object of the organization. Namely it is still a remaining issue to evaluate whether the adoption of the double-entry method for the accounting system in Osaka Mint was a success or not.

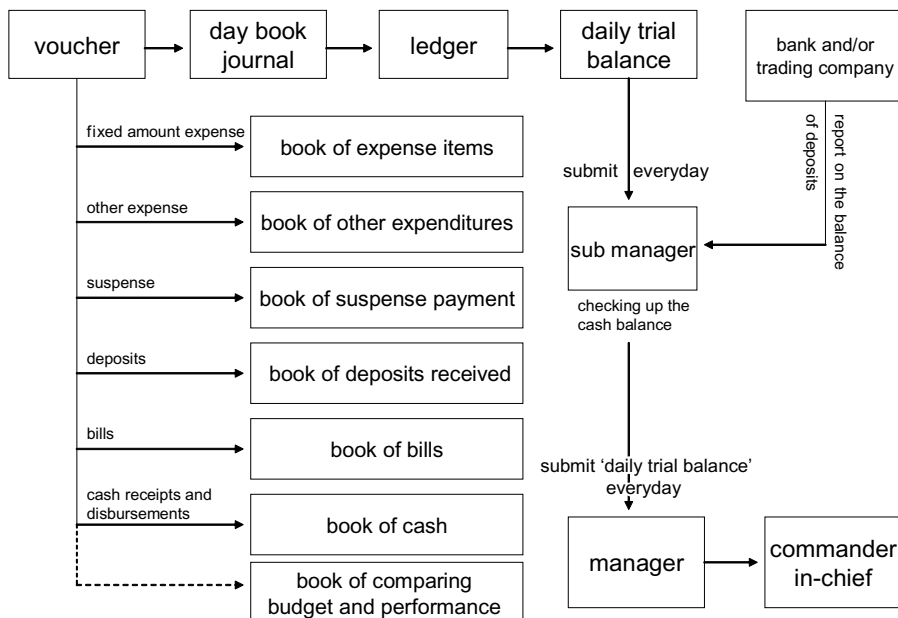
While the management of the Mint, that had depended on foreign engineers from the time its establish, was attained by the Japanese people, the government dismissed many foreigners including British Thomas William Kinder who was Head of the Mint in January 1875, and Braga who brought Western style bookkeeping to the public organization and first transferred it to the main office of the Ministry of Finance in February 1875.

### **Accounting Department in Kumamoto Garrison (1876)**

Braga not only made up the accounting system for the Mint and practiced it. He also gave instruction of the double-entry methods to the Japanese officers. We can see the '7 principles about journal entry' in his lecture draft, which was quoted from C.C. Marsh's *The Theory and Practice of Bank Book-keeping, and Joint Stock Accounts* (New York, 1865). Marsh, an American, was a bookkeeping texts author and

accountant.<sup>8)</sup>

Takesada Kawaguchi, was one of the people who had received the Western style double-entry bookkeeping education in the Ministry of Finance's Osaka Mint. He was appointed as an accounting officer in the Japanese Army in 1873. He wrote a book on bookkeeping entitled "*Chindai-shozoku Kaikei-bu Shomoku Mondo*" [*A Dialogue about the Accounting Department in Garrison*] in June 1876. He describes in that book how he had actually practiced the accounting procedure in the army at that time. The management of cash, the system of account books and the procedure of entry are illustrated as follows (Hisano 1992, p.264):



Kawaguchi's purpose was to improve the accounting system for all sections of the army. Then, he aimed to spread the double-entry accounting procedure that was used at the Kumamoto Garrison he attended by publishing the book. Because a suitable system of accounting for the organization of the army accounting department was constructed, some give high evaluation to his attempt (Hisano 1992, p.276). However, the object by double-entry has been limited to only the cash receipts and

8) Marsh was a practical accountant and had an office at Broadway in New York, and wrote many accounting textbooks. Some of those were translated into Japanese and it was employed as a accounting textbook for elementary and secondary school by the Ministry of Education when the modern education system was constructed.

disbursements, but not other stocks. Yet the budget revenue and expenditure was also off the subject.

Afterwards, Kawaguchi became the first president of the Army Accounting School in 1890, and in 1893, he posted to the Navy and was appointed to the Head of Accounting in the Navy Department. He had a strong influence in constructing and spreading the accounting system for the Japanese army.<sup>9)</sup>

Though the double-entry accounting system for the army was continued until about 1891, it is said “this precise method [double-entry] was completely abolished and it came to use the bookkeeping by single-entry which is the simplest and easiest way, after 1892” (Hisano 1992, p.267).

### **Ministry of Finance (1876)**

Not only the monetary system, but the accounting system of the nation and the government offices were in confusion at the beginning of Meiji period. As mentioned above, the new government worked on the improvement of the system of the treasury accounting, such as ‘*Suito Tsukasa Kisoku-sho*’; [Regulation of Receipts and Disbursements] in 1869, ‘*Kinkoku Shuito Junjo*’ [Procedure of Receipts and Disbursements] in 1873 and ‘*Kinkoku Suito Jorei*’ [Ordinance of Receipts and Disbursements] in 1875.

In such a situation, Toshimichi Okubo, Lord of Finance, reported to Tomomi Iwakura, the Minister of the Right, one of the top executives in the cabinet, to enact a new regulation to improve the method of accounting.

Then, in February 1875 in revising the accounting system, the Ministry of Finance, which managed national finance, employed Braga who had introduced Western style bookkeeping into the Japan Imperial Mint. The Ministry of Finance established “Research Center of Bookkeeping Method”, and in January 1876 Braga was engaged in planning of a government accounting system, and instruction of double-entry bookkeeping to the staff (Hisano 1958, p.32, Nishikawa 1971, p.103).

Then the accounting record method in the Ministry of Finance changed from the old method to the double-entry bookkeeping. In 1876, the new accounting regulation, ‘*Okurasho Suito Jorei*’ [Ministry of Finance Ordinance of Receipts and Disbursements] was enacted. The 34th article is very important.

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9) Kawaguchi was created baron according to distinguished services that develop the accounting system for military forces in 1895. Moreover, he served as vice-minister of the Department of the Imperial Household from 1898 to 1901, and was a member of the House of Lords of from 1904 to 1911.

*Every entry into the accounts book must be made in 'BOOKKEEPING.'*

We cannot surely judge whether the word 'BOOKKEEPING' in this article, means double-entry bookkeeping or not. However we can say it was natural that 'BOOKKEEPING' meant the double-entry method of recording which the MOF tried to adopt. Because of the word was expressed in a foreign language and with quotation marks, the MOF had already introduced the double-entry method for the National Banks accounting system, and education of the double-entry had been given by Braga in the main office of the MOF.

In '*Denpyo Boki Jorei*' [Ordinance of Invoice and Bookkeeping], which is an application note of '*Okurasho Suito Jorei*' [Ministry of Finance Ordinance of Receipts and Disbursements], there is an explanation about the system of account books. According to this explanation, there are two kinds of account books: '*Nikki-bo*' and '*Gen-bo*'. The former is an accounts book for classifying and recording everyday cash receipts and disbursements into debits and credits. It is, in short, the initial records before posting it in the ledger. On the other hand, the latter means the great book concerning the cash receipts and disbursements, and to bring the all of accounts with the attribute of the debit side and the credit side together in one book. Namely '*Nikki-bo*' is a journal and '*Gen-bo*' is a ledger.

Thus, an experiment in adopting the double-entry method in government accounting started in the main office of the MOF, which took charge of finances for the central government. However, this double-entry accounting system in the MOF was limited to only receipts and disbursements of treasury money, but not for management of stocks, and other purposes.

### **3.4 Adopting Double-entry to Other Offices**

#### **All of Government Offices (1878)**

In order to spread the double-entry bookkeeping system, the Ministry of Finance took out an official notice to the local governments in February 1878. It was a plan to give instruction on double-entry bookkeeping to the government officials engaged in accounting services in the local governments all over the country.

Shigenobu Ookuma, the Lord of Finance, submitted a draft proposal to Sanetomi Sanjo, the Grand Minister, for endorsement by officials, which advocated the change over to the double-entry bookkeeping. He advised that, "as we have experienced for

past two years, adopting the double-entry method to government accounting is useful, if this method would be applied in all ministries, a detailed calculation could be possible.”

As a result, in the notification as of September 30, 1878, all the government offices and local governments were forced to adopt the double-entry bookkeeping system. In November 1878, based on this notification, the MOF released the ‘*Keisan Boki Jorei*’ [Reckoning and Bookkeeping Ordinance] that directed the kind of account books etc. concretely. According to the notification, it is supposed that the candidate for entry by double-entry bookkeeping is accounts calculation of all the ministries and government offices (Article 1), and (1) cash book, (2) diary and journal, (3) ledger and (4) budget book, were as a set of account books which should be kept (Article 9). All the account books except the budget book were kept by double-entry. Besides, the Ordinance had specified the use of Arabic numerals in the entry. Then the traditional notation system in Japan by Chinese numerals, and Arabic numerals were so to speak the foreign language. The introduction of double-entry bookkeeping to the government accounting system also at the same time meant Westernization of the notation system.

In August 1882, another notification, ‘*Kaisei Kibo-Sosiki Reigen*’ [Explanatory Notes of Revision of Bookkeeping System] was issued from the MOF. Until then, only daily records of cash were entered using the double-entry method, but the budget was not. But the accounting practice was reformed so that all the account book records might be entered by double-entry on the basis of the budget. So, the accounting system that was consistent from the budget to settlement of accounts with double-entry bookkeeping came to be applied.

Under this revised notification, the following accounts books were required to be kept:

*Nikki-bo*; Day book and Journal

*Gen-bo*; Ledger

*Nikkei-hyo*; Daily Trial Balance

*Genkin Ukebarai Cho*; Cash book

*Shushi Uchiwake-bo*; Minute Book of Revenue and Expenditure

*Keihi Uchiwake-bo*; Minute Book of Expenses

*Shunyu Uchiwake-bo*; Minute Book of Revenue

*Shushi Yosan Zandaka-hyo*; Comparing Budget and Performance

*Shusi Genkei-sho*; Monthly Report to MOF



*Shusi Genkei Hokoku-sho*; Monthly Report to MOF  
*Shunyu Keihi Hokoku-cho*; Annual Report to MOF

In addition, '*Kakucho Keisan Kibo Kitei*' [Regulation of Reckoning and Bookkeeping for All Government Offices] was laid down in 1886. As a result, the number of account books needed for the government accounting came to increase further, and the procedure became more complex.

### **Addendum**

We can identify three stages in the government accounting practice based on the double-entry:

Stage 1 1879-: "Reckoning and Bookkeeping Ordinance"

Stage 2 1882-: "Explanatory Notes of Revision of Bookkeeping System"

Stage 3 1886-: "Regulation of Reckoning and Bookkeeping for All the  
Government"

The following table shows the list of government accounting textbooks for 10 years after 1879. At the 1st stage, though all the government accounting systems were required to keep accounting books using double-entry, the object of recording was just receipts and disbursements. So the practice was simple. At the 2nd and 3rd stages, many account books were needed and its procedure became more complicated and difficult. Therefore, the number of textbooks had been published was increasing.

### **3.5. Conversion to Single-entry**

On 11th February 1889, The Great Japanese Imperial Constitution (*Meiji Constitution*) was promulgated. It was the symbol that Japan was established as the modern nation which advocates constitutionalism. And the Constitution is also the collected studies which did research of social systems of advanced many foreign countries in the early period of Meiji. Japan became the first constitutional monarch nation having the modern constitution for in East Asia.

With the Constitution promulgation, '*Kaikei-ho*', the National Finance Law was put in force. To our surprise, the government did not keep to adopt the double-entry for the new accounting system under the Law. The double-entry method was replaced by the single-entry for the government accounting. Why would the double-

## Textbooks of Government Accounting (1879–1889)

	author(s)/editor(s)	titles
1879	Akiyama, S.	<i>Boki-ho Dokugaku (Self-education of Bookkeeping)</i>
1882	Matsui, T.	<i>Kan-yo Boki Reidai Hinagata (Exercises in Bookkeeping for Public)</i>
1883	Doi, K. and Higuchi, T.	<i>Boki-ho Doku-ain-nai (Guidance in Self-education of Bookkeeping, revised ed.)</i>
1884	Shiozawa, H.	<i>Kanyo Boki Kyokasho (Textbook for Government Bookkeeping, revised ed.)</i>
1884/5	Higuchi, T.	<i>Kansho Boki Dokugaku (Self-education of Bookkeeping for Government)</i>
1885	Matsui, T.	<i>Kan-yo Boki Reidai (Exercises in Bookkeeping for Public)</i>
	Miyatake, K.	<i>Kan-yo Boki Reidai (Exercises in Bookkeeping for Public)</i>
	Amitori, Y.	<i>Kakukancho-yo Shinsiki Boki-ho Kihan (New Method of bookkeeping for Gverment)</i>
1886	Mori, H.	<i>Kan-yo Shogyo Boki-gakudoku Annai (Guidance in Self-education of Government Bookkeeping)</i>
	Okumura, J.	<i>Shinsen Kan-yo Boki-gaku Reidai (New Exercises in Bookkeeping for Public)</i>
	Ishigami, T.	<i>Boki-gaku Dokushu; Kan-yo no Bu (Self-education of Bookkeeping for Public)</i>
	Tsuchiya, O.	<i>Kan-sho Boki-gaku Dokushu-shi (Self-education of Bookkeeping for Government)</i>
	Inada, U.	<i>Kan-yo Boki-gaku Reidai (Exercises in Bookkeeping for Public)</i>
1887	Taguchi, S.	<i>Kan-yo Boki-gaku Kyoju-shi (Instruction of Bookkeeping for Public)</i>
	Nakagawa, M.	<i>Genko Kan-yo Boki-gaku Kyokasho (Current Textbook of Government Bookkeeping)</i>
	Sakai, M.	<i>Kan-min Kaikai-gaku Yogen (Accounting for Public and Private)</i>
	Kawamura, K.	<i>Kan-yo Boki-gaku Seiri (In Details of Bookkeeping for Public)</i>
	Miyatake, N.	<i>Kan-yo Boki Kyokasho (Textbook of Bookkeeping for Public, revised ed.)</i>
	Sugita, K.	<i>Kan-yo Boki-gaku Kyoju-shi (Instruction of Bookkeeping for Public)</i>
	Miyatake, N.	<i>Kan-yo Boki-gaku Dokushu-shi (Self-education of Bookkeeping for Public)</i>
	Hashizume, K.	<i>Kaisei Genko Kan-yo Boki Reidai (Exercises in Bookkeeping, revised ed.)</i>
1888	Yamada, S.	<i>Kan-yo Boki-gaku Shokai (In Details of Bookkeeping for Public)</i>
	Ninomiya, K.	<i>Genko Kancho Boki-gaku (Current Public Bookkeeping)</i>
	Kambara, Y.	<i>Kancho Boki-gaku Kogi-roku (Instruction of Bookkeeping for Government)</i>
	Furuta, N.	<i>Nihon Kan-yo Boki-genron (Bookkeeping for Japanese Government)</i>
1889	Inoue, S.	<i>Kokko Kengen Jicchi Boki Mondai (Practical Issues in Bookkeeping of National and Regional Treasury)</i>
	Inoue, S.	<i>Shoyo Choson Yakuba Boki-gaku Reidai (Exercises in Bookkeeping for Local Government)</i>

entry bookkeeping be abolished? The one of the reason is the central bank, *Nippon Ginko*, was entrusted the management of treasury funds from the government. As a result, each government office need not do the fund management any longer by itself. So they might understand the double-entry was not suitable. This change must be a careful judgement of the results observing and researching the law, economic and social systems of advanced foreign countries.

## 4. Conclusions

Double-entry bookkeeping is special for all accountants. It is beyond a mere recording method, and is a base of communication and thinking for both academic and practical accountants. Because we accountants understand the historical and social significance of the double-entry, we are deeply attached to this knowledge and technology.

Of course double-entry bookkeeping is a suitable accounting method for private companies that pursue profits. Recently, adopting the double-entry method to the public accounting system is not considered unusual. However, it might be understood that the social role or character of some of the public organizations have changed. In a word, it is a 'commercialized administration' (Osborne & Gaebler 1994).

Interestingly, the Japanese government adopted double-entry to its accounting system in the middle of the 19th century. At that time Japan was a brand new nation struggling to become a modern nation like the Western countries. But why was the double-entry method chosen?

At the beginning of the Meiji period, 'modernizing' meant 'Westernizing'. As a result many social institutions developed by importing ideas and information from Western countries. In this context the double-entry was seen as an excellent technology in the Meiji people's eyes. They had no choice and they never wavered in judgment. Double-entry became a driving force for modernizing the nation because the technology came from the West. Nobody examined its relevance to the government accounting system. The double-entry bookkeeping was regarded as a symbol of Western civilization. We think that the people who were in a position of leadership in political society at the beginning of the Meiji period believed the double-entry method could be suitable for the government accounting system without the deep consideration or critical judgment.

Because the double-entry bookkeeping was a system built for purpose conformity for an organization to pursue profit, many kinds of the account book which were needed by applying this to government accounting strictly, and the record procedure became complicated.

There are three reasons why the double-entry bookkeeping was introduced into the government accounting system; (1) it was one of the symbols of advanced western style culture and technology: (2) it was applied in success to some modern organizations such as banks: (3) the Japan government was a brand new organization, which was built up in modern age, therefore they didn't have an existing accounting system. In other words there were not the existing society system and custom to become the resistance on putting new technology, besides, there was unconditional evaluation that the technology in itself was "good".

However, in other hand, from the beginning of Meiji period, the new leaders of the government did investigate carefully for establishing comprehensive society systems. On December 11th 1889, the Meiji Constitution was promulgated. At the time "*Kaikei-ho*" [the Public Accounts Law] was enacted. The government discontinued adopting the double-entry method to its accounting system. The accounting system for the Japanese Government proceeded to the next step. For ten years when Japanese Government adopted the double-entry in the accounting system, it may have been the illusion that was caused by absolute belief to Western civilization.

This paper was supported by JSPS Grant-in-Aid for Scientific Research (C) Grant Number 23530615

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(Appendix) Progress of Japanese Governmental Accounting, 1869-1889

Government Accounting Rules and Accounting System <i>Regulation of Receipts and Disbursements</i>		Related Facts
1869	<i>Regulation of Receipts and Disbursements</i>	
1873	<i>Procedure of Receipts and Disbursements</i>	1871 Establishment Osaka Mint Bureau (introduce DEB by Braga)
1874	<i>Procedure of Receipts and Disbursements (revised)</i>	1872 <i>Act of National Banks</i> (Shand was employed by MoF)
1875	<i>Ordinance of Reckoning on the Receipts and Disbursements</i>	1873 Establishment National Bank No.1 (introduce DEB by Shand)
1876	Braga was re-employed by MoF Head Office <i>MoF Ordinance of Receipts and Disbursements</i> → Accounting System in MoF: DEB	1876 Introduce DEB into a Department of Army (by Kawaguchi)
1878	<i>Notification No. 42 from the Cabinet</i> → DEB was introduced to all of the government offices and local governments	1882 Establishment <i>Nippon Ginko</i> , the central bank
1882	<i>Explanatory Notes on Revision of Bookkeeping System</i> → DEB was practiced on the budget	
1885	<i>Rule of Budget Receipts and Expenditures and Rule for Reckoning Treasury Funds</i> → distincted accounts books for the budget and treasury, in DBE: affected by France Accounting Law	
1886	<i>Regulation of Reckoning and Bookkeeping for All the Government Offices</i> → Complexity for DEB accounting increased further	
1889	<i>the Meiji Constitution and the Public Accounts Law</i> the government abolished to manage the treasury funds, and entrusted the management to Nippon Ginko → not DEB, but <u>single entry</u> was introduced	1887 publish the translations about <i>Accounts Law</i> of foreign countries, France, Italy and Belgium (by MoF) <u>which adopted DEB in their accounting systems</u>

