

## SUMMARY OF ARTICLES

### **Quasi Double-Income-Calculation and Non Double-Income-Calculation Accounting Reports of the House of Mitsui in the Late Seventeenth Century**

Noboru NISHIKAWA

The merchant houses, who grew in the serge of commodity markets during the seventeenth century, spreaded their shops in Kyoto, Edo, Osaka, and other cities from the late seventeenth century through the early eighteenth century. They measured net profit or net worth by double calculation, that is, there were two types of settlements of accounts. One type was dual calculation of net income :  $\text{assets} - (\text{liabilities} + \text{opening equity}) = \text{net income}$  and  $\text{revenues} - \text{expenses} = \text{net income}$ . The other was dual calculation of equity :  $\text{assets} - \text{liabilities} = \text{equity}$  and  $\text{opening equity} + \text{revenues} - \text{expenses} = \text{equity}$ .

This paper focuses on the accounting reports of the House of Mitsui in the late seventeenth century. After 1710, when the Mitsuis' principle business office was formed to control sixteen shops, each shop of the Mitsuis calculated net income semiannually (dated July 14 and December 31) , using the double-income-calculation. When were the double-income-calculation accounting reports brought in the House of Mitsui?

The Kyoto Purveyor Shop of the Mitsui made non double-income-calculation accounting reports in 1693, but gradually developed the form of accounting reports and became to make complete double-income-calculation reports since 1700. The Edo Purveyor Shop made quasi double-income-calculation accounting reports in 1691. The net income calculated by revenues and expenses was quite different from that calculated by assets, liabilities, and equity in the Edo Purveyor Shop. Although even in 1703 double-income-calculation was not completed in the Edo Purveyor Shop, difference between the two net incomes became small. On the other hand, in the Kyoto Yarn Shop, the largest shop in the House of Mitsui, double-income-calculation was never being done from 1694 through 1701.

## Market Value Accounting for Marketable Securities —Supplementary or Fundamental Information?—

Katsuyoshi OKAMURA

In Japan, accounting for marketable securities has been controversial for the past two or three years, mainly because the Business Accounting Deliberation Council (BADC) published *the Opinions on Accounting Standard for Futures Contracts and Option* in 1990.

There are two approaches in accounting for marketable securities. One approach, which is typically taken by the BADC's Opinions(1990), discloses the following information with respect to marketable securities in the accompanying notes of the financial statements:(a) cost and market value (as of the date of balance sheet presented), (b) unrealized gains and losses (as of the date of balance sheet presented). The other approach, which is asserted by Daigo and Morita, discloses those information in the body of the financial statements. The former may be called *Supplementary Information Theory* and the latter called *Fundamental Information Theory*.

First of all, this paper clarifies points of arguments and contentions of two approaches, secondly, carries out a further examination of the merits and demerits of two theories. This paper also discusses Statement of Financial Accounting Standard No. 12 and the Statements of Financial Accounting Concepts promulgated by the Financial Accounting Standards Board, and besides International Accounting Standard No. 25 published by the International Accounting Standards Committee.

I reached the conclusion that *Fundamental Information Theory* should be taken with respect to marketable securities.

**A Realistic Approach to Double-Entry Bookkeeping**  
—Sganzini's Interpretation of Accounts with  
Special Reference to the Transactions—

Shigeru OKUYAMA

The purpose of this paper is to explain the real nature of double-entry bookkeeping. And then this study is based on Sganzini's theory of accounts called *realistic theory*.

His starting point is the transactions of typical economic unit, e.g., a business enterprise. From this point of view he conceives two types of transactions: (1) disbursement of money for the acquisition of goods (and services); (2) receipts of money for the sale of goods (and services).

To record these transactions two different types of accounts are necessary; accounts for money, accounts for good (and services). He calls the former "a series of controlling accounts" and the latter "a series of calculation accounts" according to each function. Therefore all accounts of double-entry bookkeeping are classified in "two series of accounts".

Expanding this view, it should be made clear that "the series of controlling accounts" shows the results of money movements and on the other side "the series of calculation accounts" represents expenses in debit and revenues in credit. Moreover, both "two series of accounts" show net worth too. These two kinds of records are produced by double entry of money movements. Accordingly, the twofold records of the same money movements is the essence of double-entry bookkeeping.

## **How did Nippon Yusen Kaisha Revalue its Assets by Assets Revaluation Law in 1950?**

Fujio YAMAGUCHI

The purposes of this paper are to show how Nippon Yusen Kaisha (hereinafter called as "NYK") had been carrying on its business activities before the enactment of Assets Revaluation Law and also to make researches on NYK's business actions in the course of revaluating its assets. The inner documents and archives of NYK are used and referred to for such research. In Japan, Assets Revaluation Law was enacted in 1950, and as amended in 1951 and in 1953. In this paper, however, assets Revaluation Law constituted in 1950 is mainly considered in connection with the ways and manners of revaluating the assets of NYK.

Before the enactment of Assets Revaluation Law, it had been taken for granted that capital assets should have been calculated and so revaluated on the basis of current market price in order not to reduce its value and so as to maintain the capital. The important matter to be considered relating to the revaluation of assets was to reduce the corporation tax imposing upon the profit at the rate of 35%.

In an inflationary situation, the short term effects of revaluating assets are to produce the revaluated profit and to increase the booking price of capital assets, whilst the long term effects are to increase depreciation expenses and to increase the prime cost and to decrease the profit.

Under Business Reconstruction and Adjustment Law (enacted in 1946), most of the big companies in Japan including NYK utilised the said short term effects to cut off extraordinary special loss. In such cases, long term effects that would increase depreciation expenses as well as decrease profits should not have been ignored, however, the documents or archives enough to prove such facts cannot be found.

In the case of Assets Revaluation Law, the said long term effects were considerably important for companies in terms of reducing corporate tax. Therefore, companies firstly forecasted the anticipated profits before depreciation expenses, and then estimated the depreciation expenses. The amount of revaluated capital assets was so determined on the basis of depreciation expenses.

In the course of an actual assets revaluation, revaluation of capital assets should be determined in consideration of the short term effects as well as the long term effects as shown in this paper.

## **“Raison d’être” of the Accounting Book in “Ordonnance sur le Commerce, 1673”**

Masahiko YAMAZOE

In 1673, Louis XIV promulgated his Ordinance “Ordonnance sur le Commerce”. This Ordinance contained some accounting rules which we generally recognize as the origin of accounting rules in the present Commercial Law Act. Above all, Title III of the Ordinance bears the descriptive heading: “Concerning the Books and Registers of Tradesmen, Marchants, and Bankers”, and contains ten articles. Such articles also set forth the provisions of the accounting book and the inventory. After all the Ordinance required all tradesmen to keep the Accounting Books and Inventories Book.

Jacques Savary who is one of the principal authors of this Ordinance, published “Le Parfait Negociant” in 1675. This is the standard book of explanation of and commentaries upon the provisions of the Ordinance. In this book Savary comments on the Accounting Book and Inventory in the Ordinance, with illustrative examples. According to his commentary and illustrative examples, an accounting book records the money, merchandise, and accounts receivable and payable with their quantities. And Inventory represents the movables and immovables, and the accounts receivable and payable with their actual value.

In the title XI of the Ordinance, Article II describes the provisions of Bankruptcy-Inventory. All insolvent merchants were obliged to prepare an inventories book in case of bankruptcy. In such an inventory book, insolvent merchant stated their movable assets and immovable assets, and their accounts receivable and payable with their quantities. The accounting book is related to the Bankruptcy-Inventory. In conclusion, the accounting book verifies the inclusiveness of assets and the real existence of liabilities in the Bankruptcy-Inventory. The above written is the “raison d’être” of the accounting book.

## The New Phase of "Totale Bilanzlehre" —on Nature of Fund Statements—

Koji SUGANUMA

The "Totale Bilanzlehre", by Professor W. le Coutre, is a theory, in which financial statement constitutes a part of Bilan in wider sense. Financial statements are regarded as a respective Bilanz which calculates the capital respectively.

The conclusion, I have taken from le Coutre's theory, is that there is a system of financial statements, in which, first, balance sheets calculate and show maximum disposable profits, and then such maximum disposable profits are reduced in income statements for the purpose of maintaining nominal capital.

Here, if calculated profit is smaller, then we should consider that the purpose of holding nominal capital would be achieved. If the fact is so, this reducing process in income statement is not necessarily limited to income statements. In other words, even in the case that disposable profits are calculated so as to maintain the capital on the basis of balance sheets and income statements, however, the said calculated disposable profits may contain the amount which can not be disposed. How should the disposable profit be actually calculated?

We must not think no way without depending on oen's experiences in calculating disposable profits. If one seems so, I think, because materials for decision making, to calculate disposable profits are financial statements not for outsiders but for insiders. Therefore, in this paper, we regard fund statements as the third financial statements to be accompanied with balance sheets and income statements.

Since fund statements are initially made up in the course of ordinary business practices in favour of companies, the capital could not be properly maintained in fund statements.

We wish to point out that fund statements may have the concept of maintaining capital. The "Totale Bilanzlehre" represented by Professor le Coutre does not refer to the points that Umtzbilanz is in a narrow sense a sort of fund statements, three separated financial statements which are balance sheets, income statements and fund statements are integrated under the sole purpose of holding nominal capital.

## **Technological Strategy & Organization of Middle-sized Firm**

Kazunobu OYAMA

Middle-sized firms play an important role in Japanese industries. Especially, they have distinctive and advanced know-how in some high technological area.

In this article, some actual cases are investigated, and some characteristics are analysed. Concludingly, middle-sized firms try to search their own field of existence, because they are threatend by not only large-sized firms but also by small-sized firms in terms of business management and developing products.