



**MUHASEBE VE FİNANS TARİHİ ARAŞTIRMACILARI
DERNEĞİ (MUFİTAD)**
THE ASSOCIATION OF ACCOUNTING AND
FINANCIAL HISTORY RESEARCHERS (AAFHR)

**ACCOUNTING PRACTICES OF THE BRAZILIAN
TRADING COMPANY: The case of the Boris Freres
Ltd. Co. 1882-1896**

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Agenda

- Research Question
- Background
- Methodology
- Results
- Final Discussions

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Research Question



- ❑ This study documents the main accounting practices adopted in Brazil by a trading company controlled by a French family during the transition between the Empire and the Republic

- ❑ Thinking about three important aspects
 - Which accounting method was applied by Trading companies?
 - Which accounting practices were used 100 years ago in Brazil?
 - What were the law's influences on accounting?

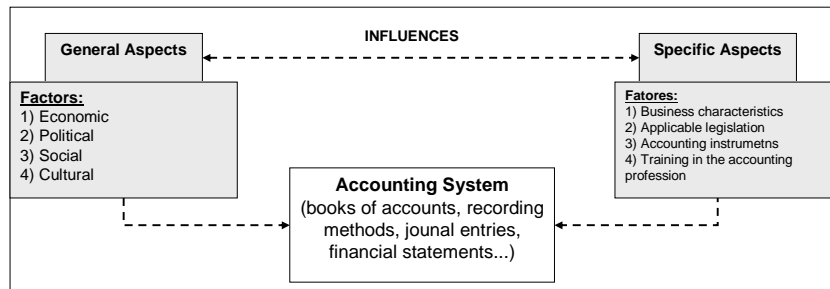
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Background



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Context



❑ Main Brazilian Rules

- Brazilian Constitution (First: 1934 – Second: 1891)
- Commercial Code 1850
- Tax Legislation

❑ Accounting Profession

- Few accountants (“bookkeepers”)
- French and Portuguese influence on teaching accounting

Prior Studies

- ❑ Studies that analyse company accounting records are very common (different periods, countries and industries analysed)
- ❑ Objectives:
 - Analyse** the impact of social, economic and organizational development on Accounting (MCLEAN, 1995);
 - Reconstructing** economic history from the accounting records observed (YAMEY, 2005);
 - Analyse** the relationship between the development of accounting with specific issues:
 - (1) Corporate strategy and organizational success (WATTERS e LEMMARCHAND, 2010);
 - (2) Technological changes and competitive advantages (BOYCE, 1992);
 - (3) Corporate governance (RODRIGUES, RICARDINO e MARTINS, 2009);
 - (4) Firm contracts (MCLEAN, 1995); and
 - (5) Bankruptcy (LANBARDIN, 2011);
 - Identify** accounting practices in a given period of time.

Methodology



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Place and Research Team



- **Public Archive** (Auxiliary Building)
- **Research Team**
Adolfo, Amaury, Cosenza e Flavia

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Case Study

❑ Case Study Selection

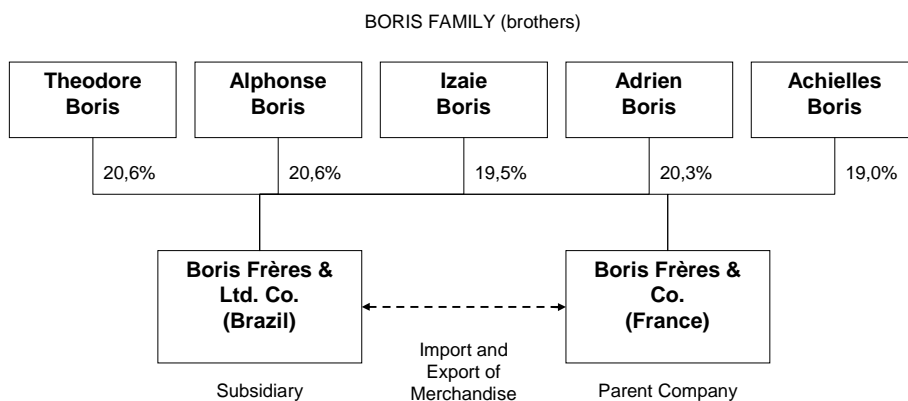
- Special Case
 - very strong economic influence on local activities
- Accounting books in good condition
- Availability of books
 - The books were donated to the public archive of the State of Ceará

❑ Boris e Freres Commercial Company

- French family Control
- Started its activities in Brazil around 1876
- Subsidiary located in Fortaleza (Ceará State) (3 partners)
- With a branch in Natal (RN State) (after 1920)
- Activity: Import and Export products (Animal and vegetable)
- There is a Parent Company located in France (2 partners)

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Ownership structure of companies belonging to the Boris family in 1889 (Shares in Boris Frères & Ltd. Co. Brasil).



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Accounting Books



- Day Book and Ledger - 1886 - 1896
- Wide range of books are available (more than 100 books)
- Accounting books very organized and in good condition



Research Process



- Detailed content analysis of the Accounting records
- Interpretation of accounting facts according to the period context

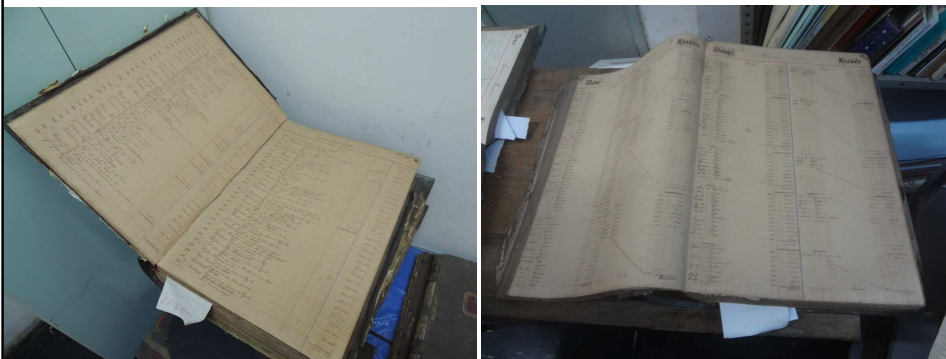


Results



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Accounting records of Boris Frere Company



- Main books: Day Book & General Ledger
- Books with approximately 1,000 pages, weighing approximately 20 kilograms, making it difficult to handle
- Manual bookkeeping transactions

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System of bookkeeping

Accounting Records

- Few standardized accounting records
- Were not given the dates of the transactions in the Day Book and General ledger
- Accounting records were recorded monthly.

Accounting aspects:

- Very detailed in the period 1876-1896
- In subsequent periods are more abbreviated and standardized, simplifying the records of transactions

Chart of Accounts

- Lack of a formal plan accounts
- Lack of numbers to identify accounts
- Use the full name of customers and suppliers as the title of the accounts

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Accounting Records

Accounting Records

- Standardization of accounting records
- 12 accounting records with monthly transactions
- 3 closing entries of income accounts

Form of accounting records

- Simple journal entries were less usual.
- The compound journal entries simplified the process of manually recording accounting transactions.

Indexation of accounting records

- Efficient indexing system of records between the cash book, Day book and ledger
- The updating of the accounting records once a month simplified the accounting process.

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Accounting Process

❑ Closing of the accounting period:

- Closing of the financial statements in March
 - With the title "Balance Sheet"
- The companies did not elaborate the Statement of Income
 - Use the transitory account "Profit and Loss" for registration of changes in equity, and in contrast with the closed capital account at the end of each period
- There was not the account of cost of goods sold, with gains and losses determined by the net value
- Recognition of expenses of the partners in the company accounts (capital account)
- Recognition of 6% interest per year on the capital account
- Lack of depreciation of fixed assets,
 - Recognition of the impairment in certain circumstances

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Balance Sheet

❑ General Aspects

- The accounting did not use groups and subgroups, except for customers and suppliers accounts
- The accounts were presented as debit (assets) or credit (liability) according to value
- Lack of contra asset accounting
- Changes in the structure of the accounts over time

❑ Asset

- Accounts not ordered
- Use of accounts for each customer
- The carrying amounts of customers were subtotaled by surname.
- Customers were segregated into two groups: a) debtors, and b) doubtful debts.

❑ Liabilities

- The accounts were presented in order of decreasing exigibility
- The capital was represented by accounts with the name of each partner

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Conclusions



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Final Discussions

- ❑ **Systematic accounting entries not changed in recent years**
- ❑ **Automation of bookkeeping process** allowed the records to be performed daily and with greater detail
- ❑ Introduced **new concepts**:
 - using groups of accounts and numbers for accounts
 - systematic income determination
 - contra asset accounts
 - depreciation of fixed assets, provision for losses, reserves,
 - segregation of accounting and business partners
- ❑ **Discontinuity of some accounting practices**
(a) Interest on net equity, and (b) foreign exchange capital records
- ❑ **Increasing complexity** of the business environment requires a more sophisticated and flexible recording system

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Thank You!

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