

REFORM AND DEVELOPMENT: CHINESE ACCOUNTING

HISTORY RESEARCH, 1927-1937

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## Abstract

History is just like a chain in that the individual parts cannot be separated from the continuum, and current development is based on lessons from the past, which makes historical research quite meaningful. The period of the Republic of China (the early twentieth century) was a turbulent period in Chinese history. During this period of social transformation, foreign invasion and the rise of national capitalism to some extent promoted the development of the accounting industry, which also gradually brought about a collision between Chinese traditional bookkeeping methods and western accounting techniques. After the establishment of the Nationalist Government, some legal provisions were introduced to help regulate the industry. This paper seeks to examine the development and evolution of Chinese bookkeeping in the early twentieth century, especially from 1927 to 1937, using the theories of German sociologist Max Weber to analyze the social environment of that period.

**Key words:** Chinese accounting history, Early twenties, Nationalist capitalism, Max Weber.

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## Chapter 1. Introduction and structure of the thesis

As an indispensable aspect of human society, accounting has developed its own process of evolution. Accounting has been defined by the American Institute of Certified Public Accountants (AICPA) as:

the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least of financial character, and interpreting the results thereof (AICPA, 1941, p.67).

Historical research is an important part of any academic discipline. While accounting has long been considered an essential applied science in the academic area and a necessary tool in business, its form and content has constantly changed over the centuries and continues to do so. The development of accounting is closely related to economic development and the more complicated the economic situation, the higher the requirement for accountancy. As a result, accounting theories have become increasingly important in recent times. It seems that modern scholars nowadays also tend to be more scientific and systematic in their research, including that on accounting theory. Thus, an important part of accounting, namely its history, has received increasing attention in recent years.

Boyns, Richard and Nikitin (1997) set forth the three key elements of historical study: collection, presentation and interpretation of ‘facts’. A rational understanding of so-called “accounting history” can be considered as “a description of accounting development progress that has been reflected and confirmed by the practitioners” and this can then be used to illustrate how contemporary accounting theories have come into being. The worldwide increase in the number of historical publications about accounting published in recent decades proves that more and more academicians are now trying to explore beneath the surface of accounting and analyze this area from a historical perspective. However, it is noteworthy that in order to conduct research on accounting’s past in non-English speaking countries, especially in “the new economies”, much tacit knowledge (the ‘facts’), still needs to be dug up. Research by Chinese scholars, such as Daoyang Guo’s “*Zhongguo Kuaiji Shi Gao (Chinese Accounting Draft)*” (Guo, 1988) provides a comprehensive record of the general Chinese accounting history and has been highly praised by the Chinese accounting academics.

Nevertheless, it seems that the research methods and perspectives of the academic field are relatively limited and simple. This thesis will focus on the historical background of Chinese accounting in the early-twentieth century and intends to illustrate how Chinese accounting methods were gradually formulated and developed; how western accounting ideas affected this progress; and the sociological principles behind their progressive development.

The rest of this thesis is structured as follows: In the next two chapters, the purpose and method of this paper will be introduced, and then, the social background of the research period will be provided. After that, there will be a brief review of related literature in Chapter 5, including the rationale for conducting historical research and Max Weber's theories, and then in Chapter 6 there will be overview of the development of Chinese accounting history in the early 20th century, and the accounting academic debate. In Chapter 7, Max Weber's ideal-type theory will be applied to the findings. The concluding remarks in Chapter 8 will be a summary and discussion of modern Chinese accounting, how it came into being and its enlightenment for contemporary Chinese accounting industry, and the future outlook of this field.

## Chapter 2. Purpose

This thesis seeks to add another piece to the body of research on Chinese accounting history during the early period of Republic. The main purpose of this thesis is to provide a better understanding of the development of Chinese accounting practices before the founding of the People's Republic of China (1949), especially the decade from 1927 to 1937 which is also known as the “Golden decade” or “Nanking decade” and is widely regarded by Chinese scholars as a period of economic growth, when modern industry was first developed, and the modern capital enterprises and modes of business operations were first adopted. This paper aims to illustrate how western bookkeeping methods affected traditional Chinese bookkeeping, and how modern Chinese accounting came into being. This thesis will be based on original historical data and archives, aiming to make a contribution to the expanding body of literature focusing on the modern Chinese economy and to provide a point of reference for further historical research on modern Chinese accounting.

Some of the recent research on Chinese accounting history, such as Gao and Handley-Schachler (2003), has focused on the incorporation of traditional Chinese culture (Confucianism, Feng Shui and Buddhism) into Chinese accounting development. Bloom and Solotko (2003) also conducted research on the incorporation of Confucianism in Chinese accounting and compared this with the history of Japanese accounting development. Therefore, instead of exploring the cultural factors that may have affected the development of Chinese accounting development, this thesis seeks to examine how Chinese accounting practice developed from a social perspective, using the theories of Max Weber. A Weberian model was used by Auyeung and Ivory (2003) to illustrate the situation of accounting stagnation in the late Qing period, alongside an analysis of Weber's socio-historical model (which has also provided an important reference for the research on Weber's theory carried out in this paper), but it still focused on the cultural factors and the incorporation of Confucianism. Another important reference used in this paper is Pang and Brown (2017). Their paper illustrated how one important aspect of in Chinese accounting history, namely, the debate and reformation of Chinese bookkeeping method in the 1930s, introduced various ideas such as the two schools of accounting academics, and provided a description of traditional Chinese bookkeeping methods and other aspects of Chinese accounting development during this period. This paper seeks to further



investigate this debate and determine its impact, and to apply a Weberian model in order to illustrate the impact of the development of nationalist capitalism and enhance the understanding of the changes made to Chinese accounting and help explain how modern Chinese accounting came into being. This paper will also examine how in Shanghai, the economic center of modern China, the accounting industry has tended to be more mature and how the first accounting professional organization, The Institution of Chinese Chartered Accountants of Shanghai, was established in this city, which gave the significance of depth exploration.

## Chapter 3. Method

Research on economic history is an important part of historical research. It is not merely telling the story of how the contemporary economic environment come into being but, in connection with other scientific study such as sociology, it may involve political and sociocultural factors, which means it is necessary to view the issues from multiple perspectives. This archival research into Chinese accounting evolution will focus on the period of 1927 to 1937, which was a unique period of Chinese social transformation. Because of the impact of Western culture and science, Chinese accounting techniques gradually changed from the time of the foreign intrusion in the nineteenth century. When it came to the early twentieth century, the changes were clarified because of some legal provisions and the process of industrial and commercial expansion.

In order to illustrate the significant changes in bookkeeping methods, an important part of this thesis is to examine the accounting law and regulations of that period and make a comparison of traditional Chinese bookkeeping methods with introduced double-entry bookkeeping methods. Visual material, such as photocopies of old time account books, will be presented in this thesis. The photocopies were found in magazines, newspaper articles and official documents from online databases. The Chinese database “大成故纸堆 (Da Cheng database)” is dedicated to the collection of old resources, including old journals, ancient books, ancient local chronicles, declarations, etc. However, during this process there were some issues that caused difficulties for researching and need to be taken into consideration. Firstly, in selecting visual material, I had to be aware that the form of old-style account books differed slightly among different accounting entities, because there were no strict stipulations for the bookkeeping format. Most accounting practitioners would follow custom and tradition, and they paid more attention to practice instead of accounting theoretical research. Secondly, I might have been biased in my understanding of the language used in former documents, which is a common issue for Chinese historical research, especially in ancient books, where even a single punctuation mark may cause misunderstanding. Furthermore, the characters in the documents were unsimplified and may have had different meanings to modern characters which led to difficulties of understanding. In general, to make the research more objective and rigorous, the

essence is to respect facts, and to identify the historical materials cautiously. This thesis will adhere to this principle.

## Chapter 4. Social Background

Feudal rule dominated Chinese society for several thousand years. The ‘closed-door’ policy was adopted by the Qing government (1644-1912), because under the long-term natural economic system of feudal China, the feudal rulers believed that self-sufficiency could be achieved without foreign products, and the policy helped the feudal rulers to solidify and stabilize their dominant position (Dai, 2012). After the Opium War (1840) and the second Opium War (1856), China was forced to open up to the global market. As trade between feudal China and the rest of the world increased, the feudal kingdom started to be shocked by the ‘outside world’ and meanwhile slight changes occurred inside. The invasion of Western powers sped up the decay of the Qing government and transformed Chinese society with a type of semi-colonialization. The government officials started to look for solutions for the dilemma, and a movement known as ‘*Yang Wu Yun Dong*’ (the Self-Strengthening Movement) (1861-1895) began. The main purpose of the movement was to adopt Western military technology and armaments. During the Self-Strengthening Movement, western systems were accepted in order to conduct international relations, foreign envoys were permitted to take up permanent residence in China from 1861 onwards, and students were sent abroad to study advanced western natural and social science and technology in order to reduce dependence on foreign experts and technicians in the future (Rhoads, 2011).

Western powers affected the modern economy of China as well. Although some people believe that signs of Capitalism first appeared in China during the Ming Dynasty (1368-1644), because of the development of industry at that time, these beginnings of capitalist relations of production did not grow much. By the time of the Opium Wars, industrial production had still not reached the stage of workshop handicraft, which means that, after three centuries, it was still far behind Western countries (Fang & Cole, 1989). In the late Qing Dynasty, economic development was enormously affected by Western countries, because of foreign invasions. Chinese scholars today consider that the Opium War in 1840 was the beginning of Modern Chinese history (a brief review of modern Chinese history is in Appendix 1). After the Opium War, China’s foreign trade increased and became more frequent. According to data sourced from *Guo Feng Newspaper* (國風報) (1910), there were 66 treaty ports located in economically developed regions. Statistics show that the volume of overland trade in 1908

was 27,860,000 *Liang* and the volume through trading ports was 985,690,000 *Liang*. Figure 1 shows the situation of trading ports in the Late Qing era (after the Opium War), and the values of foreign trade (a translation and a currency conversion into Pounds sterling are provided in Appendix 2) in nine different years during the period from 1870 to 1908.

年次	口岸數	外國貿易額	海關兩
同治九年	一二	一二七、〇〇〇、〇〇〇兩	
光緒六年	一九	一五八、四〇〇、〇〇〇兩	
光緒十六年	二〇	二一七、五六七、〇〇〇兩	
光緒二十六年	三二	三七〇、〇六七、一七八兩	
光緒二十八年	三四	五二九、五四五、四八九兩	
光緒三十年	三六	五八三、五四七、二九一兩	
光緒三十二年	三六	六四六、七二六、八二一兩	
光緒三十三年	四〇	六八〇、七八二、〇六六兩	
光緒三十四年	四二	六七一、一六五、八八一兩	

**Figure 1. The number of treaty ports and the values of foreign trade from 1870 to 1908.**

Source: *Guo Feng Newspaper* (國風報), 1910, Vol.1, No.23, p.45-61.

The data given in Figure 1 above shown that from 1870 to 1908 the total increase in numbers of ports was 30, and the total amount of increase of the value of foreign trade was about 544,000,000 *Liang*. Furthermore, the data indicates that the Chinese market was being forced to gradually open to the world. Also, the economic status of the city Shanghai had gradually emerged. In 1842, Shanghai was opened up as one of four additional treaty ports for foreign trade and gradually became one of the most important trading ports opened by colonialists. According to historical data (*Zheng Yi Tong Bao*, 1907), in 1904, China's total value of export trade was 583,547,291 *Liang*, and 145,480,170

*Liang* (25%) of the total amount was achieved in Shanghai. In addition, several foreign banks had branches in Shanghai, such as the Standard Chartered Bank (registered capital: *800,000 Pounds*), the Hongkong and Shanghai Bank (registered capital: *10,000,000 Yuan*) and Banque de l'Indochine (registered capital: *24,000,000 French franc*). Unquestionably, the foreign trade and the entrance of the foreign capital promoted economic development and social progress. When it came into the era of the Republic of China, according to Lu (1999, p. 43), “from 1902 to 1930, the approximate amount of direct foreign investment ranged from around \$1.5 billion (1975 US dollars) to nearly \$2 billion, and the number of foreign-owned enterprises increased dramatically from about 166 in 1913 to over 820 in 1936”. The promotion of foreign trade and investment made the traditional accounting methods no longer effective and reform of accounting was unavoidable.

The Republican era (1912-1949) were the decades when new accounting methods took-off, private industry and commerce were developed, regulations and laws were introduced to standardize the existing bookkeeping methods, and thus the conflict between the traditional and the new accounting methods arose.

## Chapter 5. Literature Review

### 5.1 The rationale for conducting accounting history research

History is one of the subjects which concerns human activities. Accounting history reflects the pattern of accounting development. Some characteristics have been shown over the past centuries to be important reference points for academics conducting research on contemporary accounting, and historical findings may be used to predict future tendencies.

A definition of accounting history was given by the Committee on Accounting History of the American Accounting Association, that accounting history can be seen as the study of the development of accounting practices, ideas, and the institutions in response to changes in the environment and social needs (Parker, 1984). This definition provides the general objectives of historical research. Nowadays, accounting is an indispensable part of the business world, and it occupies an important place in human society, and it is necessary to understand the evolutionary

process of accounting, that is, how the principles, disciplines and institutions developed and gradually matured.

Napier (2001) discusses the rationale for conducting accounting historical research. According to him, research on accounting history is valuable not only because of its impact on social science, but also for its explanation and prediction of human behaviors. Carnegie & Napier (1996) claim that, before accounting history became a systematic academic field, its role could be described as a status symbol to enhance accounting, which might otherwise have appeared as a mere technical practice. Thus, accounting history might be used as a tool by the writers in the accounting field to justify the status of accounting practitioners. To sum up, for many researchers of accounting history, the rationale for conducting accounting historical research is to understand the past, to understand how contemporary accounting came into being, and to gain an insight into the process of its development.

Many research papers in accounting history have been authored by scholars associated with Anglo-Saxon institutions (Carmona, 2004). Because of the different social and political environment, Chinese accounting issues may be different from those in other well-developed western countries in the world. The demand for research on accountancy issues of developing economies, a quite neglected area (Chen & Chan, 2009), makes this research interesting and worthwhile.

The beginnings of Chinese accounting history can be traced back to two thousand years ago, and from then until now, the accounting profession in China has kept changing. Among the laws of ancient China, in order to maintain the rule of successive feudal dynasties, the *Zhong Nong Yi Shang* policy (proagricultural and anticommerce) relegated engaging in business activities to the humblest of activities. Businessmen were socially disadvantaged. This policy inhibited the development of private industry and trading, and, indirectly, the development of accounting. The inadequate development of commerce caused a slow growth of the development of non-governmental accounting.

Guo (1988) claims that research on ancient Chinese accounting is difficult, because of the lack of systematic records from that time. Feudal domination during the time of the Qing Dynasty (1644-1911) gradually declined. However, in the same period, capitalism was rapidly developing in

the western world, the double-entry bookkeeping method was widely used, and the gap between Chinese and western accounting development was widening (Guo, 1988). During this time in China, there was a transition from single-entry bookkeeping to double-entry bookkeeping. One of the double-entry bookkeeping methods, called 龙门账(*Longmen Account*), was widely used and relatively mature. The *Longmen Account* was created in the late Ming and early Qing eras (the middle 17th century) (Guo, 1988). However, compared with the western bookkeeping methods, it was still not well designed to adapt to the demands of the gradually developing economy. The tradition of despising commerce led to a disregard of research on accounting theories, and the “closed-door” policy in Qing dynasty exacerbated the difficulties in making progress in the field of accounting. In 1905, a book called *Lian Huan Zhang Pu*, authored by the accounting scholar Xiyong Cai, detailed the double-entry bookkeeping method. Cai’s personal experience of studying abroad gave him the chance to learn about western bookkeeping techniques, and later he combined their principles with the practice of Chinese enterprises (Peng & Brown, 2017).

During the period covered in this research, 1927-1937, China was under the rule of the Nationalist Government (see the timeline of this period in Appendix 1). The Republic of China was established in 1912, after the abolition of the feudal regime as the result of the *Xinhai Revolution* in 1911. However, after the formal establishment of the Republic of China, there was a revival of the monarchy, followed by a period of Warlordism, until in 1925 the Nationalist Government of the Republic of China was established in Guangzhou. Later the Nanking decade began in 1927. During this period, there was a dramatic increase in the number of public accountants, and this was one important cause for the spread of western accounting methods (Guo, 1988). There were two reasons: on the one hand, western accounting methods were being applied to organizations, government institutions and businesses, and more and more accountants believed that reform of Chinese accounting practice was the key to accounting's further development (Guo, 1988); On the other hand, after the establishment of the Republic of China, during the periods of the Nanjing Provisional Government (1912), the Bei Yang Government (1913-1926) and the Nanjing Nationalist Government (1925-1948), in order to achieve unified control of the economy and politics, and at the same time strengthen the control of private business activities and the maintenance of private property, a series of laws and regulations were developed by the ruling class. One of these was the



“*Kuai Ji Fa* (Accounting Law)”, which standardized and numbered the accounting subjects, and more importantly, applied double-entry bookkeeping methods to governmental accounting activities (Guo, 1988). These regulations and laws became the legal basis for accounting during the period of the Republic of China (1912-1949).

The accounting development during this period followed a unique route because of the special historical and social background of that period. In this period, communication between China and the western world became more frequent, which provided a chance for the development of accounting in China. In addition, commentaries and arguments for and against particular accounting policies and methods could be found in newspapers and books of that time, such as *Shen Bao*(*Shanghai News*), and some professional journals such as *Kuai Ji Za Zhi*(*The Accounting Journal*). These records were used to do this research. The rationale of conducting this research is to uncover the developing situation and characteristics of the accounting industry at that time, hence to find out how it helped to shape this industry and its impact on the evolution of the current accounting profession in China, and to provide a historical reference for accounting development nowadays.

## 5.2 Max Weber’s methodology: Ideal-types

Chinese society gradually changed from the end of the 19th century, with the foreign invasion, the abolishment of imperial rule and the establishment of the Republic of China. The changes transformed many aspects; for example, they reflected a shift from a feudalistic bureaucracy to a more capitalist approach to the economy. The work of Max Weber may provide a theoretical base for understanding these changes.

In recent years, the results of Max Weber’s original research in the fields of sociological and historical knowledge has been receiving more attention, because he provided historical dimensions for sociological research. Max Weber is considered to be one of the fathers of modern sociology. With his works on theoretical analysis and methodology, he helped to distinguish sociology from other social sciences, and he tended to analyse historical and social events according to their prevailing value (Blau, 1963). Weber’s theories have a dominant position in the historical field (Collins, 1986). Furthermore, the macro-sociological theories derived in his research help social

scientists to move from a “purely empirical approach” (Mommsen, 1989, p. 121). In his sociology, Weber pursued the process of the rationalization of life, from both historical and contemporary perspectives (Sahay, 1971). Weber believed that sociology is different from natural science, because natural science focuses on the “procedure of systematically subsuming observation-statements and low order theories under more comprehensive laws” (Watkins, 1952, p. 23). That is, natural science focuses more on the results of systematic observations which lead to comprehensive laws and principles. According to Weber, for a social scientist, the perspective of history is the first thing to take into consideration (Watkins, 1952).

According to Mommsen (1989), one of Max Weber’s great achievements was “the development and systematization of the ideal-type method” (Mommsen, 1989, p. 121). According to Weber (1949, p. 90),

An ideal type is formed by the one-sided accentuation of one or more points of view and by the synthesis of a great many diffuse, discrete, more or less present and occasionally absent concrete individual phenomena, which are arranged according to those one-sidedly emphasized viewpoints into a unified analytical construct.

In other words, the ideal-type was formed by emphasising some common characteristics and critical factors of a phenomenon being studied. An ideal-type is like a model, a benchmark or a systematic characterization that is helpful in comparative studies for discovering the similarities and differences of phenomena in a particular culture or social environment (Olsen, 2010). Briefly, the ideal-type can be seen as a hypothetical and typical ‘reference’ and what sociologists need to do is to confront the ‘reality’ with the ‘reference’, and to examine the differences between them. If the differences are within a reasonable range, then the ideal-type can be effectively used to analyze a social phenomenon, otherwise, the ideal-type may need to be adjusted. It is not merely the description of facts, but a standardized conception that is built up by the individual phenomenon in a given historical reality (Van Der Sprenkel, 1964). In theory, Weber’s ideal type was built upon the generalization of rational social action. However, Cahnman (1965) claims that it became a more historical idea when it was applied to solve problems. “Ideal-type” method was developed and used for analyzing and presenting sociological and historical knowledge; the method was “intended to

produce an interpretation of certain aspects of social reality which emphasized those elements which affect culture values, within a given socio-historical context” (Mommsen, 1989, p. 111).

Weber thought that the problems of western capitalism, just like other historical processes and social patterns, needed to be interpreted by a more basic principle (Blau, 1963). In Weber’s theory, although all historical events have their distinctiveness, the investigators must ignore the uniqueness and try to generalize about them. Weber treated the development of capitalism in the West as an ideal-type and tried to provide his explanation by generalization, instead of analysing the specific historical conditions that led up to it. However, Blau (1963) claims that Weber failed, because there was only one case and generalization needs to refer to more than one. On the other hand, according to Mommsen (1989), historians can use Weber’s ideal-type method as an analysing tool and benefit from it, because it contains the dimension of ‘understanding’, which can be achieved by understanding the rational action of individuals or groups of individuals.

Weber was strongly influenced by the German philosopher Heinrich Rickert (1863-1936) when putting forward the conception of the ideal-type (Bruun, 2001). Rickert believed that, for social scientific investigators, only two methods of conceptualization were available: the development of individual concepts which look at keeping the uniqueness of the investigated phenomena, and the development of general concepts which seek to synthesize the common elements of the phenomena (Cahnman, 1965). However, Weber objected to one aspect of Rickert’s method, claiming that the concepts used by social science investigators are neither individual nor generalized, because the purpose of conducting research on the uniqueness of a social phenomenon is to provide the insight of explanations for the occurrence of social events. Hence Weber’s ideal-type method can be used as and became the characteristic tool in the field of social science (Cahnman, 1965). Many scholars believe that Weber did not give an exhaustive explanation about this method, and that there are still some indistinct concepts. For example, Swedberg (2017) indicated that Weber did not provide guidelines for the necessary process of confronting ideal-type and reality, even though the concept of the ideal-type has been applied in sociological research as an effective tool.

### 5.3 Historical versus general sociological types and “bureaucracy”

According to Hekman (1983), there are three stages to the construction of Weber’s ideal-type. The first stage relates to the category of facts, which need to be determined according to the historical type being constructed. Second, Weber believed that the investigator’s interest was one of the key factors in constructing concepts. For historians, their interest may be limited to a certain period, or a certain society, and this interest of researchers led to the synthesis of constructed concepts in the social sciences. Finally, once a question is posed in an investigation, historians will choose the related factors from the group of facts, and then construct the conceptions according to the nature of the questions that have been posed. To sum up, Weber’s ideas can be described as follows: when an ideal-type is built, the related elements should be seen as the historical context of facts, and they should be considered when a question is posed (Hekman, 1983).

Sociological and historical ideal-types may both be used to explain the same phenomena, but they can be differentiated. Historical ideal-types pay more attention to the characteristics and uniqueness of facts that have been observed. Sociological types are selected from a broader range of facts. However, the most significant difference between these two types is that historical types are used to explain historical context-related issues, while sociological types are used to answer questions which are more general (Hekman, 1983).

Weber’s ideal-typical delineations of authority and bureaucracy are considered to be his major legacy, and are quite influential for sociology (Sahay, 1971). When Weber talked about the “the spirit of rational capitalism in the West”, he believed that the religious elements promoted the primitive accumulation of capital. The word “bureaucracy” can be found in many social and culturally-related contexts, and has been used to describe a kind of social reality, especially in research on China’s feudal society. The ideal-type of bureaucracy, on the one hand stresses its high efficiency compared to other types of social organization, but on the other hand it is “inherently hostile to individual initiative”, which means it restricts the freedom of individuals (Mommson, 1989, p. 125). Bureaucracy describes the situation where power is concentrated in a ruling class who are in charge of the organization, or the mechanism (Blau, 1963). According to Weber, the Chinese bureaucracy,

from the Han dynasty (BC 202-220) to the Manchus ruling in the Qing dynasty (1644-1912), is “patrimonial” and “irrational” (Van Der Sprenkel, 1964).

When Weber talked about the ideal-type of “bureaucracy”, he analyzed the Chinese social structure of hierarchical feudal China, and social and religious elements of China (Confucianism, mainly), and drew the conclusion that the reason why China did not have a suitable environment for Capitalism was the lack of a ‘particular mentality’, the motivation for developing Capitalism (Auyeung and Ivory, 2017). He argued that those religious and cultural factors prevented the development of Capitalism in feudal China. In his research on the history of capitalism in Western countries, he found that, compared with institutions of governance that preceded it, modern bureaucracy has the feature of being “legal-rational”. In his research on organizations and administration, Weber made further explanations about this concept and the development of Capitalism. Bureaucratic organizations are “rule-bound, specialized, hierarchical, meritocratic, and salaried” (Ang, 2017, p.284). The wages for civil servants come from a state budget allocation, and modern officials do not own the means of production or administration (Ang, 2017). In contrast, in pre-modern institutions of governance, state bureaucracies are linked with personal relationships and loyalties. Furthermore, they are self-financed; the actual situation is that salaries are not paid regularly, which might induce the officials to gather benefits for themselves from the public. This pre-modern situation can be seen in the process of Chinese modernization (Ang, 2017). Officials being allowed to finance themselves, instead of being paid regular wages, can reduce the burden on the ruling class and could be cost-effective. However, the risk is that, when officials are allowed to benefit themselves, and the constraints of a legal system are missing, they may maximise the extraction of resources from the general public. This may lead to over-taxation and instability of society, and pose obstacles to the expansion of markets and the process of modernization. Weber believed that a legal-rational bureaucracy is essential to the rise and development of modern capitalism (Ang, 2017). During the period covered in this research, the social formation of China was semi-colonial, which means that the ideal-type of “bureaucracy” may still can be applied even though the feudal regime had been overthrown.

## 5.4 Max Weber's socio-historical framework and accounting

From the perspective of Weber, the environment for the rise and development of capitalism in Western Civilization is unique (Allen, 2004). Weber gave the definition for capitalist action as “one which rests on the expectation of profit by the utilization of opportunities for exchange, that is on (formally) peaceful chances of profit” (Allen, 2004, p. 34). This provides an insight into the essential factors that are needed for the development of capitalism. Although the desire for money is universal to all people, this is not the reason that the rise of capitalism in Western countries was unique. For Weber, the "pursuit of renewed profit" was all-important (Allen, 2004, p. 34).

Before the circulation of Weber's research, Werner Sombart was the first person who considered accounting as an important factor in the rise of Western capitalism (Gardella, 1992). Sombart declared that “Capitalism and double entry bookkeeping are absolutely indissociable; their relationship to each other is that of form to content” (Chiapello, 2007, p.264). Sombart believed that accounting has an essential position in shaping social relationships. He argued that double-entry accounting was successfully used by the Jews to achieve the transformation of economic and social relations within traditional, agrarian and handicraft economies to the point where they could sustain modern capitalism (Funnell, 2001). For example, one function of accounting is to clarify the primary aim of business transactions (Gardella, 1992). Inspired by Sombart's theory, Weber made a more influential contribution in this area (Gardella, 1992). In his 1968 book, *Economy and Society*, Weber outlined the features of modern capitalism and gave his opinions about accounting (Colignon & Covaeski, 1991). He considered systematic bookkeeping methods (i.e. double-entry bookkeeping) to be an indispensable part of the development of modern capitalism in the West (Yamey, 1949), because the nature and structural conditions of accounting provide a suitable environment for capital accumulation. The Weberian perspective used in analysis of capital accounting contributes in researching the relations between accounting, organizations and society (Meyer, 1986; Colignon & Covaeski, 1991; Auyeung & Ivory, 2003). Although the framework was created in the context of Western world, it still can be applied to the study of Chinese accounting. “For all the manifest differences between China and Europe both ancients' regimes were entirely accurate in seeing the open-ended instrumental rationality of modern accounting systems as fundamentally subversive of

the traditional social orders” (Auyeung & Ivory, 2003, p. 6). That is, modern accounting systems are, to some extent, a tool providing a possibility of changing, in both Chinese society and the Western world.

There are two independent factors that may have affected the development of capitalism in Western countries: as well as the use of money, the other factor is the institutions, markets, and societal conditions that promote the capital accumulation, in other words, the socio-historical framework (Colignon & Covalleski, 1991; Auyeung & Ivory, 2003).

#### 5.4.1 The natural conditions of accounting: use of money

In Weber’s opinion, money provides the basis for private ownership and promotes exchange (Auyeung & Ivory, 2003). Although money has existed for a long time, it was the calculation of money that helped to facilitate the development of modern capitalism in the west. Money provides the foundation of private assets, and the possibility to extend the range of exchange relationship and promote the development of business activities (Colignon & Covalleski, 1991). Because of the nature of capital accounting, “A rational capitalistic establishment is one with capital accounting, that is, an establishment which determines its income yielding power by calculation according to the methods of modern bookkeeping and striking to the balance” (Weber, 1961; Colignon & Covalleski, 1991, p.142). Accounting was a tool that enabled calculation for everyday needs. In addition, capitalism incorporates accounting as a guide to increasing monetary resources, to achieve capital accumulation (Colignon & Covalleski, 1991; Auyeung & Ivory, 2003). To sum up, accounting is the social factor that facilitates rational calculation (Colignon & Covalleski, 1991).

#### 5.4.2 The structural conditions of western society for capital accounting

According to Weber, there are six structural aspects of western society that needed to be fulfilled to achieve rational capital accounting calculation. First, all the resources that are used for production (all the physical means of production), for instance, land, tools, building etc., needed to be managed appropriately and treated as private property. The second aspect is the guarantee of a free trading market; the third, the guarantee of appropriate technology being used in producing and marketing. Fourth, a reasonable legal system needed to be applied: the market needed to be monitored by laws

and codes. Fifth, under the guarantee of free labor, workers needed to have the right to control their employment formally and legally according to market demand. Sixth, through the commercialization of economic life, the commercial documents have come to represent the share rights and ownership of the enterprise (Colignon & Covalski, 1991; Auyeung & Ivory, 2003). These two factors which affected the development of Capitalism in Western countries may help to make a comparison of the different situation of Chinese society in the early 20th century. In addition, weber mentioned about the “Historical dynamics” (Auyeung & Ivory, 2003). Weber was committed to research on the sociology of religion. His opinions about how cultural elements affect the development of capitalism were reflected in his work, for example, *The Protestant Ethic and the Spirit of Capitalism*. Weber tried to explore and discuss the intrinsic relationship between the spiritual and cultural factors of the world's major ethnic groups and the socio-economic development of the nation. Weber emphasized the function of religion in shaping capitalism, a view also held by Sombart. They believed that double-entry bookkeeping method was critical because its religious basis provided essential condition for the raise of capitalism (Derks, 2008). Weber did not elaborate on his ideas about finance and accounting, in the process of demonstrating the conditions and development of rational capitalism. However, he explicitly mentioned the relationship between bookkeeping and capitalism.



## Chapter 6. Chinese accounting development in early 20th century

Although accounting in China had a long history, and the beginning of using numbers to record business activities can be traced back to ancient times, the Chinese accounting industry still developed slowly. It was not until the late Qing and the beginning of the Republic era that the growth of capitalist industry and commerce promoted the establishment of the corporate system, which in turn resulted in the rise of accountants. However, western bookkeeping methods were not full-scale introduced into modern China. Therefore, it is interesting to look at the history of the reform of Chinese bookkeeping methods (Peng & Brown, 2017). In China, accounting practitioners (book-keepers) paid more attention to the practicality of their account-keeping, rather than systematic theory. In addition, because of the tradition of *Zhong Nong Yi Shang*, accounting was slighted. As shown in Figure 2, according to Pan Xulun, a famous accounting academician and one of the pioneers of the modern Chinese accounting industry, Chinese accounting was not developed compared with the contemporaneous accounting industry in England and America. Although a temporary regulation was promulgated by the government in 1918, it was not disseminated rapidly. It was not until 1921 that accounting firms gradually emerged, and by the time the Institution of Chartered Accountants of China was set up in 1925, accountants in China had grown in number. However, most people treated accounting as a side occupation, and the number of professional accountants was still at a low level. This was the general situation of the Chinese accounting industry at the beginning period of the Republic of China (from 1912).

## 我國會計師職業及其對於發展工商業之任務

潘序倫

會計師者。應具備專門之知識與經驗。乘有高尙之品格與地位。以承辦會計事務爲專門職業。藉以輔助工商業之發展者也。此項事業在英美各國發達極早。現已占經濟界極重要之地位。但在我國。則尙爲最近新興之事業。在十五年之前。國內尙未有會計師之名詞。迨民國七年。北京政府農商部始頒行會計師暫行章程。以國人之需要未亟。故其制之推行不廣。直至民國十年。滬上始有會計師事務所。又三載。始有會計師公會之發起。籌劃經營者匪歲。以十四年三月成立。自初頒章程以迄民國十二年。六載之間呈請爲會計師者。不過二三十人。設所服務者。益寥若晨星。迨上海會計師公會成立之年。北京政府農商部所頒執照。已達百號。自後呈請

我國會計師職業及其對於發展工商業之任務

我國會計師職業及其對於發展工商業之任務

爲會計師者日見其多。據十五年北京政府農商部之統計。領得執照者已增至三百人。而北平天津一帶亦有京津會計師公會之設。國民政府奠都南京後。頒佈會計師註冊章程。舉行會計師覆驗。民國十八年政府公佈會計師條例。內中規定凡會計師未經加入公會。不得執行職務。以故漢口廣州杭州等處會計師公會。先後成立。至於全國會計人材呈請爲會計師者。據實業部註冊科之紀錄總數已逾千人。而上海會計師公會會員亦已達二百四五十人。其中設所服務者固不少。然以之爲專門職業者。仍不過三四十人耳。其大多數僅以此爲副業。此則爲我國會計師職業之大概情形也。

我國會計師之業務據現行會計師條例之規定有如左述：

「會計師受公務機關之命令或當事之委託辦理關於會計之組織管理稽核調查整理清算證明及鑒定各項事務。」

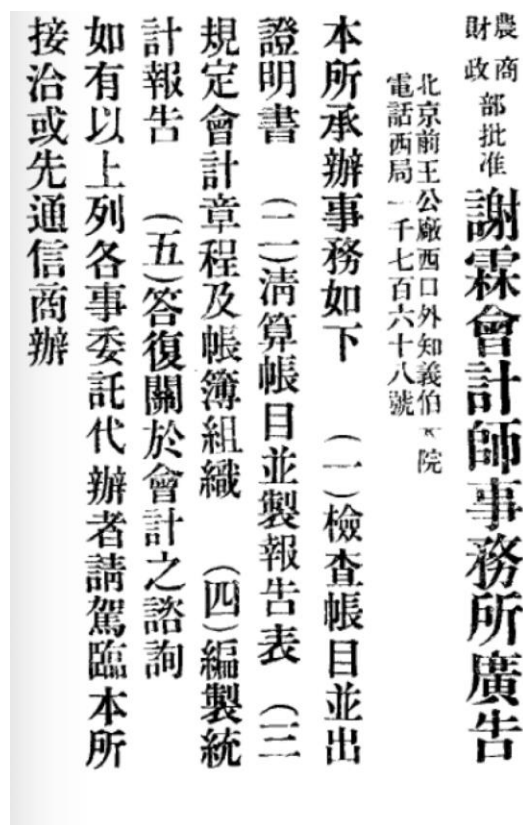
會計師得充任檢查員清算人破產管財人遺囑執行人及其他信託人。

Figure 2. Pan Xulun: *Wo Guo Kuai Ji Shi Zhi Ye Yi Ji Qi Dui Yu Fa Zhan Gong Shang Ye Zhi Ren Wu* (Pan Xulun: Chinese Accounting Careers and its responsibilities for industrial and commercial development)

Source: *Fu Xing Yue Kan* (Fu Xing monthly magazine) (1933, Vol. 1, 5)

In the late stage of the Qing era, business regulation was slack, and there was no systematic law, so accounting activities were not properly managed by legal or professional norms. It was not until the period of Beiyang Government (ruling 1912-1928) that the laws and regulations were promulgated, and the accounting law provided a mandatory norm for accounting activities. Because of the laws, accounting activities became more standardized and reasonable. Since the late Qing era, western accounting techniques had been applied in some foreign companies, and some foreign CPA firms were established in China. At first, they aimed to serve the foreign companies. However, because of the lack of indigenous firms, they started to conduct business with Chinese companies. In 1918, the

first indigenous CPA firm was founded by Lin Xie. The picture below is an advertisement for Xie's firm, stating what main services it provided: Auditing and making audit reports; accountant services and making financial statements; setting up accounting journals; making statistical reports and consulting. These functions are quite similar to the functions of contemporary CPA firms.



財農商部批准  
謝霖會計師事務所廣告

北京前王公廠西口外知義伯院  
電話西局一千七百六十八號

本所承辦事務如下 (一) 檢查帳目並出  
證明書 (二) 清算帳目並製報告表 (三)  
規定會計章程及帳簿組織 (四) 編製統  
計報告 (五) 答復關於會計之諮詢

如有以上列各事委託代辦者請駕臨本所  
接洽或先通信商辦

**Figure 3.** Advertisement for Xie Lin CPA firm

Source: *Yin Hang Zhou Bao (Bank Weekly)*, 1919, vol. 3(25), p. 62

### 6.1 First accounting law: *Min San* accounting law (民三會計法)(1914)

In early 1912, the Provisional Government of the Republic of China (1912) made a preliminary draft of an accounting law for government accounting. At that time the financial situation of the Qing government was in a shambles (Guo, 1988). The accounting activities needed to be scientific, which meant that a legal basis needed to be introduced. In October 1914, the *Min San* accounting law was formally promulgated. There were 9 chapters. The main content included general principles of accounting, budgets, income, expenditure, the final accounts, duty exemptions, contracts, and the

duties of accountants. The enactment of the law was the first attempt to change the backward situation of the accounting industry (Guo, 1988). Due to poor enforcement, the law had little success; however, it provided an empirical basis for laws and regulations made by the government later (in 1935) (Guo, 1988). The main points of this law are as follows:

#### *General principles: The accounting year*

In order to regulate the accounting activities and to make plans for income and expenditure of property and assessment of income, the accounting year needed to be clearly defined. According to the 1914 accounting law, the accounting year was from 1 July to 30 June. The record of annual accounting activities should be regulated before 31 December following the balance date. *Suiru* (income) included taxation and other income and *Suichu* (expenditure) should include all outlays. All the *Suiru* and *Suichu* should be recorded in a budget.

#### *Budget*

The annual income and expenditure for the next accounting year should be submitted to the *Legislative Yuan* (the legislative branch of government). Additional budget allocation was not allowed after the necessary funds deduction. If additional funds had to be transferred, the proposal should be submitted to the President and wait for further instructions.

#### *Income*

Tax and other income should only be managed by qualified government officials. The surplus should be treated as next year's income. All income (budgetary and extra-budgetary) should be recorded as the current accounting year's income. The income of all levels of government should be managed by the exchequer.

Although the first Chinese Accounting law can be seen as an attempt of accounting practitioners who worked in the government to promote the Chinese accounting industry by accomplishing legislative improvement, it is worth noting that the 1914 accounting law to some extent, helped to enhance and expand the power of the President. The 1914 accounting law provided a base and reference for the

Accounting Law (1935) made by the Nationalist Government (1927-1948), which affected Chinese accounting development for a longer term (Guo, 1988).

According to Guo (1988), from the late 1920s to early 1940s, the Chinese accounting industry developed rapidly, because of the contemporary commercial environment, and this development of accounting could not have been achieved without the effort of the accounting pioneers at that time. Accounting pioneers such as *Yongzuo Xu* (1891-1959) and *Xulun Pan* (1893-1985), although they were not government officers and were not directly involved in the process of law making, participated in the debate over ‘reform’ and ‘improvement’ and thus had some influence over the development of the 1935 Accounting Law. Xu and Pan were pioneers of the Chinese accounting industry, and the debate they engaged in, over how Chinese accounting should develop, attracted the attention of the lawmakers.

## 6.2 Chinese accounting method debate

### 6.2.1 The reformist: Yongzuo Xu and his ideas

One of the pivotal figures in modern Chinese accounting development was *Yongzuo Xu*. After graduating with honors from Shanghai Shenzhou University (it has since ceased to exist) in 1914, he started his career as a staff member of the Bank of China in Tianjin and moved back to Shanghai one year later. Xu was appointed as one of the editors of *Yinhang Zhoubao* (*Bank Weekly*) and become the chief editor later. In 1920, when Shanghai Securities and Commodities Exchange Co., Ltd. was established, Xu was appointed as the chief accountant in the accounting department. His main contribution there was that he drew up the accounting regulations and helped to train new accountants for the company. The rich experiences in his career gave him the idea that accounting is essential to business. Therefore, he resigned from his job and set up his own accounting firm, Xu Yongzuo Accounting Firm, in 1921. Xu’s accounting firm was one of the earliest and best-known indigenous accounting firms before the establishment of the People’s Republic of China (*Gongxin Accounting Monthly Magazine*, 1939).

In the debate concerning the development of a Chinese accounting method, Yongzuo Xu was one of the pioneers who held the view that Chinese traditional accounting methods should be kept and

improved. In his article '*Gailiang Zhongshi Buji Wenti (Problems of Reformed Chinese-Style Bookkeeping Methods)*' (1934), Xu mentions some reasons why Chinese traditional bookkeeping methods, including single-entry bookkeeping, should be retained, and the weaknesses and criticisms of those methods. Those reasons can be summed up as: traditional bookkeeping methods are simple, easy to apply and low-cost, but they lack systematisation. Xu made great efforts in promoting traditional Chinese bookkeeping methods. He launched the *Kuaiji Zazhi (Accounting Journal)* in 1933; this journal was published for three years with 48 volumes, and more than 600 articles written by accounting scholars and experts. The accounting publications introduced the necessity of and approaches to the reform of Chinese traditional bookkeeping methods, and the progress in improving accounting methods. Advanced accounting methods in use in the United Kingdom and the United States were discussed in these articles as well.

According to Guo (1988), there are four stages of Xu's arguments. From 1918 to 1921, when Xu first had a chance to deepen his knowledge of the western double-entry bookkeeping method, he thought that it should be fully adopted. However, from 1922 to 1923, after several years' work, he realized that for most Chinese accounting practitioners, western bookkeeping methods are not easy to understand and use, so he believed that the form of Chinese traditional bookkeeping methods should be kept, but the content of western methods could be introduced (Guo, 1988). From 1924 to 1928, after conducting extensive research and getting deeper into real practice, Xu thought that Chinese bookkeeping methods still had their merits, and they should not be replaced by western bookkeeping methods but needed to be reformed (Guo, 1988). In the final stage, 1929-1934, Xu began to promote his ideas and the 'debate' started (Guo, 1988).

In 1934, *Kuaiji Zazhi (Accounting Journal)* published a special edition, with its main content being about the improvement movement (see Figure 4 for the Table of Contents; a translation is provided in Appendix 3). Xu was one of the pioneers in the Chinese accounting methods reform movement and made great efforts to achieve the combination of tradition and novelty, in order to promote the modern Chinese accounting industry.

# 會計雜誌

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## 改良中式簿記專號

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五、收付單式複式三種簿記之比較	
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十三、對於改良中式簿記之評論	
十四、關於改良中式簿記之新聞	

**Figure 4.** Table of Contents of *Kuaiji Zazhi* (Accounting Journal), special edition: Chinese bookkeeping methods reform. Published 1 January 1934.

### 6.2.2 The transformationist: Xulun Pan (1893-1985) and his contribution

In contrast to Xu and the reformist group, Xulun Pan made an important contribution to the transformation group (*Gaigepai*). In 1920, Pan was supported by Nanyang Brothers Tobacco Company to study at Harvard University, where he obtained a degree of Master of Business Administration. Later he entered Columbia University and received his doctorate. After Pan returned to China in 1924, he was involved in teaching and governmental work. Considering Chinese accounting development to be backward, Pan established the *Shu Lun Pan* Accounting Firm (which joined BDO International in 2000 and is now referred to as BDO China Shu Lun Pan CPAs) in Shanghai in 1927. This is one of the earliest and best-known indigenous accounting firms in China (*Gongxin Accounting Monthly Magazine*, 1939). According to Guo (1988, p 503), “from the early days of Shu Lun Pan Accounting Firm, the enterprise was committed to promoting new accounting methods”. Its business was to design accounting systems for large and medium enterprises and it focused on improving the methods of cost accounting in industrial companies. Moreover, Pan’s firm

provided auditing and consulting services, aiming to promote new accounting methods by conducting accounting practice.

As a promoter of western accounting methods, Pan tried to propel the development of this reform from the perspective of education. In 1928, *Lixin College of Accounting* was founded by Pan in Shanghai, which was in a significant position to cultivate talented accountants. As mentioned in “*Lixin Kuaiji Buxi Xuexiao Jianshi*” (1936), the college was established in consideration that a growing number of accounting graduates were looking for internships to get familiar with new accounting methods. In addition, the textbooks used in teaching were authored or translated and edited by Xulun Pan himself and other accounting experts, because of the shortage of proper textbooks for accountant training. The content of the published textbooks covered auditing and several types of transaction such as bank accounting, government accounting, and transportation accounting. Pan translated *Cost Accounting* by W.B. Lawrence, and published one cost accounting textbook which combined the features of Chinese accounting and advanced western accounting methods (“*Lixin Kuaiji Buxi Xuexiao Jianshi*”, 1936).

### 6.2.3 The ‘debate’

In 1933, a book called *Gailiang Zhongshi Buji Gaishuo (Generalization of Reformed Chinese-Style Bookkeeping Method)* authored by Yongzuo Xu was published, which caused a sensation in academia. Some ideas which were proposed by Xu were questioned and opposed by the transformationists. As the background indicated above, a debate about ‘how Chinese accounting should develop’ was launched between these two opposing schools in the 1920s and it lasted into the 1930s. Table 1 shows the main publications of these two groups in which their ideas were propounded.



**Table 1. Publications of the two groups**

<b>The reformists (<i>Gailiangpai</i>)</b>		<b>The transformationists (<i>Gaigepai</i>)</b>	
<b>A1.</b>	The project of Chinese bookkeeping methods reform (Yongzuo Xu, 1933)	<b>B1.</b>	Criticism of Yongzuo Xu's opinion on Chinese bookkeeping methods reform (Xulun Pan, 1929)
<b>A2.</b>	Generalization of Reformed Chinese-Style Bookkeeping Method (Yongzuo Xu, 1933)	<b>B2.</b>	Letter to Yongzuo Xu for Discussion of His Reformed Chinese-Style Method (Pan, 1934)
<b>A3.</b>	Method, Theory and Utility of Four Columns Calculation (Yongzuo Xu, 1934)	<b>B3.</b>	Discussion about Xu's opinion on Chinese bookkeeping methods (Pan, 1934)
<b>A4.</b>	Opinions on Chinese bookkeeping methods reform (Yongzuo Xu, 1934)	<b>B4.</b>	Criticism of Reformed Chinese-Style Method by Yongzuo Xu (Youcheng Qian, 1934)
<b>A5.</b>	Problems of Chinese bookkeeping methods reform (Yongzuo Xu, 1934)	<b>B5.</b>	A Review of Reformed Chinese-Style Method by Yongzuo Xu (Zhun Gu, 1934)
<b>A6.</b>	The necessities and approaches of bookkeeping method reform when income tax was collected (Yongzuo Xu, 1937)	<b>B6.</b>	Criticism of Reformed Chinese-Style Method by Yongzuo Xu (Juchu Wu, 1934)

The reformists' opinions are clearly listed in article A5. As a leader of the school of reform, Xu emphasized the reasons why Chinese accounting should be reformed, in other words, the defects of traditional bookkeeping methods and the existing problems. According to Xu (1934), there were three main points, stated as follows:

*Accounting principles:*

1. Vague concepts and inconsistencies: Xu believed that there were some “fuzzy” concepts in the Chinese traditional bookkeeping method, and that it was difficult to define traditional bookkeeping, because its format was as a cash journal. He argued that in traditional Chinese bookkeeping, business activities were recorded as statements in current accounts. Xu (1934) gave an example: ‘borrowing money from someone’ was recorded as ‘receive someone’s cash’, which may imply the meaning of increase of cash and liabilities. In the sample from

an accounting journal shown in Figure 5, the Chinese character ‘收’ means ‘receive’ – it recorded the amount of money that was received from others, and contained the meaning of an increase of both cash and liabilities. Thus, Xu argued that the format of traditional bookkeeping method was similar to double-entry bookkeeping. However, Figure 6 is a sample from a book of account, showing the profit and loss, where traditional Chinese bookkeeping only recorded one subject, which is like a single-entry bookkeeping method. In summary, the format was considered to be unclear and inconsistent.

2. The lack of a Trial Balance: When the traditional Chinese bookkeeping method was applied, it was not necessary to achieve a balance of receipts and payments. Moreover, as there was no Trial Balance or other effective approaches to check the accuracy of the books, disequilibrium of balance of payments may be caused.
3. Unclear classification of accounting subjects: The traditional Chinese bookkeeping method focused on people’s accounting activities (people are accounting objects) and neglected the recording of accounting activities or transcriptions about other assets.
4. Assets: Accountants paid more attention to cash flow rather than the historical cost of other assets. Xu considered that it may be a common problem for many countries, but as cost accounting developed rapidly, it might be solved.
5. Transfer: The record for a transaction (the process of transferring from the activity to the accounting record) should be detailed; unclear transfer records had caused a lot of problems. As mentioned above, Xu argued that for traditional Chinese bookkeeping methods, accountants paid more attention to recording cash flow, thus, the transaction of payment achieved among bank accounts and the transactions would not be recorded in detail.
6. Evidence: Evidence was not important. For traditional bookkeeping, credibility was more important than the actual evidence. However, if the original documents were lost, any follow-ups could not be carried out. Xu considered that it was a serious problem which must be settled urgently.

改良中式實用商業簿記									
轉帳流水式樣									
元月一日									
收應付票據 <small>本票拾半</small> 洋壹千元									
付正外行 <small>半</small> 洋壹千元									
收王麓記 <small>半</small> 洋五百元									
付應收票據 <small>謙和</small> 洋五百元									
收滙和福莊 <small>二</small> 洋壹千元									
付大慶行 <small>二</small> 洋壹千元									
收利息 <small>大孚</small> 洋拾元零五角									
付大孚銀行 洋拾元零五角									
收大孚銀行 洋貳百元									
付電費 <small>馬力</small> 洋貳百元									

Figure 5. Journal records

Source: A1

水電費		
元月	二日	三日
付馬力電費洋貳百元整	付電燈費洋.....	付電話費洋.....

**Figure 6.** Utilities

(From right to left: 1, January: Pay utilities 200 yuan; 2, January: Pay for the electronic light...; 3, January: Pay for the call charges...)

Source: *Gailiang Zhongshi Shiyong Shangye Buji* (Chinese Commercial Bookkeeping Reform)

*Methods:*

1. Accounting books should be more systematic. Chinese accounting books were disorganized, and the quality of bookkeeping was highly dependent on the accountant. Some content might be repeated, and some might be incomplete. Moreover, because there was no standardized name for ledger accounts, Xu considered that people might obtain money under false pretenses.
2. Account names: It should be ensured that in a full accounting year, the names of accounts should be accurate and cannot be changed casually. Accountants should guarantee that accounts cannot be combined or split during the accounting year.

3. Traditional bookkeeping methods did not require that accounting journals be detailed but posting should be explicit. Thus, more time was spent on posting and checking, which may not be suitable for large-size enterprises.
4. The lack of unification of the currency: There were several currencies in use, such as the silver *yuan*, the *jiao* and the copper *yuan* from the mines. These various currencies had different and unstable values when used as the medium of trading.
5. Only integers could be recorded. Xu (1934) gave the example that if the payment is 135.80 *yuan*, the debtor only needs to pay 135 *yuan*, and it would be recorded as paid off. A balance could not be achieved because the decimal was removed when recording.
6. Chinese accounting books were written in the vertical style, and therefore columnar journals could not be used.
7. The process of recording was complicated. Instead of using Arabic numerals for recording, Chinese characters such as 萬、千、百 (ten thousands, thousands, hundreds) were used in traditional bookkeeping, which was considered to be excessive precision but time-wasting.

#### *Concepts:*

1. Chinese businessmen always underestimated the role of accounting and the accountant. They believed that the function of accounting was merely recording receipts and payments, but it was irrelevant to the enterprise's profit. They did not think that accounting irregularities might have effects on business development. Xu claimed that the contempt for accounting also led to the stagnation of the Chinese accounting industry.
2. Faith, honesty and integrity. Integrity was important for running businesses in China. It was always considered to be a merit of Chinese businessmen; thus, evidence was despised in business. However, business was growing in magnitude, and the employment growth might lead to poor management. Thus, Xu argued that evidence should be emphasized, in case any inaccuracies and omissions might occur.

3. Auditing. Traditional Chinese businessmen always thought that auditing was disreputable, and that it would be conducted only if financial fraud happened or the enterprise was about to become bankrupt. Furthermore, Chinese businessmen always held the opinion they should ‘trust the man in position’. Therefore, auditing was rarely conducted.
4. For traditional business, the approach to stating the profit and loss was to compute the difference between assets and liabilities on the balance sheet. There was no income statement to be used to compare and to check the accuracy.

Xu (1934) summed up his opinion that traditional Chinese bookkeeping method made recording easier but auditing more difficult. Because there were no rules of how to carry out the bookkeeping, accountants could randomly record the business transactions. In terms of auditing, the records or the documents available for inspection might be incomplete and disorganized. This was a common problem for both private and public accounting (Xu, 1934).

Zhu (1934) concisely indicated the merits and demerits of Chinese bookkeeping as well. He pointed out that compared with western bookkeeping methods, the Chinese traditional bookkeeping method was simple and could be applied easily, and training for practitioners did not need to be complicated and detailed. Thus, it was widely used in small-sized enterprises. Low-cost was also an advantage: Zhu (1934) believed that because of the simple accounting records, the ‘accounting books’ (the journal records) were in less demand, and therefore the cost would be lower, which would benefit small-sized companies. Similar ideas can be found in Pan’s (1934) article, *Zhongshi Zhangbu Yu Xishi Zhangbu Zhi Bijiao (The Comparison between Chinese and Western Bookkeeping Method)*.

Yongzuo Xu concretely indicated his ideas of how to reform Chinese bookkeeping method in his book A2, in which he advocated that traditional bookkeeping methods and theories should be reformed, in order to solve the problems. Gu (1934) summarized Xu’s ideas and divided them into two parts: the theories of recording receipts and payments, and the rules for setting up accounting books. Xu’s opinions attracted great attention inside the accounting industry, and the transformationists raised objections to them. The representative publications of transformationists such as B2, B3 and B4 were directed against Xu’s ideas for a bookkeeping method, the

transformationists pointing out the deficits of Xu's proposal. In B2, Pan (1934) specifically argued that reform can only be temporarily used during a transition period, but that Xu's proposals did not have enough academic value and may impede the development of a scientific bookkeeping method.

Guo's book (1988) examined the debate among these two schools of scholars in the early decades of the twentieth century. He believed that this debate made a great contribution to Chinese accounting development, because it was "the most influential academic discussion, and a great effort made by Chinese accounting pioneers in order to alter the state of Chinese accounting" (Guo, 1988, p. 518). However, the ideas seemed incomplete and partial nowadays. There was no "winner" or "loser" in the debate, but the ideas of the transformationists can be considered more influential because according to the Accounting Law published in 1935, the double-entry bookkeeping method should be applied in most government accounting situations (see Figure 7). Now it seems that both of ideas and opinions of these two schools were one-sided. The reformists emphasized the advantages of traditional bookkeeping methods which they believed could meet the demand of Chinese enterprises, were low-cost, and made the book-keepers' work easier. The transformationists believed that fully introducing a double-entry bookkeeping method was superior, because double-entry bookkeeping was considered to be quite successful in western countries. The debate between the two schools was conducted in the form of research, discussion and the scholars insisting on seeking common ground while reversing differences, which had a positive effect on the development of modern Chinese accounting. Furthermore, most of the publications of these two schools were textbooks, which meant that the accounting practitioners already realized the importance of systematic accounting theories and the role of education in promoting Chinese accounting.

第十條

政府會計之組織，爲左列五種。

一、總會計。

二、單位會計。

三、分會計。

四、附屬單位會計。

五、附屬單位會計之分會計。

。前項各款會計，均應用複式簿記，但第三款第五款分會計之事務簡單者，不在此限。

**Figure 7.** Accounting Law (1935): Double-entry bookkeeping method should be applied for most government accounting issues.



### 6.3 The historical background of Shanghai in 19th and 20th Century China

According to Ma (2006), Max Weber argued that Chinese cities and other Asian cities in general were different from cities in Western countries. Chinese cities did not have a specific political role, but rather can be seen as the planned product of administration under a centralized empire, unlike the cities in western countries which were closely related to the rise of the modern state and capitalism. After the first Opium War in 1840, in the social context of semi-colonialism and semi-feudalism, Shanghai became an essential commercial port. Because of the pace of development of foreign capital in shipping, banking and setting up factories, as well as the development of domestic bureaucratic and national capitalist enterprises in the early years of the Republic of China, Shanghai became the country's largest industrial and commercial city. Coble (1980, p. 1) claims that "The capitalists were strongest in Shanghai, which developed into the commercial, industrial, and banking center of modern China". Historical data given by Ma (2008, p. 359) show that Shanghai was one of the most economically advanced cities in twentieth century:

In 1930s, Shanghai alone produced 41 percent of national manufacturing output (48 percent if excluding Japanese-controlled Manchuria) ... In the 1930s, Shanghai alone absorbed 46.4 percent of total foreign direct investment (FDI) in China and 67 percent of FDI in manufacturing and claimed 47.8 percent of China's financial capital. With more than half of China's foreign trade and one-fifth of the Chinese shipping tonnage sailing through its harbor (p. 359).

According to Guo (1988), because Shanghai was the base of the two schools of accounting scholars, Shanghai and its peripheral cities became the experimental cities for the reforming measures, particularly as the main subjects of the debate were the large and medium enterprises, which made the debate more meaningful. The Institution of Chinese Chartered Accountants of Shanghai was established in 1925, which was the first professional organization for certified public accountants in modern China. After its establishment, regulations were issued specifying the responsibilities of the institution and members, to promote the organization itself and the accounting industry. Various measures were taken to protect the rights and interests of accountants and to be committed to the maintenance of accountants' reputations. According to the application draft they submitted to the

Departure of Agriculture and Business in 1924, the initiators believed that accounting was the outcome of economic development, and that the establishment of this organization was a self-discipline for the industry and would provide some guidelines for development of the industry. The number of members in the organization was 78 in 1928, increasing to 271 in 1936. Xu and Pan were both members of the Institution of Chinese Chartered Accountants of Shanghai. According to the regulations, the organization aimed to promote the accounting industry, mainly by the following eight functions: Academic, conducting research on accounting; Making suggestions for revision of accounting related laws and regulations; Assisting in government consulting; Commending and rewarding accounting academics; Launching accounting magazines; Setting up accounting libraries; Providing guidelines and regulations for the industry; and Investigating the qualifications of accountants. The reformists promoted their ideas for reforming the traditional bookkeeping methods through the organization's magazine (*The Accounting Journal*) in 1925. Through the efforts of the institution and the accountants, by the 1930s there was a growth in the number of accountants and an increase of accounting business, and the Institution was well developed as well.

## Chapter 7. The ideal-type of Bureaucracy and Max Weber's socio-historical framework

### 7.1 The ideal-type of Bureaucracy in modern China

Many scholars believe that the word “bureaucracy” can be used to describe a form of “organizational structure and management” or “political system” (Xiao, 2011, p.119). In ancient China, it can be referred as the political system, its beginning can be traced back to the Qin dynasty (221BC-206BC). Throughout the thousand's years of ruling by the feudal regime, the hierarchy was obvious, and the bureaucracy affected various aspects of society and culture. Nowadays, the system of the bureaucracy was made to meet the needs of organizational management in the industrial society. It had become one of the most common organizational models in the world today, providing solid and reliable technical support for the development of capitalism and even socialism and communism.

### 7.2 Weberian framework: social conditions

It is widely believed and emphasized by economic historians, including Sombart and Weber, that a systematic bookkeeping method played a key role in the rise and development of modern Capitalism (Yamey, 1949). Many scholars have been conducting research on Sombart's ideas about double-entry bookkeeping and modern Capitalism, and Weber's opinions on “the rationale capitalistic establishment” (Yamey, 1949, p.99). Therefore, it is meaningful to discuss whether there is any relationship between the development of Chinese bookkeeping methods and the Capitalism, after exploring the unusual situation of accounting in China, in order to enhance our understanding of the Chinese accounting industry and Chinese modern society.

As mentioned in Chapter 5, Weber's socio-historical model provided an understanding of accounting practice in the context of modern Capitalism in Western countries, in particular. However, it still has reference value for historical research on Chinese accounting. In Weber's opinion, there were two layers that should be considered: the nature and structural conditions of accounting development (the prerequisites), and the historical dynamics (Colignon & Covalski, 1991; Auyeung& Ivory, 2003).

The most general presupposition for the existence of this present-day capitalism is that of rational capital accounting as the norm for all large industrial undertakings which are concerned with provision for everyday wants (Weber, 1981; Carruthers & Espeland, 1991, p.32).

As noted in Chapter 5, Weber argued that the physical means of production, such as buildings, land and tools, etc., a free market, the rights of labor, commercialization, and the proper use of technology in production and the establishment of legal systems were conditions that needed to be satisfied before rational capital accounting was formed (Colignon & Covaleski, 1991; Auyeung & Ivory, 2003). Weber (2005, p.32) believed in “capitalistic economic action as one which rests on the expectation of profit by the utilization of opportunities for exchange, that is on (formally) peaceful chances of profit”. The double-entry bookkeeping method made accounting an essential tool for promoting communication among relevant individuals.

Considering the situation of China in the early 20th century, it is easy to find that compared with the Qing dynasty, the economic function of Chinese cities had increased, and the economic structure had changed. Generally, in the context of the natural economy, the handcraft industry mainly relied on manual labor, hand tools and animal power with a low level of productivity. With the introduction of modern techniques, machine manufacture gradually replaced the previous mode of producing, and productivity improved. As industry was restructured, it led to growth of the population and the flow of labor, and as a result, expansion of the cities. In addition, because of the inflow of foreign capital, some of the important cities, such as Shanghai, in which the foreign trade was prevalent, achieved commercialization and industrialization at a rapid rate.

After the abolishment of the feudal regime, Chinese society went through the warlord era, and was taken over by the Nationalist government. This complex social background posed some obstacles to the process of modernization. However, in general, market economics improved and capitalist modes of production developed in both urban and rural areas. During the period of *Beiyang* ruling, several legal provisions were made, in order to promote the commercial development, such as *Shang Hui Fa* (Law for Chamber of Commerce) and *Gong Si Tiao Li* (Company regulations). These were made to regulate the environment for investment and other business operations. On the establishment of the

Nationalist government in 1927, some changes were made in the economy to get the country out of economic chaos. Some measures are detailed now:

### *Tariffs*

The first influential measure was the publication of “*Guo Ding Jin Kou Guan Shui Zan Xing Liao Li* (*Provisional Regulations for import custom duties*)” in 1927, and soon afterwards, several regulations were released with detailed descriptions. Through these measures the Nationalist government attempted to regain tariff autonomy and economic sovereignty. The Nationalist government firstly signed a new treaty with the United States in 1928 (see Figure 8), and subsequently re-signed tariff treaties with other countries. By 1930, the Nationalist government had gained tariff autonomy. Under the new regulations, import tariffs on most commodities were increased, but export tariffs were reduced or remitted., These changes had a positive impact on improving the trading environment, and as the result, the government income increased. According to data from the Bank of China, from 1912 to 1931, the total maritime customs revenue of important ports increased from 39,950,612 *Liang* to 216,087,429 *Liang*, and the national industry was protected and promoted.

### ARTICLE I.

All provisions which appear in treaties hitherto concluded and in force between the United States of America and China relating to rates of duty on imports and exports of merchandise, drawbacks, transit dues and tonnage dues in China shall be annulled and become inoperative, and the principle of complete national tariff autonomy shall apply subject, however, to the condition that each of the High Contracting Parties shall enjoy in the territories of the other with respect to the above specified and any related matters treatment in no way discriminatory as compared with the treatment accorded to any other country.

The nationals of neither of the High Contracting Parties shall be compelled under any pretext whatever to pay within the territories of the other Party any duties, internal charges or taxes upon their importations and exportations other or higher than those paid by nationals of the country or by nationals of any other country.

The above provisions shall become effective on January 1, 1929, provided that the exchange of ratifications hereinafter provided shall have taken place by that date; otherwise at a date four months subsequent to such exchange of ratifications.

**Figure 8.** Treaty regulating tariff regulations between the United States of America and the Republic of China, Article 1.

Source: *Guan Shui Wen Ti (Tariff questions)*, 1928, vol. 1(4), p.18-19

#### *Finance: unified currency*

Another important measure was the currency reform in 1933. The Nationalist government announced that the previous currency silver *Liang* was abandoned, and the new currency silver *Yuan* was put into circulation. In Chinese, the word *Liang* (兩) normally refers to a unit of mass, but it also refers to a kind of Chinese archaic currency, which was normally silver bullion. The silver *Liang* needed to be weighed to identify its value before trading. According to the Chinese economist Yinchu Ma (1932), the inconsistency of the monetary system was a major problem as the daily inland business was achieved through the trading of silver *Yuan*, but the business among the treaty ports was based on the silver *Liang*, with various conversion rates. In 1933, the Nationalist government announced the official exchange rate and abandoned the usage of the silver *Liang*, to guarantee the implementation of the silver standard. As a unified currency is conducive to commodity trading and

market stability, it must have had a positive effect on business development and China's social economy.

### *Industry*

From 1928, various special policies were released to encourage the development of industry, and these industrial incentive policies were closely related to the modernization of China's social economy. Some of the main encouraging policies are as follows (original Chinese titles are listed in Appendix 4):

1. *Interim Regulations on Industrial Products (1928)*
2. *The Incentive Policy for Returned Overseas Chinese on Investing in Domestic Mining and Smelting (1928)*
3. *The Incentive Policy for Returned Overseas Chinese on Initiating into Commerce and Industry (1929)*
4. *The Incentive Policy for Special Industry (1929)*
5. *The Incentive Regulation for Small Industry and Handcraft Industry (1931)*
6. *The Incentive Policy for Industry (1934)*

The Nationalist government used economic and legal means to guide the flow of social resources into the industrial field. These policies were aimed at increasing the number of domestic private factories and businesses, and expanding the scale and size of enterprises, encouraging long-term operations and the development of new products. The rewards and incentive policies benefited small and medium-sized enterprises or individual investors. There were also regulations involving agriculture, animal husbandry and fishery, foreign trade, industrial education and industrial group companies, which were conducive to commercial and industrial development. The Nationalist government and some state-owned banks invested directly in the industry, which resulted in a large number of large-scale, well-funded state-owned enterprises, and the same time, the Government also encouraged the development of private enterprise.

## *Others*

In addition to the content mentioned above, there were some other initiatives and regulations. The “*Gong Si Fa (Cooperation Law)*”, published in 1929, explicitly mentioned business operations, thus promoting the development of modern enterprise systems. In the same year, the Nationalist government promulgated the “*Kuai Ji Ze Li (Regulations for accounting)*”.

In summary, from 1927 to 1937 the Chinese economy developed rapidly. During this period of the Nanjing Nationalist Government, various industrial enterprises were established, and the government introduced various measures to protect private property and promote industrial development, which played a positive role in shaping the economic development. Furthermore, the foreign capital enabled the setting up of factories in China, which also stimulated the development of Chinese capitalism. Although the economic policies and measures were implemented to revive the economy and to stabilize the regime, the changes made met most of the conditions of the first layer of the Weberian framework.

## 7.3 Discussion on the development of Chinese accounting from 1927 to 1937

Given the social conditions that were satisfied as precursors for the development of capitalism, what else was needed was a dependence on accounting and accounting information. In highly capitalized Western capitalist countries, the distribution of social resources is mainly carried out through capital markets, and the relationship between enterprises and investors is established through capital markets as well. One goal of financial reporting is to emphasize the usefulness of future information, and the degree of satisfaction of the users of accounting information has become one of the criteria for measuring the degree of achievement of accounting objectives. The accounting industry in Western countries constantly improves accounting technologies to improve the relevance of accounting information.

During the period of the thousand-years feudal ruling, the Chinese social economy was in a closed environment of a natural economy for a long time, which could explain why Chinese accounting has always existed in an ‘invisible’ way, and why Chinese accounting ideas have been relatively conservative. When it came to the modern era, with the development of China's economy through



marketization, decades of capitalist development, and the introduction of modern corporate systems, especially joint stock companies, China's traditional accounting system could not provide the necessary support for economic environment. Thus, reform of accounting was inevitable. After half a century of learning from the west, self-exploring and practicing, the accounting industry in China gradually absorbed accounting concepts and topics from the West. This changed the 'self-sufficiency' of the Chinese accounting community and made them gradually accepted the international accounting paradigm. Accounting education and the application of new ways of accounting became standardized. Although modern China actively introduced Western accounting systems, they did not blindly copy Western theories, but organically combined them with the Chinese reality. Reform was not accomplished at one stroke. Rather, the hard work of many accounting practitioners and academics constructed financial management systems and advocated the introduction of Western double-entry bookkeeping methods to overcome the drawbacks of the traditional Chinese single-entry bookkeeping methods, while saving some aspects of the Chinese traditional systems.

The process of industrialization and the ever-developing economy provided a unique environment for capital accounting accumulation. The introduction of Western accounting techniques, especially the introduction of double-entry bookkeeping, greatly improved the efficiency of accounting for economic businesses. The accounting methods adopted are still being used today but are still being continuously improved and developed.

## Chapter 8. Concluding remarks

Nowadays, with the acceleration of economic globalization, international economic integration has become an irresistible trend, and as a special business language, accounting is no exception. However, the development of accounting is inextricably linked to the national conditions: the political, economic and cultural environment of each country. From the 13th to the 19th century, western accounting experienced nearly 700 years of development, until, in the late 18th century, the Industrial Revolution accelerated the development of capitalism and the market economy, and a suitable accounting system emerged. Before the 20th century, the United Kingdom and western Europe dominated world trade and the market economy, and they had advanced accounting systems. By the 20th century, the United States became the economic center of the world, and the American accounting industry changed as well. Changes in accounting caused by transformations in the world economy also spread to China. Accounting arises from a specific environment and serves a specific environment, the accounting of each country and region has its own distinctive characteristics, thus, it is necessary to examine the situation in its entirety. Max Weber's work about the rise of capitalism, accounting, organizations and society provided the theoretical support for this thesis.

During the Republic era in China, the development of capitalism and the growth of modern industry and commerce facilitated the progress of accounting. As the result of the thousand years of feudal ruling of Chinese society, the natural (rural) economy held the long-term dominant position. The traditional bookkeeping methods were suitable for dealing with simple business operations. However, because of the process of industrialization and commercialization, the weaknesses of the tradition systems gradually emerged, and to some extent, hindered the development of the economy. Therefore, reform was needed. The debate between the two schools of Chinese accounting pioneers encouraged accounting scholars to constantly explore and to put theories into practice, and the communication among the different schools and the collision of ideas was an important catalyst for modern Chinese accounting development. Furthermore, at the time of the debate, accounting education became more professional and systematic, accounting schools and CPA firms were established, and accounting journals were published. These all provided opportunities for more people to get in-depth knowledge of accounting. Throughout the history of the accounting system of

the Republic of China, the accounting scholars have played positive roles in promoting Chinese accounting development. More professional accountants replaced the traditional accounting practitioners (book-keepers). Additionally, because of the application of Western bookkeeping methods and accounting theories in many governmental organizations and large public enterprises, such as railway, customs and banks, the gap between modern accounting and contemporary accounting gradually narrowed.

Another driving force for the progress of the accounting industry was the political factor. The period of 1927 to 1937 was the decade that Chinese society gradually transformed. To some extent, the establishment of the Nanking Nationalist government reversed the situation of the anarchy of the Warlord era, and the trend towards industrialization and commercialization provided a suitable environment for the development of the economy and the accounting industry. In addition, the reform of the legal system helped to regulate the accounting industry. The first accounting law, *Min San Accounting law* ushered in the era of standardization and legalization of accounting.

This thesis builds on the socio-historical model of Max Weber. The model provided a methodology for exploring the relationship among accounting, organizations and society, and the findings of this study show that the social conditions of the research period fulfilled the requirements for the development of modern capitalism and accounting. From the sociological and economic perspectives, the increasingly complex economic relationships prompted the emergence of new accounting methods. Due to the World War between the imperialist powers in the early stage of 20th century, China was given a short period for commercializing. Meanwhile, with the continuous development of the economy, China's progress in learning from the Western accounting system was accelerating. The accounting development was closely related to the economic development: the more complicated the economic operational relationships, the higher the requirement for accountancy. During the era of the Republic of China accounting moved from the traditional mode to the introduction of western accounting techniques and the legal system of accounting gradually formed. According to Weber's theory, a modern accounting system should provide a universal condition for the development of capitalism.

However, after the period covered in this study, China slipped into civil war, and a corrupt bureaucracy existed. Therefore, the accounting system could not fulfill its economic and social functions. Since the founding of the People's Republic of China in 1949, Chinese society has undergone tremendous changes. At first, in order to match with the planned economy, mainstream accounting followed the "Soviet style", and it was after until the implementation of the post-Mao "Reform and Opening" policy, that contemporary accounting came into being. However, the accounting reform that happened in the early stages of the 20th century still has important enlightenment and reference significance, because the history of the development of accounting systems relate to accounting development in the future. As the old saying in China goes, "History mirrors both thriving and calamity". Although history cannot be used for predicting the future, when looking at the "lessons from the past", it may provide some broad outline as references for future study.

This paper has focused on the historical facts, particularly in one decade. It was not able to include in-depth data analysis, such as the proportion of indigenous accounting firms of the total amount in the research period, a comparison of the growth of the number of Chinese certified public accountants with the situation in contemporaneous western countries, in order to illustrate the developing situation of the accounting industry. These are areas for further research. In addition, the author's limited theoretical foundation of sociology restricted the depth and breadth of this thesis. Further research by suitably qualified researchers could improved the depth of coverage.

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## APPENDICES

### Appendix 1. Timeline of Modern Chinese History (1911-1949)

- 1911: *Xinhai* Revolution, China's last imperial dynasty (*Qing*) was overthrown.
- 1912: In January, The Provisional Government of the Republic of China was established in Nanking, with *Sun Yat-sen* as the Provisional President of the Republic of China. In February, the capital moved back from Nanking to Beijing. *Yuan Shikai* become the second Provisional President of the Republic in March, and the government was called the *Beiyang* Government (1912-1928).
- 1915-1916: *Yuan Shikai* declared himself the new emperor of the Republic of China which led to The National Protection War. *Yuan* was forced to abdicate in 1916.
- 1916-1928: After the death of *Yuan* in 1916, The Republic of China came to the Warlord era.
- 1927-1948: Establishment of the Nationalist Government of the Republic of China, which was led by the Chinese Nationalist Party (*Kuomintang*, *KMT*). The Second Sino-Japanese War began in 1937.
- 1945-1949: The Chinese Civil War.
- 1949-present: People's Republic of China established, under Communist rule with first Chairman, Mao Zedong

## Appendix 2: Translation of Figure 1

年次	英貨折算
同治九年	四一、二七五、〇〇〇 鎊
光緒十八年	五二、八七七、三四九 鎊
光緒二十一年	五一、七〇三、〇九九 鎊
光緒二十六年	五九、四一一、九八六 鎊
光緒三十二年	一〇六、四四〇、〇〇〇 鎊
光緒三十三年	一一〇、六八〇、〇〇〇 鎊
光緒三十四年	八九四八〇〇〇 鎊

Source: Guo Feng Newspaper (國風報), 1910, Vol. 1, No. 23, p.45-61.

The table below contains a translation of Figure 1, plus a conversion into pounds sterling taken from the same source and reproduced above.

Year	Number of ports	Value of foreign trade ( <i>Liang</i> )	Pounds sterling
1870	12	127,000,000	41,275,000
1880	19	158,400,000	
1890	20	217,567,000	
1892			52,877,349
1895			51,703,099
1900	32	370,067,178	59,411,986
1902	34	529,545,489	
1904	36	583,547,291	
1906	36	646,726,821	106,440,000
1907	40	680,782,066	110,680,000
1908	42	671,165,881	89,480,000

Appendix 3. Translation of Table of Contents of *Kuaiji Zazhi* (Accounting Journal), special edition: Chinese bookkeeping methods reform.

1. Problems of Reformed Chinese-Style Bookkeeping Methods
2. Method, Theory and Utility of *Sizhu Jiesuan* (Four Columns Calculation)
3. Debit-credit Bookkeeping method and Receipts-payments Bookkeeping method
4. Comparison of the methods of cash entries and cash basis
5. Comparison of receipts-and-payments method, single-entry bookkeeping method and double-entry bookkeeping method
6. Origin of the Chinese bookkeeping method and the success of its reform
7. Research on the origin of the double-entry bookkeeping method
8. The origin of Eastern and Western bookkeeping methods and their branches
9. Comparison of Chinese and Western bookkeeping
10. Summary of receipts-and- payments method
11. Observations after Chinese bookkeeping method reform
12. Discussion on the approach to account classification
13. News about Chinese bookkeeping method reform

#### Appendix 4. Original Chinese titles of the policies

1. 奖励工业品暂行条例（1928）
2. 华侨投资国内矿冶业奖励条例（1928）
3. 华侨回国兴办实业奖励办法（1929）
4. 特种工业奖励办法（1929）
5. 小工业及手工业奖励规则（1931）
6. 工业奖励法（1934）