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# **The Milieu of Accountability of Early Companies in the Qīng Dynasty: Evidence from the Shènghǎi-based Print Media**

**Manuscript by:**

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## **Abstract**

This study looks at evidence from the Shànghǎi (Shanghai)-based print media of the accountability of early Chinese companies from the middle period of the Qīng (Qing) Dynasty when the Opium War broke out in 1840 until the imperial monarchy's overthrow in the revolution of 1911. The Qīng Dynasty is known for its technical accounting stagnation. Yet, an examination of the Shànghǎi-based print media shows the existence of a strong sense of public reporting by early companies of the Qīng Dynasty. The findings of this study indicate that the print media displayed a rich milieu of accountability of these early companies by incorporating components of Western and Chinese benchmarks of accountability expressed in commercial metrics and key financial ratios.

**Key words:** accountability; Guānli (Guanli) dividends; early Chinese companies; Qīng Dynasty; print media.

## **Introduction**

The role in which accounting and accountability plays in power and governance has considerable interest in Chinese accounting history (Guō 1988a; 1988b; Aiken and Lu 1998; 1993a; 1993b; 1993c; Lin 1992; Fu 1971) but very little has been written about the development of written financial reporting that informed this accountability in the print media during the middle period of 1840 to 1911. This point is an important one because while Auyeung and Ivory (2003) suggest that China underwent a period of accounting stagnation during the Qīng (Qing) Dynasty, there appears to be evidence that the Chinese print media were eager to showcase Western and early Chinese company accountabilities.

These early companies in the Qīng Dynasty operated in uncertain circumstances. A massive upheaval of the Chinese social environment arose not only due to the events of the First and Second Opium War, Sino-France War, Sino-Japanese War and during the offence of the eight-power allied forces in the China War but also due to the deep financial crises of 1883 and 1910. Despite these upheavals, commercial activity increased during the Qīng Dynasty with early Chinese companies growing in size and profits, resulting in expectations for an account of those profits using a Western form of reporting.

Although the late Qīng Dynasty's economy was characterised by government corruption and European-imposed unequal treaties, extraterritoriality and treaty ports, many reforms were initiated to improve imperial governance. The Self-Strengthening Movement, which to modernise institutions and the military, and develop communications, industry and

transportation, was undermined by the First Sino-Japanese war. The Qīng rulers lost possession of Táiwān (Taiwan) and influence over Korea. The Hundred Days Reform of 1898 attempted to reform China's cultural, educational political institutions but was rejected by the Empress Dowager Cíxī (Cixi). Fiscal and legal reforms were also introduced, including the *Commercial Code* and *Company Law Reform through Survey* in 1909, incorporating various commercial codes and company laws around the world and taking into consideration China's commercial developments (Shuài 2001). The *Commercial Code* and *Company Law Reform through Survey* were informed by precepts from British company law and the German commercial code, as well as the Japanese commercial code. Financial institutions also proliferated, including the Shànghǎi International Settlement, Shànghǎi Sharebrokers Association and the Shànghǎi Stock Exchange.

The great influx of fiscal and legal reforms brought with it the opportunity to take on introduced Western bookkeeping ideas, which was supposed to provide to Chinese organisations an improved means of measuring profits, improving accuracy and checking errors, thus making accounting records more reliable (Auyeung and Ivory 2003). Nevertheless, for a number of social and ideological reasons, the indigenous Chinese system of reporting persisted in the Qīng Dynasty, with substantial resistance to the wholesale transfer of Western forms of reporting.

One Chinese industry that appeared to welcome the trappings of Western bookkeeping, yet still retain its allegiance to the Chinese sense of accountability, was the Shànghǎi-based print media industry. During the late period of the Qīng Dynasty, the Shànghǎi-based print media reported information about early Chinese companies reporting that appears to have given readers a sense of accountability of those early companies. In this context, this study poses the following research question: During the late Qīng Dynasty, what evidence of accountability existed in the reports by the Shànghǎi-based print media reports of early Chinese companies reporting?

The paper is structured as follows. The following section considers the theory of alternative reporting models in the context of the Qīng Dynasty. A discussion is then presented on the Shànghǎi print media, in particular its development in the Qīng Dynasty and its reporting of early Chinese companies reporting. This is followed by the analysis of the results of the print media's disclosure of the early Chinese companies reporting. A reflection on early Chinese companies' accountability is then explored. Finally, conclusions of the study's findings are offered.

## **Alternative reporting models and accountability**

The theory of alternative reporting models (Traditional, Western-narrow and Western-broad) recognises that different forms of accountability may exist across a broad spectrum of reporting models ranging from a Traditional reporting model based on an indigenous accounting system to Western-broad comprehensive reporting model based on civic-based practices of Western democratic countries (Brown 2011). If the indigenous Chinese system of reporting that persisted in the Qīng Dynasty is seen as closely aligned to the Traditional reporting model and the introduction of technical forms of Western bookkeeping to the Qīng Dynasty is taken as an example of the Western-narrow reporting model, then there is room to acknowledge the different forms of accountabilities that arose from each reporting model.

The Traditional reporting model focuses on deference to communal customs and conditions in contrast to the financial focus of the Western-narrow reporting model and the societal focus of the Western-broad model (Brown and Tower 2002). The traditional reporting model is characterised by an incentive to generate written reports for stewardship but there rests an ‘accountability of undecided space’ (Brown 2011, 172). This model contrasts with Western-narrow reporting with its focus on generating narrow, financially-based, written reports providing an accountability of agency, and the Western-broad reporting with its high values given to written accounts that inform on matters of corporate governance and social responsibility, providing an accountability of civic culture. The Western-narrow model recognised the need for timely and accurate financial information with an emphasis on income statement and balance sheet figures. According to Brown (2011), the Traditional reporting model provides selective patterns of visibility and obligations.

Gardella (1992, 317) explains that during the Qīng Dynasty, indigenous Chinese business went through ‘sprouts of capitalism’ and that account-keeping techniques ‘were adapted to meet the basic requirements of small retail shops and the complex needs of large commercial firms and native banks’ (Gardella 1992). Gardella (1982) recognised that while a sense of rational economic authority characterised Western reporting to render a distinct form of economic visibility to satisfy the needs of a modern capitalist enterprise, a pattern of traditional obligations and patriarchal authority prevailed over Chinese traditional reporting to offer ‘pragmatically evolved responses to a host of highly individualised problems of managing and controlling business enterprises and households’ (Gardella 1982, 61). This form of Traditional reporting was not an impediment to accountability. Rather,

...there were no inherent obstacles to rational commercial record keeping posed by Chinese mathematical techniques, and ‘accountability’ was necessary in the conduct

everyday Chinese business activities regardless of the nature of a firm's ownership management. (Gardella 1982, 61)

### *Western-narrow accountability*

At the time of the Qīng Dynasty, the introduction of the Western double-entry accounting system to China was based on the Western-narrow reporting viewpoint that financial information needed to be prepared on a timely financial basis to satisfy accountabilities of agency and stewardship. It was assumed by the proponents of Western-narrow reporting with their predilection for double-entry accounting, that it was possible to lift the early Chinese companies reporting to a Western-narrow model of reporting calculations for profitable exchange.

Foreign investment raised these expectations of profitable exchange. Before the first Opium War in 1840, British commercial interests in China, already given full expression by the activities of the East India Company, were further bolstered by a British firm called Dent Beale & Co. It set up a Chinese subsidiary called the Union Insurance Society of Canton that brought a flurry of share trading by Chinese and foreign merchants (Sūn 2008)<sup>1</sup>. This formal financial nexus between Chinese and non-Chinese investors was also given impetus by the British firm Jardine Matheson & Co.'s reorganisation of its foreign subsidiary Canton Insurance Office as the Canton Guǎngdōng (Guangdong) Insurance Company (Zhào 2003; Sūn 2008). In 1836, stocks of this insurance company were quickly snapped up by both Chinese and non-Chinese investors (Sūn 2008), raising issues on how to present financial statements to these diverse groups of investors.

In the early 1830s, a dispute over opium trade emerged between China and Britain. There was a concern that British distributors in their ever-increasing motivation to swell profits had begun to corrupt Chinese distributors of opium. As a consequence, during the Opium War, new public offerings in China halted. The absence of foreign competition allowed the Union Insurance Society of Canton and Canton Insurance Company the opportunity to issue further shares in China, enabling them to strengthen their financial hold on the war torn country (Sūn 2008).

The commercial success of these foreign-owned Chinese ventures was best exemplified in 1864, when Lee Wah Bank Ltd.'s stock price rose as high as £25 after opening at a par value £10 (Zhāng 2001). In 1869, the British-owned J. P. Bisset & Co. set up operations at with substantial Chinese and foreign investment (Yáo 1919; Zhāng 2001). These successes increased the call for greater foreign-Chinese business ventures raising further amounts of capital for potential share offerings, all of which required some form of reporting that would satisfy Chinese and domestic investors. It appears that Chinese businessmen invested

substantially in foreign joint-stock companies, particularly in the industries of shipping, insurance, banking, spinning and utilities. In Shànghǎi, foreign banks and companies, such as the Shànghǎi Steam Navigation Company (established in 1862) and the Hongkong and Shanghai Bank Corporation (HSBC) (established in 1865), offered shares to local residents foreign merchants (Chén 2010).

The rise of the listed company in China brought with it expectations of a Western-narrow form of written accountability, which rendered both a stewardship and signaling function. The antecedents of these colonial accounting systems had their origins in the European medieval era through communal stewardship and Christianity, which assumed that resources were available for use by the people and that property owners had a social responsibility to look after resources for the community and God (Chen 1975). These Western standards of accountability were heightened with the advent of the Western industrial revolution, particularly with the emergence of the stock company where management owed a duty of care to look after the resources of the shareholders.

### *Chinese accountability*

China's Traditional accountability in the late Qīng Dynasty was informed by a Confucian heritage and imperial governance, which was gradually being questioned by an urban elite fascinated by Western lifestyles, material goods and social practices (Rankin 2008). This imperial governance was characterised by complex bureaucratic structures, “a state that relied on a combination of extra-bureaucratic groups and formal bureaucracy” (Lufrano 2013, 98).

Past studies reveal how Traditional reporting of Chinese benchmarks of accountability were also raised at a number of levels (Gardella 1982; Guō 1988a; Fu 1989; Zhào 1992; Zhao 1987; Hsu 1991) during the Qīng Dynasty. The sìzhùfǎ (sìzhu fa) ‘four-pillar balancing method’ a single-entry system to account for asset protection, while the sānjiǎo zhàng (sanjiao zhang) ‘three-leg bookkeeping’ used three journals - the huòqīng bù (huoqing bu, cash sales and purchases journal), the yínqīng bù (yinqing bu, cash journal) and the wǎnglái bù (wanglai bu, personal account and transfer journal) - to account for claims and transfers. The lóngmén (longmen zhang, ‘dragon-gate bookkeeping’), employed by many important wide-ranging small and medium-sized entities, used a balance equation and hé lóngmén (he longmen, matching process) to sum up calculations of jìn (jin, revenues), jiǎo (jiao, expenditure), cún (cun, assets) and gāi (gai, owners’ equity and liabilities) for the Jīn-Jiǎo (Jin-Jiao, Revenue–Expenditure) report and the Cún-Gāi (Cun-Gai, Asset-Equity-Liability) report. The sìjiǎo zhàng favoured by commercial entities prepared a cǎixiàng report (caixiang report, profit and loss statement) and cúnghāi report (cungai report, balance sheet). Although these reports were

technically different from Western narrow reports, they offered Chinese indigenous forms of accountability to Chinese users of information.

It is important to point out that there is a contested understanding of the establishment of the *lóngmén zhàng*. On the one hand, a body of indigenous Chinese interpretation exists which claims that the *lóngmén zhàng* was an early form of indigenous Chinese double-entry bookkeeping (Guo Daoyang, 1988). On the other hand, there is a relatively recent view that this claim represents somewhat of a myth (see, for example, Hoskin, Ma & Macve, 2013). Although this study leans towards the view advocated by Gao Daoyang (1988), it is necessary to acknowledge that the assumption that the *lóngmén zhàng* was an early form of indigenous Chinese double-entry bookkeeping is open to question. In the context of the aims of this study, this ‘east-west’ debate does not in itself undermine the theory of alternative reporting models. Rather it opens up possibilities for different interpretations of the roots of the Traditional and Western reporting models.

Typically, transactions were recorded in the *cǎoliú* (caoliu, memorandum) using *cǎomǎ* (caoma, commercial) numerals, transferred them to the *xìliú* (xiliu, journal) using *hàntǐ* (haiti, standard) numerals and then posted them to the *zǒngqīng* (zongqing, ledger) using *kuàijì tǐ* (kuaiji ti, accounting) numerals before preparing accounting reports (Gamble 1931; Huáng 1934; Fu 1989; Finegan 1978).

The direct influence of capitalist economic relations on the early Qīng Dynasty served to maintain Chinese inherent double-entry bookkeeping through the *lóngmén* (longmen) account and the *sìjiǎo* (sijiao) account. Under the Traditional reporting model, these accounts provided consistency between the double-entry bookkeeping principles and bookkeeping reports, infused the accounting process with classification and scientific rigour, and maintained the division of receipts and payments as well as assets and liabilities. These Traditional reporting model-bound Chinese accounts were grounded on scientific rule-making, and faithfully attempted to record property value elements and changes of property values. The principle of double-track settlement accounts also provided a technical checking role (Guō, 2011) through the adoption of the *sìjiǎo* account. Here, the Chinese *Zōngjié* (Zongjie) took a similar shape to the Western balance sheet, while the Chinese *Cǎijié* (Caijie) looked very similar to the Western income statement. Accountability was maintained by the payment of *guānlì* dividends (guanli dividends, fixed rate of common stock) which ensured a form of cash



## Shànghǎi print media

In reviewing the development of Shànghǎi-based newspapers in the Qīng Dynasty and its reporting of Chinese early companies reporting, it is beneficial to note the considerable influence of British newspapers on the Shànghǎi-based media. British newspapers in the nineteenth century enjoyed considerable status as a form of mass communication which could influence politics, bring about social change and influence financial matters (Lee 2012; Michie 2011; Jones 1996). The Chinese print media during the late Qīng Dynasty also had similar influences.

The ShēnBào (ShenBao) Newspaper, also known in English as *The Shanghai News*, founded by Ernest Major, an English businessman, commenced operations in 1872 in Shànghǎi. The ShēnBào Newspaper was set up for a Chinese readership, run by Chinese compradors (native born agents in China) and editors in order to extract local community news and build up circulation and advertising connections with the local community. The ShēnBào Newspaper's relatively high circulation and advertising revenue ensured that the price of the paper was lower than that of its competitors. The ShēnBào Newspaper became influential in the Qīng Dynasty using innovative printing technology, the telegraph, and the báihuà (baihua, vernacular) to hold circulation and revenue.

Other newspapers in the Qīng Dynasty included the English *North China Herald*, which was published in Shànghǎi and featured translations of Chinese official notifications and news; the *Shanghai Almanac*, which was published by the North China Herald; the American-styled *China Press*; the English-language *China Mail*, which was founded in 1845 and run since 1872 by George Bain; and the *Shanghai Mercury*, an evening daily newspaper founded in 1879. The *North China Daily News*, edited by Moberley Bell, a distinguished war correspondent, 'enjoyed a virtual monopoly of Shànghǎi's advertising market, while presenting a stolidly imperial point of view in its editorial columns' (Thompson 2011, 141).

Higher literacy rates and densely packed populations in economically advanced areas allowed newspapers to question the complex bureaucratic structures of the Qīng Dynasty (Lufrano 2013). Transitional moments in printed communications in China arose with the emergence of Chinese-language and English-language newspapers, thus opening up a readership to Chinese and foreign audiences (Mokros 2012; Mittler 2004). This shift provided incentives for companies to disclose information in newspapers. For example, HSBC's success in China came about from its ability to attract capital from both Chinese and foreign shareholders and to draw savings from depositors from all walks of life (Horesh 2006).

The modern press, particularly those based in Shànghǎi, introduced a new level of public awareness of Western practices (Rankin 2008).

...the emerging news media played a defining role, intensifying the sense of alarm at foreign incursions, increasing the anger aimed at the court's policies, and stimulating the simultaneous fascination for the foreign and exotic. (Rankin 2008, 40)

Editorialists encouraged industrial development, railed against official corruption, and urged Chinese readers to familiarise themselves with Westerners and their new technologies and education system (Wang 2007). The newspaper readership expanded to include people from commercial walks of life, such as professionals, entrepreneurs, shop clerks and small merchants (Wang 2007), reaching beyond the local to the national market (Wue 2004). Even, the collapse of the Qīng Dynasty was watched closely by the commercial press and its readers (Wang 2007).

Given the different reporting models that existed in the Qīng Dynasty, it is of considerable interest how the accountabilities of these early companies were presented by the news media during this period. As such, this study looks at the print media reporting of early Chinese companies from the middle period of the Qīng Dynasty when the Opium War broke out in 1840 until the imperial monarchy's overthrow in the revolution of 1911.

#### *Print media reporting of the reporting by early Chinese companies*

As shown in Figure 1, a form of Western-narrow accountability was demonstrated by the written disclosure of shares and stocks in the *North-China Herald*, where prominence was given to details about paid-up capital, and the latest prices and dividends ratios (Wood 1866, 4). What is clear, in Figure 1, is not so much that the bank shares, denominated in pounds (rather than the taels of commercial companies), provided a significantly larger dividend return on investments than that offered by the commercial companies, but that a Western-narrow form of accountability was presented on the pages of the Shànghǎi-based press for existing and prospective investor groups as well as a general readership. To our view, this presentation shows that the media facilitated a transmission of financial accounting information designed to address the commercial interests of a business readership. Public display of commercial information through accounting metrics served to enhance the milieu of accountability of these early companies of the Qīng Dynasty.

<Please Insert Figure 1 here>

Western-narrow forms of accountability were not limited to lists of share prices and dividends. As revealed in Figure 2, some entities, such as the HSBC, disclosed their statements of assets and liabilities in the print media, in this case, the *North China Daily News* (Little 1869). Crucially, the statements of assets and liabilities did not separate equity from liabilities, and paid-up capital and reserve fund were included in the liabilities side of the statement. Crucially, here was a demonstration of the fusion between Western-narrow and Traditional forms of reporting providing open accountability to a newspaper readership, an exposure that gave prominence to the activities of HSBC and the workings of technical accounting itself.

<Please Insert Figure 2 here>

In keeping with the Traditional reporting model, this form of technical accounting was not confined to the English language. As shown in Figure 3, the Shànghǎi Stock Quotation, was disclosed in detail in the *Shanghai Daily News* (Shànghǎi Xīnbào, 1871). The Shànghǎi Stock Quotation, expressed in Chinese, also placed great emphasis on the return of dividends, underlying the notion that Chinese, as well as foreign, sources of financing were sought by the Western companies in China. Consistent with the Traditional reporting model, accountabilities of entities gave deference to local language and customs. The first column of Figure 3 provides the name of the company listed for the Shànghǎi Stock Quotation and the second column presents the capital in yuán (yuan) paid per share. Information about the amount of dividends (expressed in yuán and liǎng (liang)) per 100 yuán of the company's capital is shown in the third column of Figure 3. The last column depicts the current price per share of the company. Thus, for example, the France Gas Company Limited is listed as having paid-up capital share of 50 liǎng, paying 8 liǎng of dividends per 100 liǎng of capital, and a current price of 60 liǎng per share. The public display by the Shànghǎi-based print media reports of these summarised financial ratios demonstrates a willingness by the print media to facilitate forms of both performance monitoring and stakeholder engagement. There is more than a hint of Gardella's (1992) 'sprouts of capitalism' here. There is, in this display, a distinct form of economic and financial accounting visibility of the precepts of the Western-narrow reporting model.<sup>2</sup>

<Please Insert Figure 3 here>

Again, consistent with the Traditional reporting model, the presentation of accounts was not exclusively foreign in format. Figure 4 illustrates the Chinese formatting of HSBC financial information in the financial pages of the ShēnBào Newspaper in 1886 (Qían 1886, 4). Here we see how HSBC adopted a Traditional Chinese financial report format to target Chinese investors. Importantly, these Chinese financial reports show that HSBC reserved funds for future dividends as a form of monetised flow of information. Figure 4 presents an example of

an HSBC declaration for the period January 1 to June 30 1886, including monetary calculations of retained earnings, net income, dividends, and extensive details of cún and gāi accounts. For the Shànghǎi-based print media readership, there is much in these accounts that provides information to analyse the current financial position of HSBC, particularly in comparing cun and gai, thus facilitating assessment of HSBC's financial position.

*<Please Insert Figure 4 here>*

Clear evidence exists that, by Western-narrow and Traditional reporting model accountability benchmarks, unique forms of financial accountability developed during 1840-1911, particularly in meeting Chinese investors' appetite for dividends, which gave prominence to information flows about guānlì dividends through an "Accounts Summary". The China Merchants' Steam Navigation Company (CMSN) was a typical guāndū shāngbàn (guandu shangban, where officials supervised the operations of merchants) in the sense that officials controlled the company and prominence given to the Traditional reporting Zhàngluè that provided a summary of financial position. As a matter of accounting form, the Zhàngluè (1873-1911) consisted of four parts – rules and regulations (systems), narrative of the progress of the company's business operating activities and balance sheet – but there appeared to be no audit. CMSN also provided a Cǎijié (Caijie, income statement) (Jiāotōngbù Cǎiwù Kuàijìjù, Zhōngguó Jiāotōng Kuàijì Xuéhuì 1994)<sup>3</sup> but notably, accountability between board of directors and management was not given a narrative explanation. Perhaps most striking for the period was the fact that early Chinese companies, such as CMSN, attempted to maintain a particularly Chinese commercial form of accountability – guānlì dividends – both as a stream of income and as a source of monetised information.

*<Please Insert Figure 5 here>*

As shown in Figure 5, this unique form of financial accountability is illustrated by the case of CMSN's 1<sup>st</sup> and 13th Zhàngluè. Numerical, monetised details of CMSN's 1<sup>st</sup> Zhàngluè (Qián 1874, 3-4) reveal that gǔfēn zīběn (gufen ziben, common stock) was valued at 476,000 liǎng, guānlì dividends were valued at 47,600 liǎng (liang) and accounted for ten per cent of gǔfēn zīběn. These forms of calculations and techniques were replicated by RénJìHé (RenJiHe) Insurance Company Limited which disclosed 6% guānlì dividends rate in its 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup> and 7<sup>th</sup> Zhàngluè from 1887 to 1893. The China Merchants Bureau also disclosed a 6% guānlì dividends rate in its 1899 accounts summary. In a customary Western form of financial accountability, Figure 5 displays the position of CMSN's official debt, interest and accounts payable, as well as retained earnings. Items of gai are broken down by activity type and geographic area. CMSN's accounts provide newspaper readers the opportunity for an analysis

of financial performance. There is a deference to the customs of the Traditional reporting model melded with a quest for Western stewardship reporting.

*<Please Insert Figure 6 here>*

As depicted in Figure 6, CMSN's 13th Zhàngluè disclosed both guānlì (guanli) dividends and yúlì dividends (Qián 1887). It can be seen here that CMSN's gǔfèn zīběn was 2,000,000 liǎng and half-year guānlì dividends were 120,000 liǎng (liang). Importantly for users and readers of Zhàngluè information, these dividends were treated as expenses even before the depreciation and remuneration of directors and senior managers; if the firm had net income, it was possible to pay yúlì dividends (yuli dividends, which were a flexible or fixed rate of net income) to stockholders. The accounts themselves appear to bear a form of accountability of stewardship and entity. Formal sijiǎo zhàng comprised cún to record stocks of assets and credits, gāi to record claims on assets, including capital and liabilities, jìn to record receipts of revenue and zhī to record payments of expenditure. Figure 5 shows cún and gāi suggesting that CMSN's 1<sup>st</sup> Zhàngluè did not fully follow the rules of formal sijiǎo zhàng. However, Figure 6, which also depicts the Zōngjié and Cǎijié prepared by the sijiǎo zhàng (sijiao zhang, 'four-leg bookkeeping'), suggests that the CMSN's 13th Zhàngluè followed the rules of formal sijiǎo zhàng.

In a further example of the sustained accountability taking place in the Qīng (Qing) Dynasty, Figure 7 shows CMSN's Constitution Regulations (Jiāotōngbù Cáiwù Kuàiji jù, Zhōngguó Jiāotōng Kuàiji Xuéhuì 1994). CMSN's constitution regulated that CMSN's fixed guānlì dividend rate was 10% of common stock. The fixed yúlì dividend rate was 80% of net income. 20% of net income was paid as remuneration for shāngzǒng and dǒngshì rén (shangzong and dongshi ren, directors and senior managers). However, in a sign of the times, there were no regulations on minimum levels of retained earnings. After a period of time, the excessive payment of dividends caused the CMSN's retained earnings to dip so substantially that in some cases, operating losses arose. For example, retained earnings in 1877 represented a loss of -35,290.694 liǎng.

*<Please Insert Figure 7 here>*

### **Reflections of the accountability of early Chinese companies**

It appears that the Traditional reporting model was helpful in engendering accountabilities in early Chinese companies' of the Qīng Dynasty. Through Chinese indigenous forms of technical accounting, common stock was treated similarly to debt, preferred stock and

common stock; and free cash flow (FCF) was used as a basis to repay the debt principal, interest and dividends. Evidence also exists that early Chinese companies, such as CMSN, used FCF to pay guānlì dividends, yúlì dividends and interest as a financial reward for investors. Financial accounting information about these dividends and interest were meticulously recorded. A positive FCF seemingly allowed early Chinese companies to demonstrate in the Shànghǎi-based print media a commercial form of accountability for future payments of these items.

Perhaps spurred on by the need for a greater sense of this unique accountability of listed companies, the Qīng regime set up the Commercial Law office in 1903 and attempted to modernise the Chinese accounting system by assimilating Western bookkeeping techniques into private and public sector enterprises (Auyeung and Ivory 2003). From 1904 to 1907 a formal legal code for commerce and industry was enacted, including the General Rules for Merchants, Company Law, and laws on chambers of commerce, company registration, bankruptcy, patent rights, government awards and newspaper publications (Auyeung and Ivory 2003).

Figure 8 presents excerpts of the 1904 Gōngsī lǜ (Gongsī lv, Company Law). In 1904, Clause 110 of the Gōngsī lǜ regulated that companies could no longer use common stock capital to pay dividends. Clause 112 of the Gōngsī lǜ stipulated that twenty per cent of net income had to be reserved (Gōngsī Lǜ 1904).

*<Please Insert Figure 8 here>*

Importantly, however, early Chinese companies still paid guānlì dividends after the 1904 Gōngsī Lǜ. Noticeably, CMSN paid a 10% guānlì dividend rate in 1904. The guānlì dividends rate of Chóngmíng (Chongming) Branch of Dàshēng (Dasheng) Spinner Company was struck at 8%. Moreover, Mào xīn (Maoxin) Flour Factory founded by the Róng Déshēng (Rong Desheng) family disclosed a 10% guānlì dividends rate in its 1904 New Shares Issue Declaration (Shànghǎi Shèhuì Kēxuéyuàn Jīngjì Yánjiū Suǒ 1962). The Shāndōng Bóshān (Shangdong Boshen) Glass Company also disclosed a 5% guānlì dividends rate in its 1904 New Shares Issue Declaration (The Prospectus) (Qián 1904), while the Sōngnèn Liǎngjiāng (Songnen Liangjiang) Fishing Company declared 5% guānlì dividends rate in 1907 when it issued new shares (Qián 1907).

During the initial ten years of CMSN's existence, the narrative of the progress of the company's business operating activities consisted of both annual operating activities and settling accounts in order for Hóngzhāng Lǐ (Hongzhang Li), who was Zhílì (Zhili) Governor (one of nine highest Fēngjiāng (Fengjiang) Ministers) and Běiyáng (Beiyang) Trade Minister,

to be clearly informed of CMSN's financial situation (Jiāotōngbù Cǎiwù Kuàijìjǔ, Zhōngguó Jiāotōng Kuàijì Xuéhuì, 1994). Here, then, we see the Traditional reporting model offering a specialised alternative form of accountability directed to a confined number of state bureaucrats.

These bureaucrats had much to say about early Chinese companies' operational matters. Guāndū shāngbàn companies were initially established and financed by state investment. State bureaucrats identified influential merchants to act as company operators to attract private capital. When the companies made profits, they were ordered to repay the state's loans and interest. For example, CMSN had gōngkuǎn cún xiàng (gongkuan cun xiang, debts from the State) and gōngkuǎn xī xiàng (gongkuan xi xiang, interest for the debts from the State) items in its first Zhànglùè in 1874 (Qián 1874). The interest rate on CMSN's debt was much lower than its overall dividend rate.

It appears creditors (mainly the government), who were satisfied with early Chinese company's accountability under the Traditional reporting model, were eager to facilitate commercial loans. However, the material operating power of these early companies was controlled by a few government officers, referred to in Chinese as the zǒngbàn (zongban), kuàibàn (kuaiban) and bāngbàn (bangban), assigned by the state bureaucracy. These government officers came from merchants and officials, and possessed the status of semi-official and semi-merchants. Thus, the companies' development was ultimately determined by the state bureaucrats, implementing the requirements of the ruling imperial government and political system, rather than those of the shareholders. Indeed, the management of these companies was imperial in nature. Established since 1872, CMSN, Kāipíng (Kaiping) Mining Bureau, Tiānjīn (Tianjin) Telegraph Administration, Shànghǎi Machine Weaving Bureau were all run on traditional lines. These guāndū shāngbàn companies were protected by the bureaucrats but enjoyed Qīng governmental privileges such as tax cuts, tax exemptions, loans, interest relief and patents. These privileges facilitate increased intervention in the operating processes of the companies by the state bureaucrats (Zhōngguó Qǐyèshǐ Biānjí Wěiyuánhui, 2004).

From 1901 to 1911, China had established 386 modern industrial enterprises, with aggregated capital exceeding 880 million yuan (Zhāng 2001), that at times represented an uneven commercial playing field. For example, one of these industrial enterprises, Dàshēng (Dasheng) Spinner Company, was a large private textile company. In 1898, it ran spinning machines financed by the Húběi (Hubei) Government Spinner Bureau. The company repaid state interest annually, but was not liable to the state for any potential profits and losses generated. Another early Chinese company Dàshēng Spinner Company was registered as a shēnlǐng shāngbàn (shenling shangban, which were firms led by gentlemen who left official positions)

with approval from the Shāng (Shang) Bureau of the Qīng (Qing) government. In effect, Dàshēng (Dasheng) Spinner Company received a monopoly on the spinning franchise for 20 years (Zhāng, 1931) despite preparing Chinese-style Shuōluè (Shuolue, which were words description of the firms' situation) and Zhànguè from 1900 to 1909 (Zhāng Jiǎn (Zhang Jian) Research Center, Nántōng (Nantong) City Library 1994) to account for its operations.

Elements of Western-broad reporting may also have been present in the early Chinese companies of the Qīng Dynasty with the performance of social responsibility through donations to victims of natural disasters. The First Accounts Summary of CMSN showed that CMSN donated 2,139 *liang* 4 *qian* 9 *fen* 3 *li* in aid for natural disasters in the *Jin* district.

## **Conclusion**

The print media showcased different forms of accountability maintained by a fusion of Western-narrow and Traditional reporting models. Chinese financial accountability was particularly strengthened by the firms' positive FCF to guarantee the repayment of principal, interest and dividends. Although the 1904 Gōngsī lǜ placed a particular emphasis on Western accountability benchmarks, Chinese reporting practices prevailed, suggesting that although Chinese and Western reporting models were distinguishable in form, much in their accountabilities was similar in substance.

The preservation of Chinese forms of reporting by early companies of the Qīng Dynasty allowed companies to demonstrate their respect for expectations of local stewardship. Gardella (1982) raised the notion that it was important for Chinese commercial enterprises to observe a pattern of traditional obligations and patriarchal authority in the Qīng Dynasty. Maintaining traditional forms of reporting fitted in with this practice. Yet it appeared that it was the Western signs of accountability of early Chinese companies that informed the reports of the Shànghǎi-based print media. Thus, prominence was given to media coverage of dividend yields, current price per share and various forms of stock quotations. Accounting summaries of *zongjie* (balance sheets) and *caijie* (income statements) provided a media readership with a snapshot of the calculation of profitable exchange.

In a city which experienced rapid change and great upheaval, Shànghǎi-based newspapers presented a singular form of communication about early Chinese companies' financial performance. The financially-bound precepts of Anglo-Saxon newspapers, which rippled across to British- and American-owned Chinese papers, energised Chinese-listed companies as centres of commerce and Chinese banks as centres of credit. The presentation of Western and Chinese benchmarks of accountability expressed in metrics and key financial ratios on the pages of the Shanghai-based press added vitality to Chinese accounting. In the late Qīng



Dynasty, this vitality saw rapid changes in the Chinese accounting system, alongside an introduction of formal legal codes for commerce and industry and enactments in newspaper publications themselves.

The accountability mechanisms raised by the use of both Traditional and Western-narrow forms of reporting models attempted more than simply to measure and communicate information. Through the Shànghǎi-based newspapers, their virtues laid in offering multitudinous financial stories about early Chinese companies to the varied readership interested in the financial accounting information for decision making. It is also clear that these accountability mechanisms of the Traditional reporting model may have been useful for state bureaucrats for critical decision making during the late Qīng Dynasty.

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<sup>1</sup> Although records of share trading is recognised by Sūn (2008), we have found no actual evidence of this trading.

<sup>2</sup> An English translation of Figure 3, together with translations of Figures 4 to 8, are presented in Appendix 1.

<sup>3</sup> The first to the 55<sup>th</sup> *Zhàngluè* of CMSN followed 12 important rules and regulations (systems): approved CMSN stocks issuance constitution (notice, manual), regulations for CMSN, regulations for warehouses, regulations for steamships, constitutions for CMSN administration, regulations for navigation letters, export charters, consulting and instructions for stockholders reporting stock certificates loss, approval for charter of stock certificates losses, preface of board of directors of CMSN, stock certificate losses constitution (Jiāotōngbù Cáiwù Kuàijìjǔ, Zhōngguó Jiāotōng Kuàijì Xuéhuì, 1994).

MONETARY AND COMMERCIAL.				
SHARES AND STOCKS.				
Banks.	Shares	Paid up.	Latest Price.	Dividend.
	£	£	£	£
Oriental Bank Corporation.	25	25	48	10 p.c.
Commercial Bank Corporation	25	25	15	nil.
Comptoir d'Escompte de Paris	..	..	..	..
Bank of India, .....	25	25	95pc.d	nil.
Agra & Masterman's Bank ..	50	25	44	16 p.c.
Asiatic Banking Corporation.	20	10	13	5 p.c.
Central Bank, .....	25	25	75 dis.	..
Chartered Bank of India, Australia and China....	20	30	21	5 p.c.
Chartered Mercantile Bank of India, London and China .....	25	25	41	13½ p.c.
The Bank of Hindustan China and Japan .....	100	25	14	..
Hongkong and Shanghai Banking Company .....	\$125	125	120	9½ p.c
COMMERCIAL COS.				
	Tls.	Tls.	Tls.	
Shanghai Dock Co. ....	500	500	200	None.
Shanghai Club .....	400	400	16	"
Shanghai Gas Co. ....	100	100	75	"
Hongque Wharf Co. ....	1,000	1,000	16	"
Shanghai Wharf Co. ....	1,000	1,000	..	"
Shanghai S. N. Co. ....	1,000	1,000	600	"
China Fire Insurance Co. ....	5,000	500	800	..
North-China Insurance Co. ....	5,000	1,000	..	..
S. Brick & Saw Mill Co. ....	500	500	Nil.	None.
S. Tug & Lighter Co. ....	850	850	25	"
*Shanghai Brick Co. ....	100	..	..	"
Shanghai Horse Bazaar, ....	50	50	0.75	"
French Gas Co. ....	\$50	50	52	"

Figure 1. The early signs and stewardship of Western accountability

Source: Wood (1866, 4).

<b>ASSETS AND LIABILITIES.</b>	
31st December, 1868.	
<b>ASSETS.</b>	
Cash and Bullion on hand.....	\$ 4,226,539.23
Government Securities.....	720,000.00
Bills discounted, loans and credits.....	4,379,651.66
Exchange remittances.....	12,005,148.17
Bank Premises.....	72,537.94
Dead Stock.....	46,891.02
	<b>\$21,450,268.02</b>
<b>LIABILITIES.</b>	
<b>Paid-up Capital—</b>	
\$125 per share, on 20,000 shares.....	\$2,500,000.00
First call on new Stock.....	500,000.00
	<b>\$ 3,000,000.00</b>
Reserve Fund.....	500,000.00
Notes in circulation.....	\$1,110,749.08
Deposits.....	5,953,716.68
	<b>7,064,465.76</b>
Exchange Acceptances.....	10,425,153.94
Profit and Loss Account.....	460,619.22
	<b>\$21,450,268.02</b>
<b>RESERVE FUND.</b>	
To Balance 31st December, 1868.....	\$700,000
	<b>\$700,000</b>
By Balance on 30th June, 1868.....	\$500,000
„ Profit and Loss Account.....	200,000
	<b>\$700,000</b>

Figure 2. Further evidence of Western accountability

Source: Little (1869, 3)







招商局總局噴噴  
昨日招商局股東各股分派君會議乃屆期亦未見有多人  
故所請何事仍未聞悉大抵散分人皆散居所處甚耳嗣運局中  
送到帳冊一冊妥即將結算結算開列先行登入報內當當隨中  
刊佈

一 股分發 存現元四十七萬六千兩	一 公缺息項 存現元五千零三十八兩六錢七分二厘	一 外缺分往來 存現元二千一百八十五兩	一 年結盈餘 存現元六萬九千九百零九兩九錢九分四厘	一 伊發成本 該現元三萬四千八百四十四兩九錢四分九厘	一 永源成本 該現元十萬零九千九百四十四兩五錢四分九厘	一 永源成本 該現元十萬零九千九百四十四兩五錢四分九厘	一 和源成本 該現元十一萬五千零四十四兩九錢四分九厘	一 海鏡生局修繕 該現元四千七百九十五兩	一 總局份價 該現元九千六百九十二兩
一 公缺分往來 存現元三千六百六十三兩	一 年結盈餘 存現元六萬九千九百零九兩九錢九分四厘	一 伊發成本 該現元三萬四千八百四十四兩九錢四分九厘	一 永源成本 該現元十萬零九千九百四十四兩五錢四分九厘	一 永源成本 該現元十萬零九千九百四十四兩五錢四分九厘	一 和源成本 該現元十一萬五千零四十四兩九錢四分九厘	一 海鏡生局修繕 該現元四千七百九十五兩	一 總局份價 該現元九千六百九十二兩	一 總局份價 該現元九千六百九十二兩	一 總局份價 該現元九千六百九十二兩
一 公缺分往來 存現元三千六百六十三兩	一 年結盈餘 存現元六萬九千九百零九兩九錢九分四厘	一 伊發成本 該現元三萬四千八百四十四兩九錢四分九厘	一 永源成本 該現元十萬零九千九百四十四兩五錢四分九厘	一 永源成本 該現元十萬零九千九百四十四兩五錢四分九厘	一 和源成本 該現元十一萬五千零四十四兩九錢四分九厘	一 海鏡生局修繕 該現元四千七百九十五兩	一 總局份價 該現元九千六百九十二兩	一 總局份價 該現元九千六百九十二兩	一 總局份價 該現元九千六百九十二兩
一 公缺分往來 存現元三千六百六十三兩	一 年結盈餘 存現元六萬九千九百零九兩九錢九分四厘	一 伊發成本 該現元三萬四千八百四十四兩九錢四分九厘	一 永源成本 該現元十萬零九千九百四十四兩五錢四分九厘	一 永源成本 該現元十萬零九千九百四十四兩五錢四分九厘	一 和源成本 該現元十一萬五千零四十四兩九錢四分九厘	一 海鏡生局修繕 該現元四千七百九十五兩	一 總局份價 該現元九千六百九十二兩	一 總局份價 該現元九千六百九十二兩	一 總局份價 該現元九千六百九十二兩

除支前項存現元一萬四千一百八十五兩五錢五分七厘  
一 擬支學字折價補現元一萬二千兩  
一 計結存盈餘現元二千一百八十五兩五錢五分七厘  
本年盈餘現元餘額結算總匯且有自行保固一欸已入  
餘項盈餘現元亦逐項報候

Figure 5. Early indications of Chinese companies' accountability

Source: Qián (1874, 3-4)

五三四五九餘二百萬五靈千舖一兩銀本館存寬 輝銀八特分兩九百餘九一  
兩分三十千地百餘分六五千股兩齋存 十規本海會一錢二厘紙 八萬六八百分  
二九十五二租三規五兩千兩換 規上一九銀規探本存規十 款一分四十萬四  
錢銀三萬百規十道八兩 房一銀海存十銀十銀規探本存規十 款一分四十萬四  
八兩一十銀六二分 一規存一東小兩 十本銀百六萬 存銀存五兩千 一  
分一千四二兩萬一六 存銀銀萬長輪 至一規十銀萬兩兩 七兩 十二千一百餘  
五規錢二兩萬五一進規存香一口四規六 兩萬銀一本八 貨萬欠一六錢百餘五兩  
五兩九十四七錢千連○香港萬餘千銀號存 四九萬規千一顧兩戶存兩四貨續招  
股分五錢千四二滙銀局規兩八規萬一千四銀三存款 規開二分十池存商  
兩分二兩六四分百局結生房 規 千銀存兩兩千九百兩規一銀平錢八一股規局  
計餘銀七分九四錢 規規一銀一兩六兩供 一兩為六兩存三應六兩兩息銀第  
規規計八厘一 七銀進銀二進八天 一兩規規存存一 一兩十兩一各萬通分 一規三十  
公銀結分 兩一香一萬州萬兩存 銀港口海存一 款萬戶一貫 一錢銀十三  
兩二餘三一五進二萬船萬兩換六換上一十規銷定五存一銀息八兩銀股分十萬六  
規萬規規支錢舊錢二餘兩 房千房海存八銀船船本日錢二九規百款分六六略  
兩兩銀 各八物三千款 一規兩規北堂萬六本本館新九十二銀十規結存厘百千  
十餘三餘項分料分十規一存進 銀港港兩萬規規本館分一二七銀息九九〇  
支十支支六規 四銀存海四一十規十二 銀銀規本西萬兩兩三體規一百百結  
萬結一結款厘銀一兩四兩防千存七銀一十 四九銀規兩兩七二四萬規銀銀六四結  
餘萬餘規 一兩八十米方兩九萬二號存兩 萬萬十銀共 錢千錢八千往兩十  
十規六規銀一千零錢九銀兩 江南十規廣 兩五一六計一七一二十千四來九七一  
九銀千銀十支五貨六萬發規一規 大銀兩 千萬萬結存分百分九三萬存銀兩該  
百八十四各百餘兩八規銀存一萬十兩存一兩兩兩存者 七八百兩款 一銀分  
六三百十萬項六規 千銀二編規存兩一本圖存 千 各銀一十厘六一 規一錢分  
十萬七萬三修十規一五二萬州銀兩 萬規兩承一兩一 款股存二十千一銀銀五銀  
兩八十一千規六銀百兩二後七規一五銀船兩存 存規票百兩一七九股三洋分本  
四九千九千七規兩五廳五兩千房萬換存千十本館江一保規存存存兩百十兩九規  
錢九兩一百銀一萬補十共兩規兩房上兩八規本天存大一規規往四六換一各銀  
一七九七九分二各四計 銀 規海 萬銀規船船百低從七來錢十股萬款  
二分五錢四八 萬共千兩兩結一 一銀中一兩十銀本本館本 欠規分欠九兩票六存一百  
五兩三十八 計三連八存存存存存存存 二一規規規十規規八款分四規千餘銀萬  
一七六錢千結百兩錢規八千千規各 一萬銀本銀八銀三銀規四錢銀八沖保兩  
錢九兩八分五錢二本安千湖南銀兩存兩 二十規七萬三萬 銀兩一一百計餘  
一五五分百規十力分規房兩規 十股銀 千一銀七十六九 分千二規股一  
一 錢八八銀去規五銀料 房一二規富一兩萬七六六千存萬一五六十銀銀銀  
提一四兩十六兩銀兩二規一規存萬規船存 兩萬千六萬五兵三存厘百六五規首  
局香分 九十六一 萬銀存銀燕兩銀本管一 五兩兩七百股千錢共二兩十銀銀  
中船七一兩五錢萬一兩一油二百 三規濟存一千 八千五銀五莊計十七七六存  
各規支八萬七六並錢萬頭萬極一千銀船江存兩一分二十款百往結九錢萬十本  
號等 股錢二分千六共二規兩房存兩九本平江 存六百七規七來銀兩四八萬規  
可折一分四五千六治結千房 規上共萬規船一 一銀兩七兩銀十規各六分千兩銀  
辦指上官分一厘百股存兩規一銀海計兩銀本館存額 十七二二銀款錢六一 八  
事規局和三百 七兩各共理存二兩結共七規本海船 一錢萬兩九規二厘百一十  
案銀銀規兩七一十規款計七兩千存存計萬銀規銀本存兩六四七萬銀分 一 三  
實十銀銀 十進五銀規結十兩規船結五一銀兩規本二二千錢六五五一兩兩銀一池二  
五五餘十一二各兩去五規 銀本存千萬三本銀濟錢六七三千百厘換一池二  
規利二支兩門一千五規 房一六規規四四規七規八兩百厘九三 各分股千  
規七規兩兩錢兩一百二規存銀官萬十規一兩千九六規五十一九四股存一規百  
銀千銀兩兩規一百二規存銀官萬十規一兩千九六規五十一九四股存一規百  
六九十九計數分銀 十四一西萬銀 萬二江一 五兩五 兩兩五 兩兩五 兩兩五 兩兩五  
九七萬結規 四一 一萬百餘兩房一四百餘存一千 萬一平八支兩千兩銀兩十四  
百十五支銀一萬兩九六房 規存千三船存存一五存 股錢書八七銀二存兩兩  
四四千規八支一北一千十規一銀十兩十本遠江 存千規分四局錢百規萬款九五  
十兩七銀萬上十換錢七一銀存二六 萬規船于 江南銀 規分兩二六銀二規千錢

Figure 6. A further example of an 'accounts summary'

Source: Qián (1887, appendix)

——局內需用經費擬酌定數目以示限制也事先樽節斷難經久茲擬局內商總董事人等年中辛工飯食以及紙張雜用擬於輪船運糧攬載水腳之內每百兩提出五兩以作局內前項經費其棧內經費則酌將耗米開支船內經費則將所定船內月費開支統俟年終核計一年所得水腳銀兩除每百兩提出經費五兩又照各股本銀每百兩提去利銀十兩之外如有盈餘以八成攤歸各股作為溢利以二成分與商總董事人等作為花紅以示鼓勵其分派花紅之處隨時公同核議

**Figure 7. Part of CMSN's constitution regulations**

Source: Jiāotōngbù Cǎiwù Kuàijìjú, Zhōngguó Jiāotōng Kuàijì Xuéhuì (1994)

核

商 務

二 十 八

正 月

第 八 節 帳 目

第 一 百 七 條 董 事 局 每 年 務 須 督 率 總 辦 或 總 司 理 人 等 將 公 司 賬 目 詳 細 結 算 造 具 年 報 每 年 至 少 一 次

第 一 百 八 條 董 事 結 帳 時 應 先 由 查 帳 人 詳 細 查 核 一 切 帳 冊 如 無 不 合 查 帳 人 應 於 年 結 冊 上 書 明 核 對 無 訛 字 樣 並 簽 押 作 據

第 一 百 九 條 公 司 年 報 所 應 載 者 如 左

一 公 司 出 入 總 帳 二 公 司 本 年 貿 易 情 形 節 略 三 公 司 本 年 贏 虧 之 數 四 董 事 局 擬 派 利 息 並 撥 作 公 積 之 數 五 公 司 股 本 及 所 存 產 業 貨 物 以 至 人 欠 人 之 數

第 一 百 十 條 董 事 局 造 成 年 報 應 於 十 五 日 前 由 總 號 分 號 分 送 衆 股 東 查 核 並 分 存 總 號 分 號 任 憑 衆 股 東 就 閱

第 一 百 十 一 條 公 司 結 帳 必 有 贏 餘 方 能 分 派 股 息 其 無 贏 餘 者 不 得 移 本 分 派

第 一 百 十 二 條 公 司 結 帳 贏 餘 至 少 須 撥 二 十 分 之 一 作 爲 公 積 至 積 至 公 司 股 本 四 分 之 一 之 數 停 止 與 否 乃 可 聽 便

Figure 8. Part of Gōngsī Lǜ (Gongsi lv, 1904 Company law)

Source: Gōngsī Lǜ (1904, 213-232)

### Appendix 1 – An English translation of figures 3 to 8

This appendix provides an English translation of Figures 3 to 8 of the main text of the study.

A translation of Figure 3 below shows an excerpt from a newspaper of key financial information about companies listed on the *Shanghai* Stock Exchange.

#### *Shanghai* Stock Quotation

Name	Capital paid per share	Dividends	Current price per share
HSBC old shares	125 <i>yuan</i> paid	10 <i>yuan</i> dividends per 100 <i>yuan</i> capital	132 <i>yuan</i>
HSBC new shares	75 <i>yuan</i> paid, 50 <i>yuan</i> payable	10 <i>yuan</i> dividends per 100 <i>yuan</i> capital	124 <i>yuan</i>
Shanghai Steamship Navigation Co. (US)	100 <i>liang</i> paid	12 <i>liang</i> dividends per 100 <i>liang</i> capital	135 <i>liang</i>
Shanghai Steamship Navigation Co. new shares (US)	20 <i>liang</i> paid		19 <i>liang</i>
Union S. N. Co. (British)	100 <i>liang</i> paid	10 <i>liang</i> dividends per 100 <i>liang</i> capitals	75 <i>liang</i>
Dunyu Steamship Company (British)	500 <i>liang</i> paid		165 <i>liang</i>
Hongkou Shipyard Company (British)	500 <i>liang</i> paid	4 <i>liang</i> dividends per 100 <i>liang</i> capital	135 <i>liang</i>
Pudong Shipyard Company (British)	3,000 <i>liang</i> paid		1,000 <i>liang</i>
British Shanghai Gas Company Limited	100 <i>liang</i> paid	12 <i>liang</i> dividends per 100 <i>liang</i> capital	130 <i>liang</i>
France Gas Company Limited	50 <i>liang</i> paid	8 <i>liang</i> dividends per 100 <i>liang</i> capital	60 <i>liang</i>
<i>Qiongi</i> Insurance company (US)	1,000 <i>yuan</i> paid, 4,000 <i>yuan</i> payable	475 <i>yuan</i> per share	3,000 <i>yuan</i>
North-China Insurance Co. Ltd. (British)	200 <i>liang</i> paid, 800 <i>liang</i> payable		585 <i>liang</i>
The Union Insurance Society of Canton (British)	1,000 <i>yuan</i> paid, 4,000 <i>yuan</i> payable		2,500 <i>yuan</i>
<i>Yangtze</i> Insurance Association (US)	500 <i>liang</i> paid	15 <i>liang</i> dividends per 100 <i>liang</i> capital	800 <i>liang</i>
China and Japan Marine Insurance Co.	100 <i>liang</i> paid, 400 <i>liang</i> payable		170 <i>liang</i>
<i>Hongkong</i> Fire Insurance Company	200 <i>yuan</i> paid, 800 <i>yuan</i> payable	12 <i>yuan</i> dividends per 100 <i>yuan</i> capital	488 <i>yuan</i>
Victoria Insurance Co.	100 <i>yuan</i> paid, 400 <i>yuan</i> payable	12 <i>yuan</i> dividends per 100 <i>yuan</i> capital	140 <i>yuan</i>
North British Mercantile	100 <i>yuan</i> paid,	12 <i>yuan</i> dividends per	145 <i>yuan</i>

Insurance Co. Far Eastern Branch	400 <i>yuan</i> payable	100 <i>yuan</i> capital	
Barge Company (British)	850 <i>liang</i> paid		365 <i>liang</i>
Bridge Company	100 <i>liang</i> paid	15 <i>liang</i> dividends per 100 <i>liang</i> capital	200 <i>liang</i>
Olyphant Whard Co.	600 <i>liang</i> paid		640 <i>liang</i>

**Figure 3. Shanghai stock quotation**

Source: Shànghǎi Xīnbào (1871, 1)

Figure 4 presents the Chinese format of an accounts summary of a listed British company.

#### HSBC Declaration

This declaration mainly disclosed the 42<sup>nd</sup> accounts summary from January 1 to June 30, 1886.

Last retained earnings	63,800 <i>yuan</i> 3 <i>jiao</i> 8 <i>fen</i>
Net income (01/01/1886-30/06/1886)	547,001 <i>yuan</i> 5 <i>fen</i>
Total net income	610,801 <i>yuan</i> 4 <i>jiao</i> 3 <i>fen</i>
Withdrawal from cash for future dividends (interest) accounts	300,000 <i>yuan</i>
Total	910,801 <i>yuan</i> 4 <i>jiao</i> 3 <i>fen</i>
Dividends (60,000 shares) 2 pound per share	533,333 <i>yuan</i> 3 <i>jiao</i> 3 <i>fen</i>
Dividends premium considering the exchange	255,707 <i>yuan</i> 7 <i>jiao</i> 6 <i>fen</i>
Directors' remuneration	10,000 <i>yuan</i>
Retained earnings	111,760 <i>yuan</i> 3 <i>jiao</i> 4 <i>fen</i>
<i>Cun</i> Capital	7,500,000 <i>yuan</i>
<i>Cun</i> Additional paid-in capital (Reserve)	4,500,000 <i>yuan</i>
<i>Cun</i> Future dividends (interests) preparations for stockholders	500,000 <i>yuan</i>
<i>Cun</i> Marine insurance accounts	250,000 <i>yuan</i>
<i>Cun</i> Cash for one week turnaround	4,431,025 <i>yuan</i> 9 <i>jiao</i> 5 <i>fen</i>
<i>Cun</i> Merchants deposits	69,668,853 <i>yuan</i> 4 <i>jiao</i> 6 <i>fen</i>
<i>Cun</i> Bills payable	14,213,932 <i>yuan</i> 3 <i>jiao</i> 9 <i>fen</i>
<i>Cun</i> Total net income	610,801 <i>yuan</i> 4 <i>jiao</i> 3 <i>fen</i>
Total <i>Cun</i>	101,674,613 <i>yuan</i> 2 <i>jiao</i> 3 <i>fen</i>
<i>Gai</i> Cash (silver)	13,827,274 <i>yuan</i> 9 <i>fen</i>
<i>Gai</i> British national bonds (3% rate) 100,000.00 pounds	
<i>Gai</i> Loans from India 150,000.00 pounds	
<i>Gai</i> Above two items exchanged into	1,398,073 <i>yuan</i> 8 <i>jiao</i> 2 <i>fen</i>
<i>Gai</i> India Rupee loans (4% rate) 7,099,500.00 Rupee=	3,115,308 <i>yuan</i> 3 <i>fen</i>
<i>Gai</i> Bills and loans	37,716,186 <i>yuan</i> 4 <i>jiao</i> 6 <i>fen</i>
<i>Gai</i> Bills receivable	44,936,241 <i>yuan</i> 5 <i>jiao</i> 2 <i>fen</i>
<i>Gai</i> Buildings	571,131 <i>yuan</i> 6 <i>fen</i>
<i>Gai</i> Investments	110,398 <i>yuan</i> 2 <i>jiao</i> 5 <i>fen</i>
Total <i>Gai</i>	101,674,613 <i>yuan</i> 2 <i>jiao</i> 3 <i>fen</i>

HSBC General manager and Directors declared

**Figure 4. HSBC financial information disclosure in Chinese format**



Source: Qián (1886, 4)

Note:

1 *Cun* (to record liabilities and equity), *Gai* (to record assets and credits)

2 Money unit: 1 *yuan* = 10 *jiao* = 100 *fen*

The CMSN's balance sheet and income statement are shown in Figure 5.

### The First Accounts Summary of CMSN

#### *Zongjie* (Balance Sheet)

Capitals	<i>Cun</i> 476,000 <i>liang</i>
Official debts	<i>Cun</i> 123,022 <i>liang</i> 5 <i>qian</i> 3 <i>fen</i> 11 <i>li</i>
Official interests	<i>Cun</i> 5,038 <i>liang</i> 6 <i>qian</i> 7 <i>fen</i> 2 <i>li</i>
Current accounts (Accounts payable)	<i>Cun</i> 63,663 <i>liang</i> 2 <i>qian</i> 3 <i>fen</i> 4 <i>li</i>
Retained earnings	<i>Cun</i> 2,185 <i>liang</i> 5 <i>qian</i> 5 <i>fen</i> 7 <i>li</i>
Total <i>Cun</i>	<i>Cun</i> 669,909 <i>liang</i> 9 <i>qian</i> 9 <i>fen</i> 4 <i>li</i>
<i>Yidun</i> steamship costs	<i>Gai</i> 34,845 <i>liang</i> 1 <i>qian</i> 4 <i>fen</i> 9 <i>li</i>
<i>Yongqing</i> steamship costs	<i>Gai</i> 109,944 <i>liang</i> 5 <i>qian</i> 4 <i>fen</i> 9 <i>li</i>
<i>Fuxing</i> steamship costs	<i>Gai</i> 106,068 <i>liang</i> 9 <i>qian</i> 7 <i>fen</i> 2 <i>li</i>
<i>Liyun</i> steamship costs	<i>Gai</i> 115,014 <i>liang</i> 1 <i>qian</i> 9 <i>fen</i> 4 <i>li</i>
<i>Hezong</i> steamship costs	<i>Gai</i> 105,473 <i>liang</i> 6 <i>qian</i> 2 <i>fen</i> 1 <i>li</i>
<i>Haijin</i> steamship investments repair	<i>Gai</i> 4,795 <i>liang</i> 1 <i>qian</i> 4 <i>li</i>
Headquarters Buildings	<i>Gai</i> 9,692 <i>liang</i> 5 <i>qian</i> 5 <i>fen</i> 1 <i>li</i>
<i>Pudong</i> warehouse	<i>Gai</i> 24,068 <i>liang</i> 6 <i>fen</i> 4 <i>li</i>
<i>Jinju</i> warehouse	<i>Gai</i> 45,622 <i>liang</i> 4 <i>fen</i> 8 <i>li</i>
<i>Hankou</i> warehouse	<i>Gai</i> 30,537 <i>liang</i> 3 <i>fen</i> 6 <i>li</i>
<i>Hankou</i> barge	<i>Gai</i> 9,731 <i>liang</i> 9 <i>li</i>
<i>Jiujiang</i> barges	<i>Gai</i> 6,347 <i>liang</i> 7 <i>qian</i> 7 <i>fen</i> 5 <i>li</i>
Subsidiaries barges	<i>Gai</i> 1,084 <i>liang</i> 7 <i>qian</i> 8 <i>fen</i> 8 <i>li</i>
Subsidiaries investments	<i>Gai</i> 6,232 <i>liang</i> 4 <i>qian</i> 4 <i>li</i>
Sacks	<i>Gai</i> 25,174 <i>liang</i> 2 <i>qian</i> 7 <i>fen</i>
Timbers	<i>Gai</i> 4,000 <i>liang</i>
Coals	<i>Gai</i> 27,308 <i>liang</i> 7 <i>qian</i> 4 <i>fen</i> 8 <i>li</i>
Coals of various steamships	<i>Gai</i> 1,684 <i>liang</i>
Advance insurances of various steamships	<i>Gai</i> 5,662 <i>liang</i>
Prepayments of various steamships	<i>Gai</i> 623 <i>liang</i> 7 <i>qian</i> 1 <i>fen</i> 2 <i>li</i>
Total <i>Gai</i>	<i>Gai</i> 669,909 <i>liang</i> 9 <i>qian</i> 9 <i>fen</i> 4 <i>li</i>

#### *Caijie* (Income statement)

<i>Yongqing</i> steamship	<i>Yu</i> 21,931 <i>liang</i> 8 <i>qian</i> 3 <i>fen</i> 7 <i>li</i>
<i>Fuxing</i> steamship	<i>Yu</i> 14,673 <i>liang</i> 6 <i>qian</i> 5 <i>fen</i> 7 <i>li</i>
<i>Liyun</i> steamship	<i>Yu</i> 35,063 <i>liang</i> 3 <i>li</i>

<i>Hezong</i> steamship	<i>Yu</i> 7,681 <i>liang</i> 6 <i>qian</i> 4 <i>fen</i> 9 <i>li</i>
<i>Haijin</i> steamship	<i>Yu</i> 6,125 <i>liang</i> 5 <i>qian</i> 3 <i>fen</i> 5 <i>li</i>
<i>Pingan</i> steamship	<i>Yu</i> 335 <i>liang</i> 7 <i>fen</i> 9 <i>li</i>
Water transportation rice loss	<i>Yu</i> 14,296 <i>liang</i> 8 <i>qian</i> 3 <i>fen</i> 9 <i>li</i>
<i>Su</i> Water transportation Miscellaneous	<i>Yu</i> 2,518 <i>liang</i> 4 <i>qian</i> 8 <i>fen</i> 5 <i>li</i>
<i>Zhe</i> Water transportation Miscellaneous	<i>Yu</i> 2,320 <i>liang</i> 2 <i>qian</i> 2 <i>fen</i> 5 <i>li</i>
Warehouse rents revenues	<i>Yu</i> 709 <i>liang</i> 1 <i>fen</i> 4 <i>li</i>
Carrying goods and barge forces	<i>Yu</i> 6,031 <i>liang</i> 6 <i>qian</i> 4 <i>fen</i>
Terminal charges	<i>Yu</i> 680 <i>liang</i>
Steamships self-insurances	<i>Yu</i> 4,770 <i>liang</i>
Total <i>Yu</i>	<i>Yu</i> 117,136 <i>liang</i> 9 <i>qian</i> 6 <i>fen</i> 3 <i>li</i>
<i>Yidun</i> steamship loss	<i>Zhi</i> 16,426 <i>liang</i> 8 <i>qian</i> 1 <i>fen</i> 5 <i>li</i>
<i>Shanghai</i> and <i>Tianjin</i> warehouse expenses	<i>Zhi</i> 14,460 <i>liang</i> 2 <i>fen</i> 3 <i>li</i>
Warehouse rents expenses	<i>Zhi</i> 4,641 <i>liang</i> 8 <i>qian</i> 4 <i>fen</i> 5 <i>li</i>
Donations for aids of natural disaster in the <i>Jin</i> District	<i>Zhi</i> 2,139 <i>liang</i> 4 <i>qian</i> 9 <i>fen</i> 3 <i>li</i>
Interests	<i>Zhi</i> 8,949 <i>liang</i> 6 <i>qian</i>
Official debts interest	<i>Zhi</i> 8,733 <i>liang</i> 6 <i>qian</i> 2 <i>fen</i>
<i>Gufen guanli</i> dividends	<i>Zhi</i> 47,600 <i>liang</i>
Total <i>Zhi</i>	<i>Zhi</i> 102,951 <i>liang</i> 4 <i>qian</i> 6 <i>li</i>
Net profits	14,185 <i>liang</i> 5 <i>qian</i> 5 <i>fen</i> 7 <i>li</i>
Depreciation	12,000 <i>liang</i>
Retained earnings	2,185 <i>liang</i> 5 <i>qian</i> 5 <i>fen</i> 7 <i>li</i>

### Figure 5. Early indications of Chinese companies' accountability

Source: Qián (1874, 3-4)

Notes:

1. *Cun* (to record liabilities and equity), *Gai* (to record assets and credits), *Yu* (to record receipt of revenue), *Zhi* (to record payments of expenditure)
2. Silver weight sunit: 1 *liang*=10*qian*=100*fen*=1000 *li*

In the Qing dynasty, the unit of silver weights was used as the silver (money) unit.

Another accounts summary of CMSN is depicted in Figure 6 below.

### The 13<sup>th</sup> Accounts Summary of CMSN *Zongjie* (Balance sheet)

<i>Gai</i> Capital	2,000,000 <i>liang</i>
<i>Gai</i> Official debts	832,274 <i>liang</i> 5 <i>qian</i> 1 <i>fen</i>
<i>Gai</i> Official continual debts	337,947 <i>liang</i> 1 <i>qian</i> 5 <i>fen</i> 9 <i>li</i>
<i>Gai</i> Insurance capital	600,000 <i>liang</i>
<i>Gai Guichi</i> capital	209,904 <i>liang</i>
<i>Gai</i> dividends for <i>Guichi</i> capital	6,696 <i>liang</i> 9 <i>qian</i>

<i>Gai</i> Foreign debts	578,101 <i>liang</i> 1 <i>fen</i>
<i>Gai</i> Merchants debts	82,641 <i>liang</i> 1 <i>qian</i> 9 <i>fen</i> 3 <i>li</i>
<i>Gai</i> Transactions deposits	316,826 <i>liang</i> 7 <i>qian</i> 4 <i>fen</i> 6 <i>li</i>
<i>Gai</i> Interests preparation	20,268 <i>liang</i> 2 <i>qian</i> 6 <i>fen</i> 8 <i>li</i>
<i>Gai</i> Dividends preparation	140,000 <i>liang</i>
<i>Gai</i> Selling stocks	2,629 <i>liang</i> 6 <i>qian</i> 2 <i>fen</i> 5 <i>li</i>
<i>Gai</i> Steamships self-insurance	90,456 <i>liang</i> 2 <i>qian</i> 6 <i>fen</i>
<i>Gai</i> Retained earnings from the <i>Caijie</i> (income statement)	131,960 <i>liang</i> 4 <i>qian</i> 1 <i>fen</i> 5 <i>li</i>
Total <i>Gai</i>	5,349,706 <i>liang</i> 8 <i>fen</i> 6 <i>li</i>
<i>Cun</i> <i>Guichi</i> appropriation payable by <i>Kaiping</i> mine	38,967 <i>liang</i> 4 <i>qian</i> 9 <i>fen</i> 4 <i>li</i>
<i>Cun</i> Money units current accounts	96,995 <i>liang</i> 8 <i>qian</i> 2 <i>fen</i>
<i>Cun</i> Accounts receivable	31,817 <i>liang</i> 4 <i>qian</i> 2 <i>fen</i> 8 <i>li</i>
<i>Cun</i> Transactions accounts receivable	93,572 <i>liang</i> 7 <i>qian</i> 3 <i>li</i>
<i>Cun</i> Tongwen bookstore southern warehouse mortgages	70,000 <i>liang</i>
<i>Cun</i> Interests receivable	22,172 <i>liang</i> 7 <i>qian</i> 7 <i>fen</i> 8 <i>li</i>
<i>Cun</i> Conscription advances	24,796 <i>liang</i> 8 <i>qian</i> 4 <i>fen</i> 8 <i>li</i>
<i>Cun</i> Foreclosure goods remittance preparations	10,192 <i>liang</i> 7 <i>qian</i> 7 <i>fen</i>
<i>Cun</i> Coal	36,557 <i>liang</i> 7 <i>qian</i> 6 <i>fen</i> 6 <i>li</i>
<i>Cun</i> Investments <i>Kaiping</i> mine	210,000 <i>liang</i>
<i>Cun</i> Loans to Korea	210,000 <i>liang</i>
<i>Cun</i> accounts, stocks, buildings receivable	367,271 <i>liang</i> 2 <i>qian</i> 8 <i>fen</i> 5 <i>li</i>
<i>Cun</i> Cash(silver)	68,361 <i>liang</i> 1 <i>qian</i> 9 <i>fen</i> 4 <i>li</i>
Total <i>Cun</i>	1,280,706 <i>liang</i> 8 <i>fen</i> 6 <i>li</i>
<i>Cun</i> <i>Yongqing</i> steamship	55,000 <i>liang</i>
<i>Cun</i> <i>Fuyou</i> steamship	90,000 <i>liang</i>
<i>Cun</i> <i>Rixin</i> steamship	60,000 <i>liang</i>
<i>Cun</i> <i>Baoda</i> steamship	76,000 <i>liang</i>
<i>Cun</i> <i>Fengshun</i> steamship	76,000 <i>liang</i>
<i>Cun</i> <i>Jiangkuan</i> steamship	114,000 <i>liang</i>
<i>Cun</i> <i>Jiangyong</i> steamship	114,000 <i>liang</i>
<i>Cun</i> <i>Zhendong</i> steamship	75,000 <i>liang</i>
<i>Cun</i> <i>Haiyan</i> steamship	95,000 <i>liang</i>
<i>Cun</i> <i>Haichen</i> steamship	90,000 <i>liang</i>
<i>Cun</i> <i>Haiding</i> steamship	95,000 <i>liang</i>
<i>Cun</i> <i>Jiangtian</i> steamship	110,000 <i>liang</i>
<i>Cun</i> <i>Jiangbiao</i> steamship	33,000 <i>liang</i>
<i>Cun</i> <i>Jiangfu</i> steamship	114,000 <i>liang</i>
<i>Cun</i> <i>Jiangtong</i> steamship	40,000 <i>liang</i>
<i>Cun</i> <i>Yongning</i> steamship	12,000 <i>liang</i>
<i>Cun</i> <i>Jiangping</i> steamship	14,000 <i>liang</i>
<i>Cun</i> <i>Zhiyuan</i> steamship	120,000 <i>liang</i>
<i>Cun</i> <i>Gongbei</i> steamship	62,000 <i>liang</i>
<i>Cun</i> <i>Tunan</i> steamship	130,000 <i>liang</i>

<i>Cun Puji</i> steamship	75,000 <i>liang</i>
<i>Cun Jiangyu</i> steamship	190,000 <i>liang</i>
<i>Cun Fushun</i> steamship	180,000 <i>liang</i>
<i>Cun Guangli</i> steamship	180,000 <i>liang</i>
<i>Cun Meifu</i> steamship	90,000 <i>liang</i>
Total <i>Cun</i> Steamships	2,300,000 <i>liang</i>
<i>Cun</i> Ferry 6 <sup>th</sup>	6,000 <i>liang</i>
<i>Cun</i> Barges 11 <sup>th</sup>	115,000 <i>liang</i>
<i>Cun</i> Barges at each port	3,000 <i>liang</i>
Total <i>Cun</i> Ferry and barges	134,000 <i>liang</i>
<i>Cun Shanghai</i> eastern warehouses	8,000 <i>liang</i>
<i>Cun Shanghai</i> northward warehouses	260,000 <i>liang</i>
<i>Cun Shanghai</i> central warehouses	120,000 <i>liang</i>
<i>Cun Shanghai</i> southward warehouses	600,000 <i>liang</i>
<i>Cun Shiliu</i> commercial real estate	14,000 <i>liang</i>
<i>Cun Tianjin</i> warehouses	170,000 <i>liang</i>
<i>Cun Tongzhou</i> warehouses	5,000 <i>liang</i>
<i>Cun Yantai</i> warehouses	2,000 <i>liang</i>
<i>Cun Yichang</i> warehouses	2,000 <i>liang</i>
<i>Cun Hankou</i> warehouses	186,000 <i>liang</i>
<i>Cun Jiujiang</i> warehouses	70,000 <i>liang</i>
<i>Cun Wuhu</i> warehouses	20,000 <i>liang</i>
<i>Cun Zhenjiang</i> warehouses	50,000 <i>liang</i>
<i>Cun Ningbo</i> warehouses	10,000 <i>liang</i>
<i>Cun Wenzhou</i> warehouses	4,000 <i>liang</i>
<i>Cun Fuzhou</i> warehouses	28,000 <i>liang</i>
<i>Cun Shantou</i> warehouses	7,000 <i>liang</i>
<i>Cun Aomen</i> warehouses	5,000 <i>liang</i>
<i>Cun Xianggang</i> warehouses	20,000 <i>liang</i>
<i>Cun</i> Timbers for coast defense houses	22,000 <i>liang</i>
<i>Cun</i> Timbers for <i>Shunan</i> houses	12,000 <i>liang</i>
Total <i>Cun</i> warehouses and timbers	1,615,000 <i>liang</i>
<i>Cun</i> Cash for Investments of subsidiaries	10,000 <i>liang</i>
<i>Cun</i> Rice and sack	20,000 <i>liang</i>
Total <i>Cun</i>	30,000 <i>liang</i>
Total above <i>Cun</i>	5,349,706 <i>liang</i> 8 <i>fen</i> 6 <i>li</i>

***Caijie* (Income Statement)**

<i>Jin</i> Revenue of various steamships	498,554 <i>liang</i> 8 <i>qian</i> 2 <i>fen</i> 5 <i>li</i>
<i>Jin</i> Revenue of <i>Dagu</i> barge	6,821 <i>liang</i> 1 <i>qian</i> 2 <i>fen</i> 5 <i>li</i>
<i>Jin</i> Revenue of water transport bureaus	13,014 <i>liang</i> 8 <i>qian</i> 6 <i>li</i>
<i>Jin</i> Revenue of various steamships water transport labors	16,675 <i>liang</i> 1 <i>qian</i> 1 <i>fen</i>
<i>Jin</i> Revenue of northward warehouse	21,247 <i>liang</i> 2 <i>qian</i> 3 <i>fen</i>
<i>Jin</i> Revenue of warehouses rents of guests goods	52,356 <i>liang</i> 6 <i>qian</i> 7 <i>fen</i> 5 <i>li</i>
<i>Jin</i> Revenue of rents of commercial estates	41,936 <i>liang</i> 5 <i>qian</i> 4 <i>fen</i> 9 <i>li</i>

<i>Jin</i> Old materials	1,566 <i>liang</i> 1 <i>fen</i>
Total <i>Jin</i>	652,172 <i>liang</i> 3 <i>qian</i> 3 <i>fen</i>
<i>Zhi</i> Rents paying to Shanghai lands	27,411 <i>liang</i> 5 <i>qian</i> 8 <i>fen</i> 6 <i>li</i>
<i>Zhi</i> Various repair costs	74,689 <i>liang</i> 8 <i>qian</i> 4 <i>fen</i> 3 <i>li</i>
<i>Zhi</i> Various fees paid	85,214 <i>liang</i> 4 <i>qian</i> 6 <i>fen</i> 6 <i>li</i>
<i>Zhi</i> Various interests paid	143,709 <i>liang</i> 8 <i>qian</i> 8 <i>fen</i> 8 <i>li</i>
<i>Zhi</i> Stocks <i>guanli</i> dividends	120,000 <i>liang</i>
Total <i>Zhi</i>	451,025 <i>liang</i> 7 <i>qian</i> 8 <i>fen</i> 3 <i>li</i>
Net income after the <i>Jin</i> less <i>Zhi</i>	201,146 <i>liang</i> 5 <i>qian</i> 4 <i>fen</i> 7 <i>li</i>
Last <i>Caijie</i> retained earnings	115,733 <i>liang</i> 1 <i>qian</i> 9 <i>fen</i> 2 <i>li</i>
Net income for depreciation and <i>Yuli</i> dividends	316,879 <i>liang</i> 7 <i>qian</i> 3 <i>fen</i> 9 <i>li</i>
Depreciation for various steamships	157,974 <i>liang</i> 3 <i>fen</i> 9 <i>li</i>
Stocks <i>Yuli</i> dividends	20,000 <i>liang</i>
Net income for remunerations	138,905 <i>liang</i> 7 <i>qian</i>
Remunerations for executive secretary and clerks	6,945 <i>liang</i> 2 <i>qian</i> 8 <i>fen</i> 5 <i>li</i>
<i>Caijie</i> Retained earnings	131,960 <i>liang</i> 4 <i>qian</i> 1 <i>fen</i> 5 <i>li</i>

**Figure 6. A further example of an ‘accounts summary’**

Source: Qián (1887, appendix)

Note:

1. *Cun* (to record stocks of assets and credits)(stocks), *Gai* (to record claims on assets, including capitals and liabilities)(claims), *Jin* (to record receipts of revenues) (receipts), *Zhi* (to record payment of expenditure)(payments)
2. silver weights units: 1 *liang* = 10 *qian* = 100 *fen* = 1000 *li*

In the *Qing* dynasty, the unit of silver weights was used as the silver (money) unit.

A translation of Figure 7 outlines the import of CMSN's constitution.

#### **Part of CMSN's constitution regulations**

CMSN's various types of expenses should be limited. It was essential for every department to be frugal. 5% of revenues of steamships that transported food and people were to pay for meals and miscellaneous expenses of directors and senior managers (*shangzong* and *dongshi ren*). Rice expenses were the main expenses of directors and senior managers (*shangzong* and *dongshi ren*) if the rice was in the warehouses. If the rice was on the steamships, their monthly expenses should be limited and be settled at the end of year. All revenues of transport should be used to pay the *guanli* dividends of common stock capital at the rate of 10%. The fixed *yuli* dividend rate was 80% of net income. 20% of net income was paid as remunerations for directors and senior manager (*shangzong* and *dongshi ren*). CMSN would discuss the specific payments of remuneration.

#### **Figure 7. Part of CMSN's constitution regulations**

Source: Jiāotōngbù Cǎiwù Kuàijìjǔ, Zhōngguó Jiāotōng Kuàijì Xuéhuì (1994)

The translation of Figure 8 provides a glimpse of the clauses of the Gōngsī Lǜ.

**Part of Gōngsī Lǜ (*Gongsi lv*, 1904 Company Law)**

Clause 107: Board of directors should annually supervise and lead general officers and general managers to prepare the annual reports after detailed settling the company's accounts.

Clause 108: After the auditors audit all accounts and sign without errors, directors could then settle the accounts.

Clause 109: Company's annual report should include: company's *chu* (payments) and *ru* (revenues) ledger; summary of company's current year business situation; company's current year profits or losses; interests and dividends determined by the board of directors and reserves (retained earnings); company's claims including common stock capital and accounts payable, assets and accounts receivable.

Clause 110: Annual reports prepared by the board of directors should be sent to the company headquarter and subsidiaries' offices before the 15<sup>th</sup> of the month and for stockholders to review.

Clause 111: Company could no longer use common stock capital to pay dividends and pay dividends only when the company had profits.

Clause 112: 20% of net income also had to be reserved (retained earnings) until the retained earnings reached the value of one fourth of common stock.

**Figure 8. Part of Gōngsī Lǜ (*Gongsi lv*, 1904 Company law)**

Source: Gōngsī Lǜ (1904, 213-232)

## Appendix 2 – Glossary of terms used in the study

Chinese Term	English Term	Definitions
Qīng	Qing	Chinese dynasty overthrown by the revolution of 1911
guānlì	guanli	a special form of Chinese dividend, fixed rate of common stock
Cíxī	Cixi	Empress Dowager
Guǎngdōng	Guangdong	a region of China
sìzhùfǎ	sizhu fa	four-pillar balancing method
sānjiǎo zhàng	sanjiao zhang	three-leg bookkeeping method
huòqīng bù	huoqing bu	cash sales and purchases journal
yínqīng bù	yinqing bu	cash journal
wǎnglái bù	wanglai bu	personal account and transfer journal
lóngmén zhàng	longmen zhang	‘dragon-gate bookkeeping’ method
hé lóngmén	he longmen	matching process
jìn	jin	revenue
jiǎo	jiao	expenditure
cún	cun	assets
gāi	gai	owners’ equity and liabilities
Jìn-Jiǎo	Jin-Jiao	revenue-expenditure
Cún-Gāi	Cun-Gai	asset-equity-liability
sìjiǎo zhàng	sijiao zhang	‘four-leg bookkeeping’ method
cǎixiàng report	caixiang report	profit-and-loss statement
cúngāi report	cungai report	balance sheet
cǎoliú	caoliu	memorandum
cǎomǎ	caoma	commercial numerals
xìliú	xiliu	journal
hàntǐ	haiti	standard numerals
zǒngqīng	zongqing	ledger
kuàijì tǐ	kuaiji ti	accounting numerals
Zōngjié	Zongjie	balance sheet
Cǎijié	Caijie	income statement
báihuà	baihua	vernacular
guāndū shāngbàn	guandu shangban	officials supervised the operations of merchants
gǔfèn zīběn	gufen ziben	common stock
yúli dividends	yuli dividends	flexible or fixed rate dividends
shāngzǒng and dǒngshì rén	shangzong and dongshi ren	directors and senior managers
Gōngsī lǚ	Gongsi lv	1904 C ompany law
gōngkuǎn cún xiàng	gongkuan cun xiang	State debt
gōngkuǎn xī xiàng	gongkuan xi xiang	interest of the State debt
zǒngbàn	zongban	government officers



kuàibàn	kuaiban	government officers
bāngbàn	bangban	government officers
shēnlǐng shāngbàn	shenling shangban	firms led by gentlemen who left the government
Shuōluè	Shuolue	narrative description of the firm's situation