

# Significance and characteristics of Nagasaki branch in VOC

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# Introduction:

## Purpose of this presentation

- ▶ To overview of accounting system of Nagasaki branch
- ▶ To examine the source of profitability of the Nagasaki branch
- ▶ To clarify the peculiarities of Nagasaki branch
- ▶ In addition

# Introduction:

## Main point and outline

- ▶ Organize the implications and issues from previous research
- ▶ Analyzing in order to clarify the peculiarity of Nagasaki branch
- ▶ Identify future issues for VOC accounting research
  
- ▶ Conclusions and remarks

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# Prologue

General knowledge about VOC accounting system

## VOC head office accounting system

- ▶ A central bookkeeping for the execution of all these activities did not exist. Up to 1638 the balance sheets of the Chambers and the general statements are missing so it is not possible to give an insight into the yearly procedure during those years.

(De Korte 2000, p.13)

# VOC's General State

Generale staat van de kamers der VOC , 15 mei 1683 (gulden)

huizen en erven	586,852	obligaties ten laste van	
onverkochte goederen	13,206,023	de Gen.Comp.	6,010,856
equipagegoederen	739,173	obligaties ten laste van	
in cassa en banco	704,964	de kamers	7,083,110
handelsvorderingen	523,704	anticipatiepenningen	1,022,333
overige vorderingen	112,137	crediteuren	115,325
		nog te betalen div.	86,328
		nog te betalen wissels	33,754
		'saldo te boven'	1,521,147
	15,872,853		15,872,853

(Gaastra1989, p.92)

# Part 1: Accounting system in Nagasaki branch

## View of previous research

- ▶ Indeed it is probable that **the vast majority of enterprises used a simple form of record-keeping** (which may conveniently be called '**single-entry**') until well into the nineteenth century, even though expositions of the more complex double-entry method take up most of the space in the texts.

(Yamey 1949, 105)



# Implications from previous research(Yamey 1949)

- ◆ Conditions for full-scale spread of double-entry bookkeeping
  - I. Increase in large-scale companies taking the form of corporation
  - II. Full-scale implementation of income taxation
  - III. Advocacy by accounting professionals

However, at the 17th century Nagasaki branch ...

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Overview of accounting system in Nagasaki branch in previous research (Yukutake (1992) etc.

**Assets**

**Expenses**

Cash

Account receivable

Purchase charges

Gifts

Foods expenses

Salaries of branch

Buildings and Fixtures

goods

Buildings charges

Extraordinary losses

Ships

(Mixed account)

Profit and Loss

Balance transferred (Balance account)

Batavia

Balance transferred from previous term

Export of this term

Import of this term

Selling expense

Balance transferred forward

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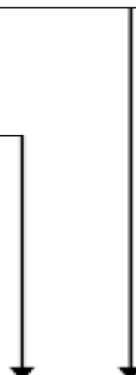
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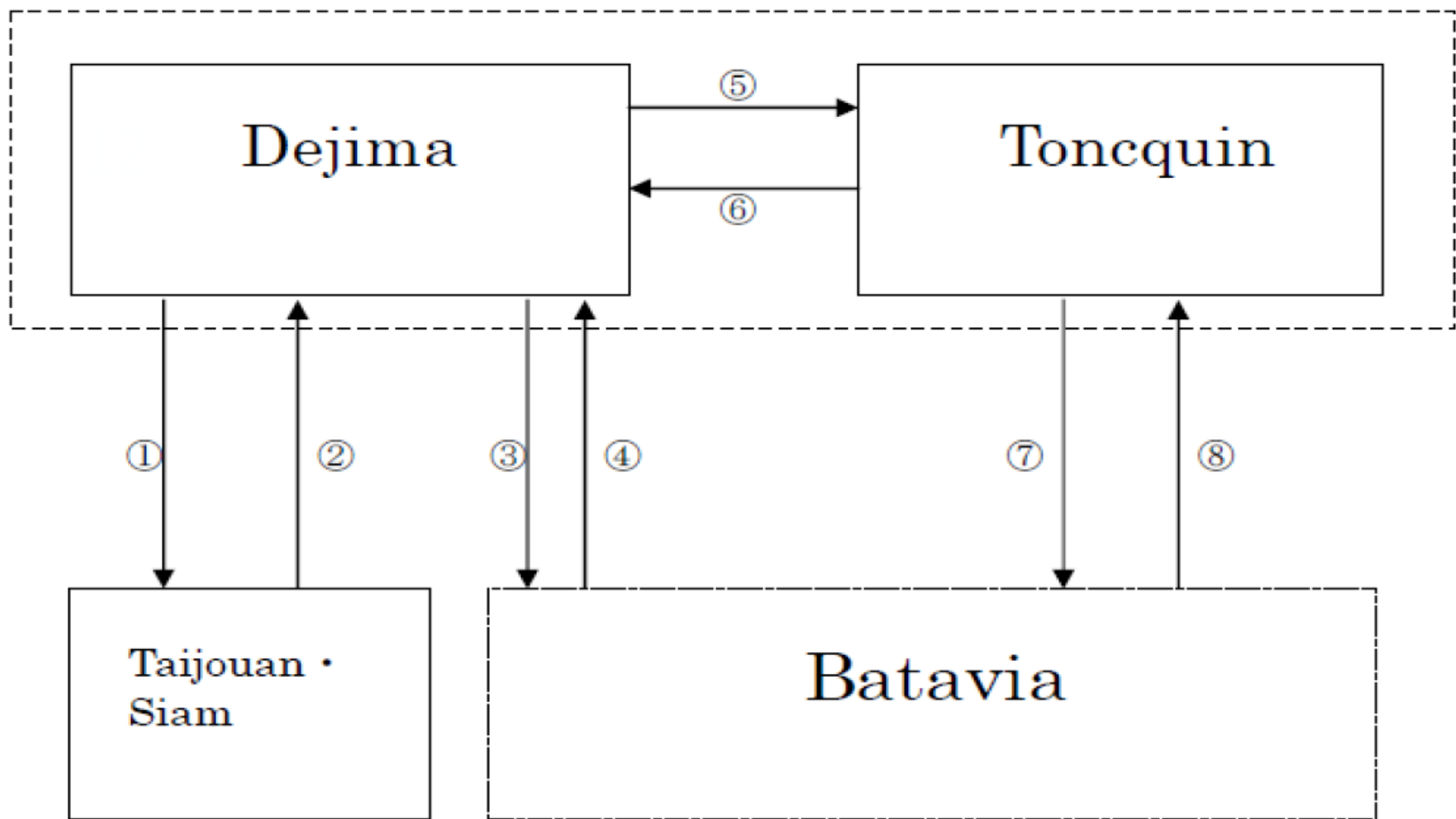
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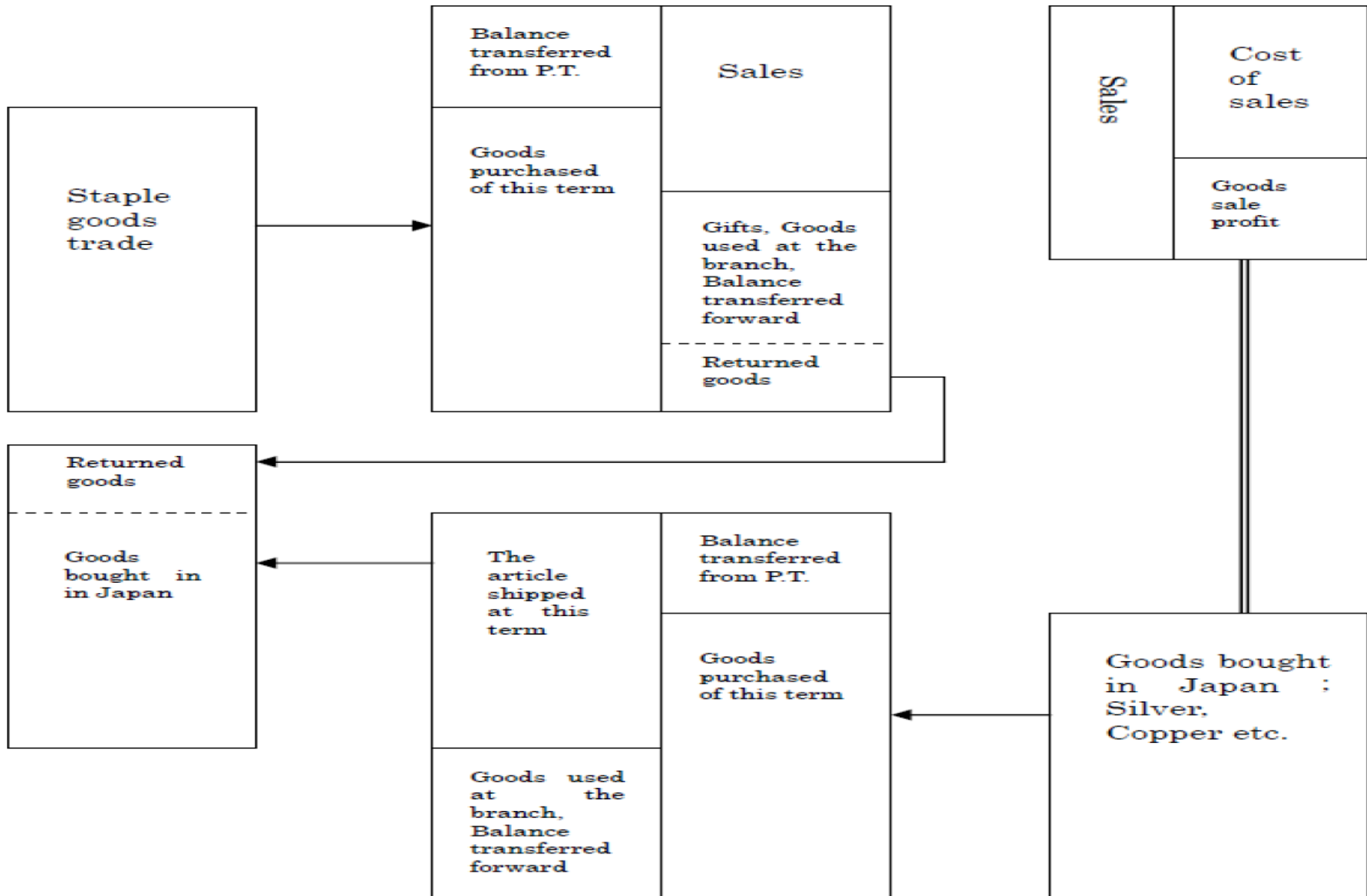
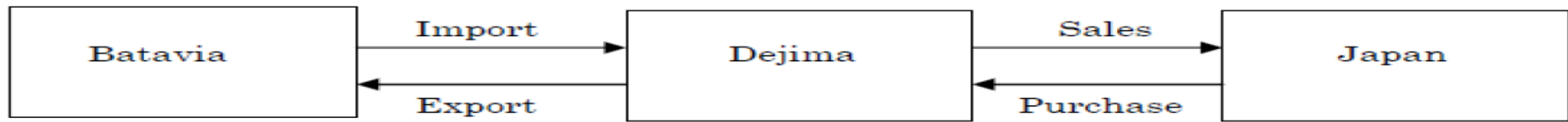
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①,	③	(Debit)	Batavia	××	(Credit)	Goods	××
②,	④	(Debit)	Goods	××	(Credit)	Batavia	××
⑤		(Debit)	Toncquin	××	(Credit)	Goods	××
⑥		(Debit)	Goods	××	(Credit)	Toncquin	××
⑦		(Debit)	Batavia	××	(Credit)	Toncquin	××
⑧		(Debit)	Toncquin	××	(Credit)	Batavia	××



# Features of the Nagasaki branch accounting system

- I. The book of Nagasaki branch was a branch book with Batavia as its head office.
- II. A two-book system with a journal and ledger was used.
- III. Goods sales were handled by SOUKIHOU, which the debit was to purchase the goods and the credit was to sell it.
- IV. Profit and loss accounts and Transport accounts were set up at the end of the period.
- V. Since 1635, the principle of accounting for one year was established.

# 1 company 2 systems

- ▶ The VOC accounting system had two aspects.  
The features are as follows.
- I. The head office did not require accurate profit and loss calculation
- II. It was necessary to calculate profit and loss by double-entry bookkeeping in Nagasaki.

# Part2: Case Study on Business Results of Nagasaki Branch

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# Viewpoint in previous research I

- ▶ The Japan factory was an important element in this network. In the seventeenth century, its main function was as a source of silver and gold which served as lubricants of the Asia trade. In addition, **copper was an important export**. When the Japanese stopped the export of silver in 1671 and reduced the export of gold to trickle during the subsequent fifty years, **copper became by far the most important article exported by the VOC**.

Camfferman et.al(2004), p.51

## Viewpoint in previous research II

- Two points emerged from these reviews. The first was that the net benefits of the Japan trade should not be judged merely or even primarily on the basis of profits on imports alone, but above all on the basis of the profits on exported copper when sold in India. This point was not altogether new at the time, but evidently required to be highlighted once again, perhaps because it was not evident from the accounting data. As will be discussed below, the profits on copper did not appear in the accounts of Deshima, because the copper was transferred at cost.

Camfferman et.al(2004), p.54

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## Viewpoint in previous research III

- ▶ The second issue recognized by the middle of the eighteenth century was that in the accounts, kept in guilders, transactions in Japanese currency were converted at fixed rates that **did not reflect changes in the value of Japanese gold or silver currency** (p.55) .
- ▶ The Deshima costaccounts recorded only the expenditure on the island and the consumption of victuals, equipment goods and gifts shipped in from Batavia. **They did not record the wages of the Deshima staff, nor the cost of shipping between Batavia and Japan** (p.66)

Camfferman et.al(2004), pp.55, 66

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# IMPORTANT FEATURES OF NAGASAKI BRANCH ACCOUNTING

- Balance of profit and loss account functions as 'key performance indicator'
  - Reflects gross margin on import goods sold
- But the profit number (Camfferman & Cooke, 2004):
  - Does not include local expenses (Staff wages not reflected in Nagasaki accounts at all)
  - Does not reflect value of exports
  - Does not reflect costs of transport to/from Japan
  - Is obscured by currency issues:
    - 'light' and 'heavy' guilders
    - Exchange rate of Japanese silver *tael* and value of gold *koban*

## Implications from previous studies (Camfferman 2004)

- ◆ The revenue sources of the Nagasaki branch are as follows:
  - I. Profit from copper exports.
  - II. Gain from foreign currency translation.
  - III. Not accounted for significant overhead

# Analysis from the book of Nagasaki branch

1638		Winst ende verlies								
adij primo	Januarij	231	5	0	adij ultimo	Maert	2,850	0	0	
adij 24	Januarij	3,226	16	8	adij 9	October	4,841	16	4	
adij ultimo	Desember	20,667	1	4	adij ultimo	Desember	8,640	18	0	
adij ultimo	Desember	2,476,086	12	4	adij ultimo	Desember	2,476,086	12	12	
	somma	2,500,211	15	0		somma	2,500,211	15	0	

(Source : NA, 1.04.21, Inv. 982, Groetboek, fol. 29)

# Gross Profit of the gross profit of the Nagasaki branch in 1638

Gross Sales	6,048,531.	6.	7
Cost of Sales	3,566,959.	17.	0
Gross Profit	2,481,571.	9.	7

## A profit ratio and sales and general administrative expenses

Profit ratio = Gross Profit(2,481,571. 9. 7) /  
Gross Sales(6,048,531. 6. 7)

- ◆ The gross profit ratio by goods sale is about **41%**.



Extra expenses(Emergency)	5,187	10	9
Goods sales charges	69,764	-	9
Present expenses	31,350	-	3
Salaries	3,337	13	12
Food expenses	4,851	-	11
Building maintenance expenses	1,132	6	13
Repairing costs	3,965	2	-
Interest expenses	209,133	-	-
Fitting expense	30,662	1	
Somme	359,382	15	9

(Source : NA, 1.04.21, Inv. 838, Journal)

# Profitability of Nagasaki branch in Asia

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term	sales	equipage	sales - equipage		results in asia	result in Nagasaki
1660-1670	92,300,000	80,400,000	11,900,000		16,300,000	6,300,000
1670-1680	91,300,000	77,000,000	14,300,000		2,400,000	
1680-1690	103,400,000	87,600,000	15,800,000		3,000,000	
1690-1700	127,200,000	106,900,000	20,300,000	>	-10,300,000	
1700-1710	139,500,000	122,600,000	16,900,000	>	-11,500,000	
1710-1720	163,700,000	135,200,000	28,500,000	>	-9,200,000	
1720-1730	185,600,000	172,900,000	12,700,000	<	-13,300,000	4,100,000
1730-1740	167,000,000	159,000,000	8,000,000	<	-20,700,000	
1740-1750	159,700,000	148,700,000	11,000,000	0	-11,000,000	
1750-1760	188,000,000	184,900,000	3,100,000	<	-8,100,000	1,700,000
1760-1770	213,600,000	198,900,000	14,700,000	<	-17,800,000	
1770-1780	199,600,000	186,500,000	13,100,000	<	-30,100,000	
1780-1790	145,900,000	212,300,000	-66,400,000		-50,400,000	

(Source :Gaastra(2003), tables18&21; NA, 1.04.21, Inv. 838, Grootbokken)

\*This table was created by making some corrections and additions to these materials.

# Part3: Organizational peculiarities and revenue sources of Nagasaki branch

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## One suggestion

- ▶ In the 1840s, Deshima was changed 'from a trade station into a sort of pre-diplomatic residence', and in 1860, following the opening of Japan to the outside world, the position on Deshima was abandoned .

Camfferman et.al(2004), p.53

## Gift & Social expenses and Profit&Loss

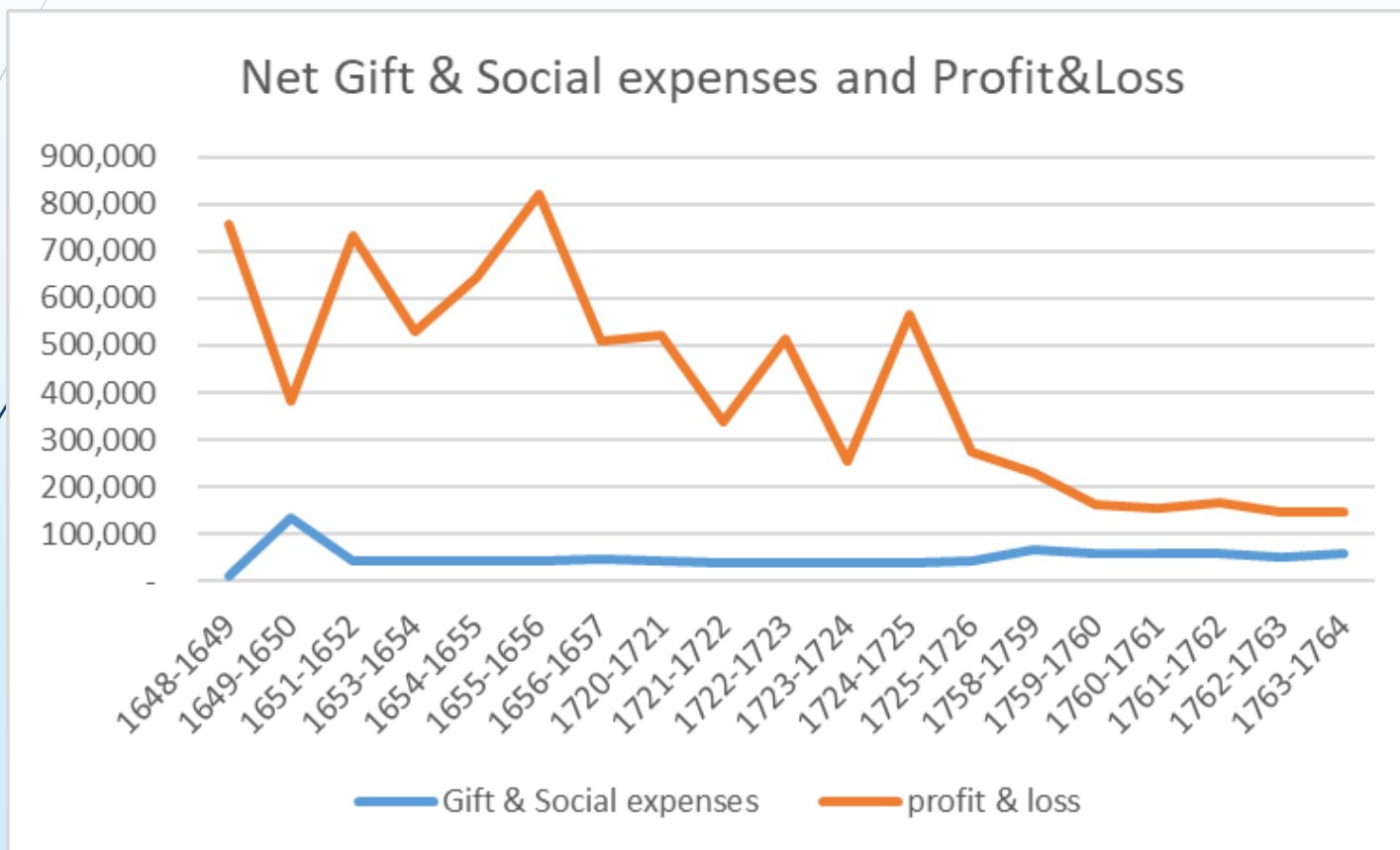
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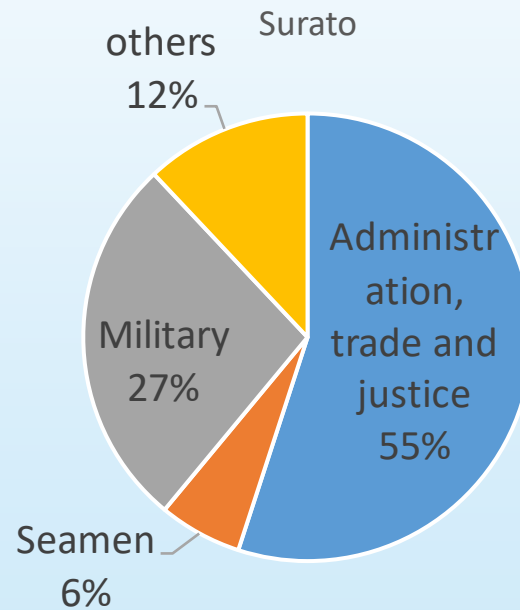
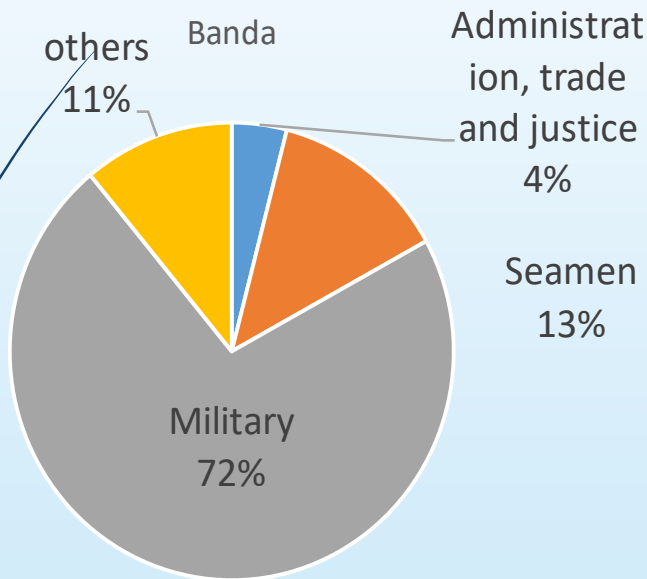
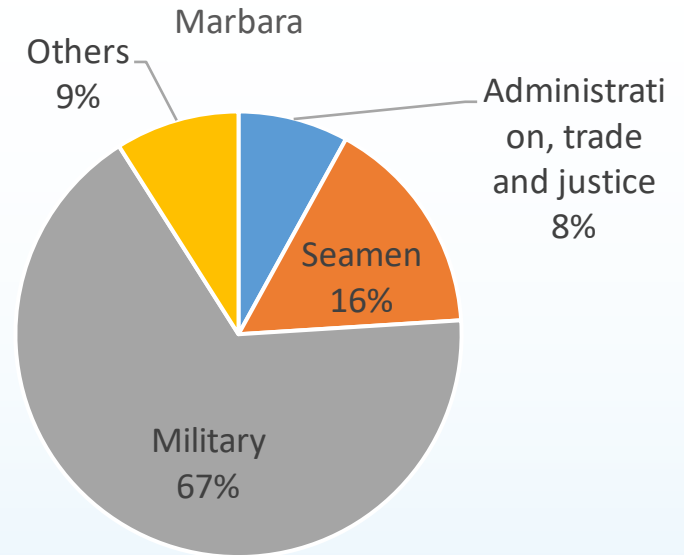
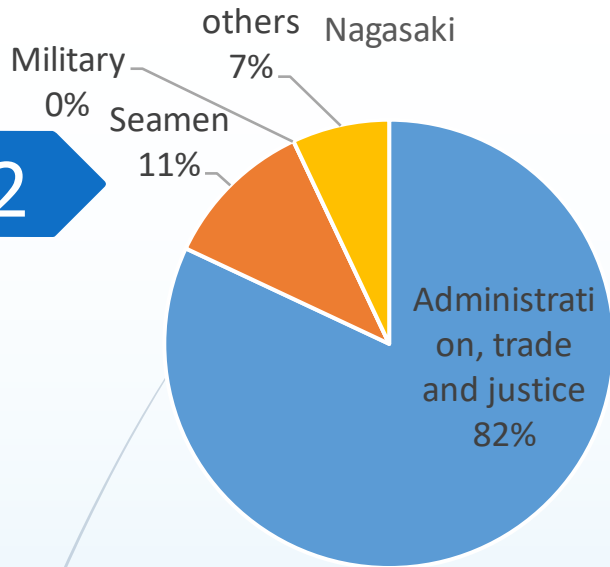
year	Gift & Social expenses	profit & loss
1648-1649	10,009	756,677
1649-1650	132,997	380,808
1651-1652	41,532	733,506
1653-1654	43,309	528,413
1654-1655	41,499	645,026
1655-1656	43,308	819,484
1656-1657	46,544	509,470
1720-1721	41,138	519,877
1721-1722	38,654	336,632
1722-1723	38,608	514,263
1723-1724	38,620	254,741
1724-1725	40,795	564,508
1725-1726	43,367	275,758
1758-1759	65,689	230,236
1759-1760	59,137	163,610
1760-1761	59,250	156,441
1761-1762	57,462	164,742
1762-1763	50,836	147,873
1763-1764	59,406	148,133

# Gross Gift & Social expenses and Profit&Loss



# Net Gift & Social expenses and Profit&Loss





Created with some modifications based on Gaastra (2002).



# Appendix: Final or Next task of Nagasaki branch research

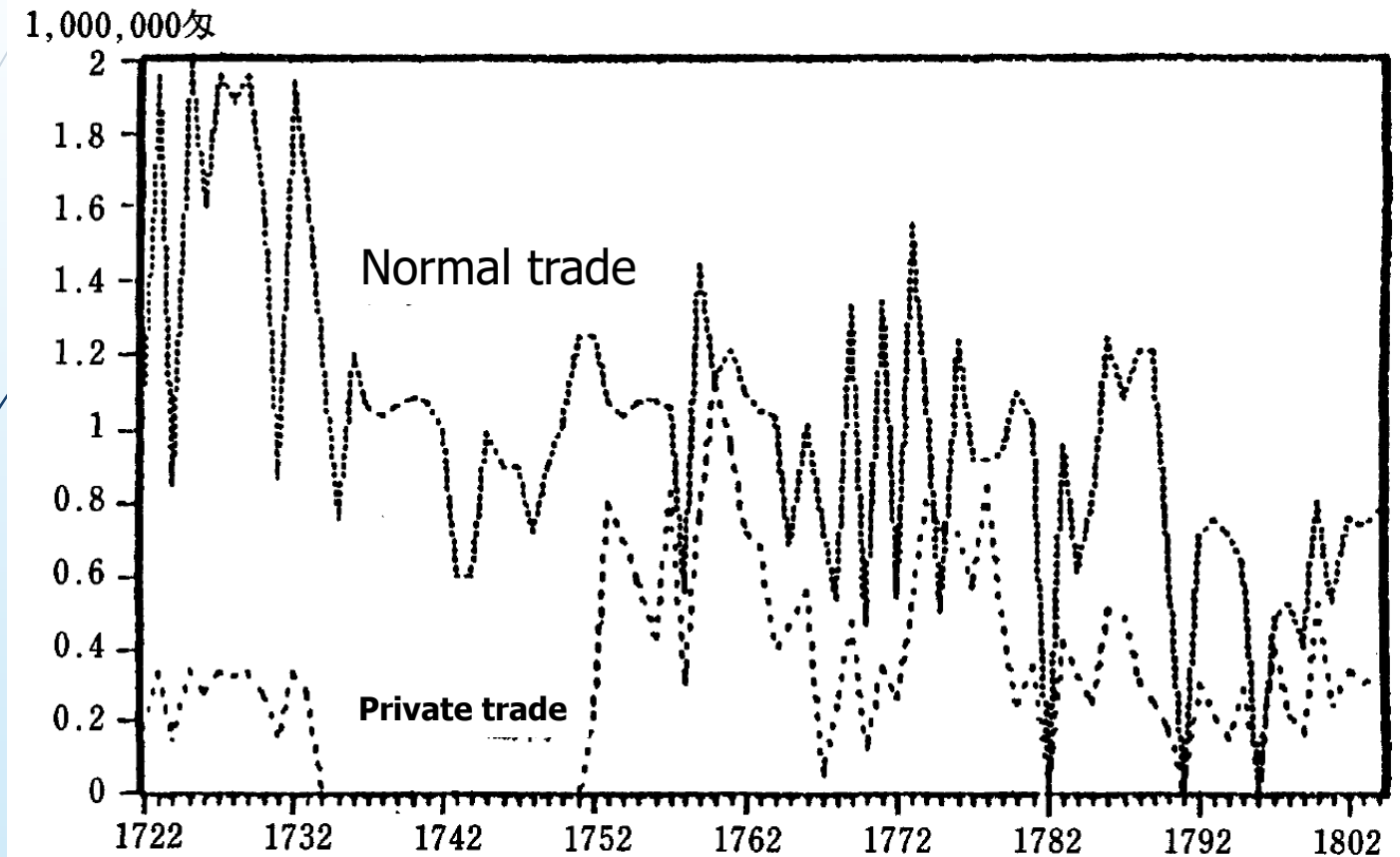
From Company Trade to Private  
Trade

## Final or Next task of Nagasaki branch research

- ▶ From the latter half of 1730s, while the trade volume of the company decreased sharply, private trade seems to have flourished. .... In the social and cultural climate of this era, the company's servants must have found many openings for private trade.

(Nagatumi 2000)

# Changes in normal trade and private trade



(Nagatumi 2000)

# Part4: Conclusions and Remarks

## Conclusions and remarks

- ▶ The accounting system of the Nagasaki branch was highly developed by double-entry bookkeeping.
- ▶ The source of the revenue of the Nagasaki branch is due to its organizational structure.

## Conclusions and remarks

- ▶ The profitability of the Nagasaki branch tended to decrease from the early stage. And the nature also changed to the political one.
- ▶ We must look at private trade in the branch in order to further understand the nature of the Nagasaki branch.

# Reference

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- ◆ Historical Documents
- ▶ Nationaal Archief, 1.04.21, *Inventaris van het archief van de Nederlandse Factorij in Japan te Hirado en te Deshima, 1609-1860.*

Thank you for your attention.