EARLY COST ACCOUNTING PRACTICES AND PRIVATE OWNERSHIP: THE SILK FACTORY COMPANY OF PORTUGAL, 1745-1747

Abstract: This paper contributes to an understanding of the historical development of management accounting by presenting an example of cost accounting practice in Portugal in the first half of the 18th century. It explores the integration of cost and financial accounting systems within a double-entry accounting framework by the Silk Factory Company (SFC) between 1745 and 1747. The SFC’s methods of product costing, pricing, inventory accounting, expense recognition, and production control are reviewed within the political, economic, and social context of Portugal at the time. The SFC is revealed to have used job-order product costing, with allocations of overhead costs, allowances for wastage and shrinkage, and elements of rudimentary standard costing. Our findings provide evidence of the existence of cost accounting and management control techniques at a private rather than a state-owned enterprise prior to the industrial revolution.

INTRODUCTION

This paper analyzes the management accounting system of one of the most important Portuguese manufacturing entities in the first half of the 18th century, the Silk Factory Company (Companhia da Fábrica das Sedas) (SFC), during its second administration, 1745-1747 [National Archives of Portugal (Arquivos Nacionais da Torre do Tombo) (ANNT hereafter), Conselho da Fazenda, Decretos, maço, 1699-1755; Neves, 1827, p. 41; Macedo,

Acknowledgments: The authors thank Susana Gago, Richard Fleischman, Dick Edwards, and three anonymous reviewers for their helpful comments and suggestions.