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### *Accounting in China at the time of Luca Pacioli*

At the time of Luca Pacioli, in Ming Dynasty (1368-1644), China remained still the most prosperous, powerful nation on Earth, but the age also was the significant transforming period from flourish to decline. In this age of “sprouts of capitalism”, accounting-keeping became ubiquitous in the Chinese countryside, cities and market towns, and *sanjiaozhang* (Tripod bookkeeping) came into use as one type transitional, halfway, non-standardized and indigenous Chinese double entry bookkeeping. Indigenous Chinese double entry bookkeeping originated in *Sanjiaozhang*, improved in *Longmenzhang* (Dragon gate bookkeeping), and matured in *Sijiaozhang* (Four-leg bookkeeping), terminated in the introduction and domination of Western bookkeeping. The article reviews the evolution of Chinese bookkeeping, and analyses the ‘substantive rationality’ of this evolution on the basis of contemporaneous economic and cultural characteristics. Through the comparative study between Chinese traditional double entry bookkeeping and the Luca Pacioli’s *Partita doppia*, the article tries to explain the reasons of Chinese bookkeeping falling behind Italian-style bookkeeping.

### **Introduction**

As the last one of china’s three ‘golden ages’ (the other two being the Han and Tang, Song Dynasty periods), the Ming Dynasty (1368-1644) of china was the largest economic entity in the world. During Emperor *Chengzu*’s years (r. 1403-24), the Ming state built a magnificent new capital at Beijing and launched massive military campaigns deep into Mongol territory<sup>1</sup>, reestablished diplomatic and commercial ties with many parts of Asia, and commissioned the “eunuch admiral” *Zheng He* (1371-1433) to lead seven spectacular maritime expeditions that carried the Ming flag to Southeast Asia and as far as the Red Sea and the east coast of Africa. The cost of these activities clearly exceeded the

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<sup>1</sup>The Yuan Dynasty (1271-1368), or Great Yuan Empire was a Mongol dynasty founded by the Mongol leader Kublai Khan, who ruled most of present-day China, all of modern Mongolia and its surrounding areas, lasting officially from 1271 to 1368. It is considered both as a division of the Mongol Empire and as an imperial dynasty of China. In Chinese history, the Yuan Dynasty followed the Song Dynasty and preceded the Ming Dynasty.

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financial capacity of any other government in the world during the early fifteenth century.

For the first time, China's foreign trade was expanding vigorously, and diplomatic and trade missions from all parts of Asia were traveling regularly to the Ming court. Meanwhile, richly laden Chinese "treasure ships" (*baochuan*)<sup>2</sup> were calling at Indian and Middle Eastern ports. The ships of *Zheng He* were carrying large quantities of silks, porcelains, and other goods to Asian, African, and Middle Eastern markets (Guy, 1986). According to the records of the Biography of *Zheng He* in *Ming Shi* (history of Ming Dynasty), the motivation of *Zheng He's* expeditions was 'to seek the missing emperor *Hui*, to show off the military in foreign countries and to reveal China's prosperity', but as Haraprasad Ray has pointed out, the longer the Ming maritime expeditions continued, the more the Chinese appear to have learned about commercial opportunities in the Indian Ocean and the Middle East (Ray, 1987). By 1415 they were supplying "South-east Asian and Indian pepper to Aden and Dhofar, Indian patchuk and pepper to Hormuz, sandalwood and rice to Moga- dishu (Ethiopia) and iron cauldrons and pans to Mecca", and "the profit motive is clear, and the overwhelmingly commercial character (of the expeditions) is too conspicuous to be overlooked" (Ray, 1987). To pay for a wide variety of "Oriental luxuries" including silks, porcelains, and other goods from China, governments from London to Cairo were complaining bitterly about "a flight of bullion to the East" (Lopez, Miskimin, and Udovitch, 1970). The once-prosperous Byzantine Empire was on the verge of economic and political collapse (Norwich, 1995), and gold and silver coins were becoming increasingly difficult to find in parts of northern India and Java (Digby, 1982). Yet silver appears to have been readily available along the major overland and maritime trade routes to China (Ma, 1970).

The accounting processes are reactive, that they develop mainly in response to business needs at any given time, and that their growth is relative to economics progress generally. In general, the higher the level of civilization, the more elaborate the bookkeeping methods (Chatfield, 1977). But flourishing foreign trade, developed manufacturing industry and rapid and dramatic population growth of Ming Dynasty didn't result in the qualitative leap of Chinese

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<sup>2</sup>As *Wang Gungwu* has noted, the term '*baochuan*' indicates a 'search for treasure' on the part of the Chinese, an interesting point considering that the expeditions led by *Zheng He* generally have been regarded as diplomatic missions rather than commercial operations (Wang, 1992).

bookkeeping system. The government accounting adopted the 'Four-pillar balancing' that originally came from the Tang and Song Dynasty, and the same as before, the non-government accounting mainly followed it and applied the simpler and practical single entry bookkeeping. In the Ming era, forms of private bookkeeping as well as the basic numeracy to sustain them were commonplace (Guo, 1988), nevertheless, budding capitalism and prosperous trade resulted in the significant progress of Chinese bookkeeping. Although it had not been widely used in practice, *sanjiaozhang* (Tripod bookkeeping), also known as *boxingzhang* (limping bookkeeping), the quasi double entry bookkeeping method also first emerged in China, which was one type transitional, halfway, non-standardized and indigenous Chinese double entry bookkeeping and was the base of the subsequent *Longmenzhang* (Dragon gate bookkeeping) and the *Sijiaozhang* (Four-leg bookkeeping). The economy of Chinese important commercial cities in Ming Dynasty such as Beijing, Nanjing, Suzhou and Guangzhou looked as prosperous as contemporaneous Italian important city republics like Venezia, Genova and Firenze, nevertheless, Chinese bookkeeping already lags far behind the contemporaneous Italian bookkeeping. Since at least the fourteenth century, numerous Italian commercial documents attest to a process of transition from relatively crude single-entry accounts to various non-standardized forms of double-entry bookkeeping (Origo, 1957; Littleton and Yamey 1956). Credit for standardizing the '*partita doppia*' in essentially the form in which it came down to the nineteenth century goes to the mathematician Luca Pacioli (his treatise on double-entry forms one chapter of his pathbreaking 1494 text on algebra). Facilitated by the printing press, texts detailing the "Italian method of bookkeeping" spread this mercantile gospel widely about the West in the sixteenth and seventeenth centuries (Littleton and Yamey, 1956).

### **The government accounting from Western Zhou Dynasty to Ming Dynasty**

As one of the earliest human civilizations, China has a long history of accounting and bookkeeping. Historical records indicate that approximately six thousand years ago the people of China were numerically literate. Calculations, memoranda and records (notched on wood) have shown aspects of the embryonic stage of Chinese accounting. The earliest reference to accounting in China is to Yu of the Xia Dynasty (2206 B.C.-1766 B.C.) who coined the Chinese term for accounting which is in use even today. He also introduced concepts of accounting and auditing which incorporate accountability. According to historical data,

accounting activities, the governmental accounting in particular, were fairly sophisticated in the Western Zhou Dynasty of more than three thousand years ago (Chatfield, 1977). At that time it became more advanced than accounting systems elsewhere in the world (Wei Lu and Max Aiken, 2003).

Before the Western Zhou Dynasty the account book took the *Cao Liu* (memorandum book), a type of day book. In the Western Zhou Dynasty the account books had two forms, *Cao Liu* and *Zong Qing* (Guo, 1986). *Cao Liu* was used to record transactions very roughly as they occurred, and subsequently they recorded in *Zong Qing* (ledger) according to transaction categories based on account titles. This bookkeeping method, three-pillar bookkeeping (three column bookkeeping), with 'Ru' (inflow) and 'Chu' (outflow) as recording labels, was used in governmental accounts to keep track of the flows of crops, properties and other wealth to the Treasury of each Dynasty. Thus the basic account equation of  $Ru$  (inflow) -  $Chu$  (outflow) =  $Yu$  (stocks) was created for recording and reporting the state revenues, expenditures and net worth. As these three categories represent the three main aspects (or three pillars) of the economic activities of each Dynasty, the recording system is thus called 'Three-pillar bookkeeping' or 'Ru-Chu bookkeeping' in the Chinese accounting literature (Zhao, 1987). This is a single-entry method and emphasis is placed upon sequential recording of state revenues, expenditures and worth. The three-pillar bookkeeping system played an important role in governmental accounting for about two thousand years from the *Western Zhou* Dynasty to the *mid-Song* Dynasty (around AD 1100).

After the *Western Zhou* Dynasty and during the many centuries of feudal society, accounting in China experienced slow development. However, there were some advances. For example, there was use of the *Bi-Bu* system - an auditing system developed in the *Tang* Dynasty (AD 618-907) - and also the invention of an elaborate government accounting system in the *Song* Dynasty (AD 960-1279). 'Four-pillar balancing' appeared initially during the *Tang* Dynasty. The feudal economy grew rapidly with the social productivity level rising substantially. As a result, bookkeeping or accounting activities progressed with a new momentum, which led to the invention of the 'Four-pillar balancing'. This method describes economic activities with four bookkeeping elements, i.e. *Jiuguang* (old trust - the stocks brought forward from a prior period), *Xingshou* (new receipts - the receipts or inflows during the current period), *Kaicu* (disbursement - the outflows during the current period), and *Shizai* (real existence - the ending balance). Chinese accounting scholars generally agree that the 'Four-pillar balancing' is the basic accounting equation in Chinese-style bookkeeping (Guo, 1982), that is:

$$1) \textit{Jiuguang} \text{ (old trust)} + \textit{Xingshou} \text{ (new receipts)} = \textit{Kaicu} \text{ (disbursement)} +$$

*Shizai* (real existence or ending balance) or, this equation can be rearranged for trial balancing of account books:

2) *Xingshou* (new receipts) - *Kaicu* (disbursement) = *Jiuguang* (old trust) - *Shizai* (real existence or ending balance)

Obviously each category (or 'pillar') of this method represents one particular dimension of business transactions and internal articulation exists among them to form an interlocked framework for bookkeeping purpose. In fact, the principles of this method have been embodied in all subsequent Chinese-style bookkeeping systems.

In Ming Dynasty, Chinese single-entry bookkeeping became ubiquitous for society. The government inherited the four-pillar bookkeeping from Song Dynasty<sup>3</sup>, but compared with its primitive period, the application of four-pillar balancing in Ming Dynasty was more comprehensive, systematic and normative.

1) In *Hongwu* 14 years (1381), the emperor ordered that began to compile the '*Fu Yi Huang Ce* (Yellow Volume of Taxes and Corvee)' on the basis of household, which should be prepared by the 'four pillars' i.e. *Jiuguang* (old trust), *Xingshou* (new receipts), *Kaicu* (disbursement) and *Shizai* (real existence or ending balance). The population mainly was divided to civilian, military and craftsmen, and according to the classification, recorded the population, farmland, grain tax, livestock, vehicle and vessel, etc in uniform formation by the four pillaring bookkeeping. As the foundation of other accounting books, the '*Fu Yi Huang Ce*' was the most important accounting book of the government.

2) The tax department was obliged to adopt the four pillar bookkeeping to record the taxation in the '*Qian Liang Wen Ce* (land tax register)', and also should bring it into correspondence with the foregoing '*Fu Yi Huang Ce*' in order to be convenient for the tax levy and auditing.

3) As the follow-up sector, the Storage department's bookkeeping had to be consistent with the tax department in respect of the bookkeeping method and the category.

4) The other departments must record the 'four pillars' when they drew and consumed the taxation (money or material patterns), then at the end of each year<sup>4</sup>, every local department must submit the annual accounting reports to its superior

<sup>3</sup>Although the Yuan Dynasty (1271-1368) followed the Song Dynasty and preceded the Ming Dynasty, but it was a Mongol dynasty that dominated China, so the government system of Ming Dynasty was from Song Dynasty rather than Yuan Dynasty.

<sup>4</sup>According to the Chinese lunar calendar.

department. The *Hu Bu* (the Ministry of Revenue in feudal China) Verify and write off the annual accounting reports of every department, and if find prepare error, return to restate, and if find corrupt transaction, transfer to the *Du Ca Yuan* (Censorate).

5) Every department must regularly present the regular statistical reports to the *Hu Bu* (the Ministry of Revenue in feudal China):

	Tri-annual report	Annual report	Semi-annual report and quarterly report	Two-monthly report and Monthly report
Content	Jiuguang (old trust),  Xingshou (new receipts), Kaicu (disbursement) and Shizai (real existence or ending balance)	Jiuguang (old trust),  Xingshou (new receipts), Kaicu (disbursement) Shizai (real existence or ending balance)	Jiuguang (old trust),  Xingshou (new receipts), Kaicu and (disbursement) and or ending balance)	Kaicu (disbursement)
Demand	Fu Yi Huang Ce (Yellow Volume of Taxes and Corvce)	Trial Balance	Record the real value	Record the real value

Figure 1 The regular statistical report  
**The non-government accounting in the Ming Dynasty**

In china, government initiatives in accounting have usually occurred earlier than for non-government accounting and the latter always followed and imitated the former, but in Ming dynasty, the status began to change quietly. The Chinese single entry bookkeeping, ‘four pillars bookkeeping’ dominated the non-government accounting of Ming Dynasty, but in this period, the ‘sprout of double entry bookkeeping’, i.e. *sanjiaozhang* (Tripod bookkeeping), also known as *boxingzhang* (limping bookkeeping), first emerged in China, and based on the *sanjiaozhang*, *Longmen Zhang* (Dragon gate bookkeeping)<sup>5</sup>, the Chinese-style double-entry bookkeeping was applied at private banking and trading enterprises in the late Ming Dynasty.

Primitive elements of a capitalist economy emerged in China beginning with the late Ming Dynasty of the fifteenth century. As a consequence of the economic growth, merchandising and commercial activities such as family workshop or factories, banking, pawn-broking trades, and private loan financing, emerged and

<sup>5</sup>According to Chinese accounting historians, the so-called *Longmen Zhang* is a bookkeeping system invented by a merchant, named *Fu Shang*, in Northern China and was originally applied at private banking and trading enterprises (Guo, 1988; Lin, 1992).

expanded. In particular, banking activities through *Piaohao* or *Qiangzhuang* (money houses) and *Danpu* (pawnshops) became popular to provide credits and loans for merchants and bankers. The traditional government-oriented single entry bookkeeping became inadequate to keep track of more complicated and increased-volume transactions among merchants and bankers and was gradually replaced by double-entry bookkeeping with the invention of *Longmen Zhang* in the late fifteenth century. Transformation of long established single-entry to double-entry bookkeeping was a slow process and Longmen Zhang went through two progressive stages of *Sanjiao Zhang* and *Shijiao Zhang* respectively. The *Sanjiao Zhang* (Tripod bookkeeping) required different treatments in recording transactions based on whether cash receipts or payments were involved. All noncash transactions (claims or transfers) involved the maintenance of dual records with an entry of *Lai Zhang* (from) and another of *Qu Zhang* (to) being made simultaneously. However, cash transactions would only be recorded with one entry (e.g. the cash dimension is omitted), or a single entry recording is made.

*Sanjiao Zhang*, also called ‘Tripod (Three legs) bookkeeping’ or ‘Limping bookkeeping’ in Chinese accounting literature, has demonstrated a significant progress in contrast to single-entry bookkeeping through a separation of cash and noncash transactions and recording noncash transactions in dual dimensions (Guo, 1982). Involving hybrid procedures, *Sanjiao Zhang* may be seen as a necessary step in the transformation of single entry to double-entry bookkeeping in China (Guo, 1988).

*Longmen Zhang*, and particularly the later refined version of *Shijiao Zhang* or *TianDi He Zhang*, is fairly similar to the Italian-style double entry bookkeeping system, although there are some substantial differences between the two. It is widely recognized in Chinese accounting literature that *Longmen Zhang* is an early form of Chinese-style double-entry bookkeeping and can thus be regarded as the important milestone in the evolution of Chinese accounting (Guo, 1988).

## **Comparison of Chinese-style bookkeeping with Italian-style bookkeeping**

### 1. The account book system and the accounting cycle.

From Western Zhou Dynasty, the account book of Chinese bookkeeping and the accounting cycle slowly had developed for almost three thousand years and in Ming Dynasty gradually moved towards maturity and normalization.

1) *Cao Liu* (memorandum), also called *Ben Zhang*, *Cao Pi*, *Di Bu*, *Di Zhang*, was used to keep records when a transaction occurred. It plays the role of source document.

2) *Xi Liu* (diary), also called *Ri Liu*, *Qing Liu*, *Er Liu*, *Zong chen*, was usually updated from *Cao Liu*, item by item, at the end of each day with a total required at the end of every ten days, every month and every year.

3) *Zong Qing* (ledger), also known as *Teng Qing Zhang*, *Zong Bu*, *Zong Zhang*, was used to classify and summarize business activities and transactions for a specific period. It was posted from *Xi Liu* and was used to keep the records of economic activities. This provided the evidence for any financial statements (*Hong Zhang*) and was the basis for the calculation of cost, profit and loss.

The accounting cycle from *Cao Liu* to *Hong Zhang*, a form of Chinese financial statement, is as shown in Figure 2. Compared with figure 3 the Italian-style bookkeeping, the similarities and differences could be found. *Cao Liu* in Chinese bookkeeping is the same as memorandum in Italian-style bookkeeping, in that both can perform the role of source document. *Xi Liu* in Chinese accounting has long been different from the journal in Italian-style bookkeeping. It comprise only the rewriting of *Cao Liu* while Italian-style bookkeeping has the required journal entries using debit and credit as double-entry system. *Zong Qing* in Chinese accounting has been the same as transactions on each individual account.

Figure 2 the accounting cycle from Cao Liu to Hong Zhang

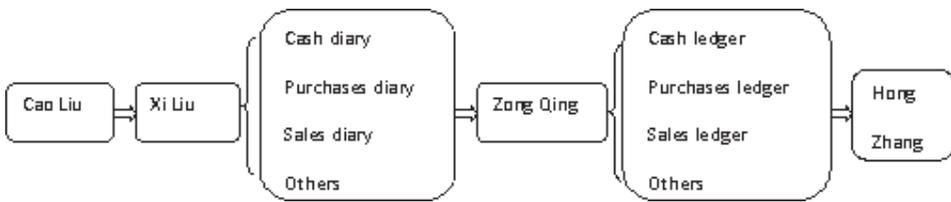
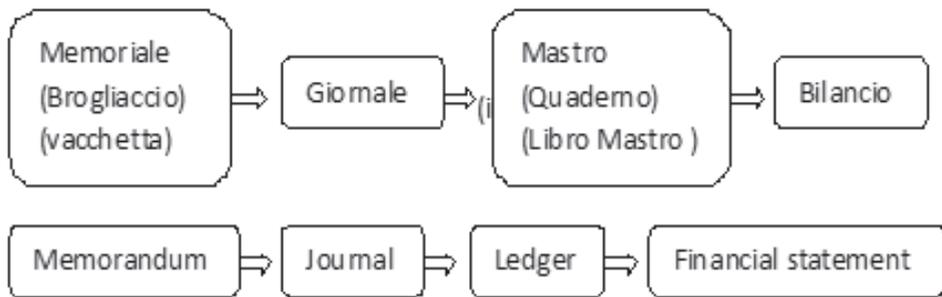


Figure 3 the accounting cycle of Luca Pacioli



2. Recording symbols, accounts classification, basic equation, recording principle and underlying theory

1) *Shou*(receipt) and *Fu* (disbursement) were used as recording symbols in Chinese bookkeeping rather than Debit (Debito) and Credit (Credito) in Italian-style bookkeeping.

2) In Chinese bookkeeping the account were classified into *Jin* (Receipt), *Jiao* (payment), *Cun* (keeping) and *Gai* (Owing) rather than Assets, Liability and Owner's Equity. This classification is based on the results of activities, not on the transaction contents. Depending upon the circumstances, silver (cash) can be either classified as an *Cun* (keeping) or *Gai* (Owing).

3) Under the Chinese double entry bookkeeping, the basic equation is:

$$Jin \text{ (receipt)} - Jiao \text{ (payment)} = Cun \text{ (keeping)} - Gai \text{ (owing)}$$

$$Cun \text{ (keeping)} = Gai \text{ (owing)} \pm Lishi \text{ (profit or loss)} = Gai \text{ (owing)} + Jin \text{ (receipt)} - Jiao \text{ (payment)}$$

The basic equation of Italian-style double entry bookkeeping is:

$$\text{Assets} = \text{liabilities} + \text{Owner's Equity}$$

4) The recording principle of Chinese double entry bookkeeping was as follows: *Shou* (receipt) and *Fu* (disbursement) must appear at the same time and the respective amounts must be equal. Transactions recorded in the *Jin* (receipt) and

*Gai* (owing) accounts are always on the receipt side; on the other hand, transactions recorded in *Jiao* (payment) and *Cun* (keeping) accounts are always on the Payment side. Only increases in *Jin* (receipt), *Jiao* (payment), *Cun* (keeping) and *Gai* (owing) are recorded. If there is a decrease in these accounts, for example, sales returns, then this may be regarded as a decrease in *Jin* (receipt), and the following journal entry is prepared:

*Shou* (Receipt): silver (cash) from on hand (Owing account)

*Fu* (disbursement): silver (cash) on inventory (keeping account)

Therefore, a decrease in *Jin* (receipt) can be recorded as an increase in *Cun* (keeping) account and a sales return is treated as a purchase.

5) The underlying theory of the originality of Italian-style bookkeeping is that of personification. The personification of accounts lies at the very root of double-entry. The first accounts were open to debtors and creditors. Their heading, 'deve dare' (shall give) and 'deve avere' (shall have), were then transferred to accounts for merchandise, for expenses, and finally to all accounts. However, the basic principle of Chinese double-entry bookkeeping is that silver (cash) inflows should be equal to silver (cash) outflows. Cash acted as a medium flowing from one account to another. If cash flows out, the Chinese called it '*Fu*' (disbursement); simultaneously, it should flow into an account which the Chinese called '*shou* (receipt)'. *Shou* (receipt) and *Fu* (disbursement) must appear at the same time and the respective amounts must be equal. There is an exception to this principle for transactions related to cash and bank deposits. When cash is received from sales, it is recorded as '*Fu* (disbursement): cash on hand'. When the cash is spent on a purchase, it is recorded as '*Shou* (receipt): cash on hand'.

Figure 4 Comparison of traditional Chinese-style bookkeeping with Italian-style bookkeeping

Accounts classification	Chinese double entry bookkeeping		Italian-style double entry bookkeeping	
	<i>Shou</i> (receipt)	<i>Fu</i> (disbursement)	Debit	Credit
<i>Jin</i> (receipt)	Increase	Decrease	Increase	
<i>Jiao</i> (payment)	—	Increase	Increase	Decrease
<i>Cun</i> (keeping)		Increase	Increase	Decrease
<i>Gai</i> (owing)	Increase		Increase	Increase

## Conclusion

China had numerous accounting innovations during its long history, including the accounting system of the *Western Zhou* Dynasty and the *Bi-Bu* system in the *Tang* Dynasty. These systems represent contributions of Chinese accounting to world accounting. Chinese accounting also had a significant influence on accounting development in other Eastern cultures (Jong, 1979), for example, in Japan and Korea. But Chinese bookkeeping methods before the 20th century were primarily the products of the small-scale, feudal economy. They were developed in an environment that required record keeping for relatively simple economic activities. The process of accounting change was extremely slow because commercial activities were de-emphasized and the precondition for accounting improvement simply did not exist. No matter how frequent the change of dynasty, China remained a closed society to the outside world with the Emperor as the paramount ruler. The primary purpose of accounting was to keep track of the flows of the Emperor's wealth and the state's properties. Economic efficiency was never a concern to the rulers of China in its thousands of years of history.

Eventually, changes in Chinese society brought about the need for accounting transformation. Starting from the mid-Ming Dynasty (the time of Luca Pacioli), private commercial activities gradually grew in China and led to the emergence of privately owned, handicraft workshops, commercial centers and cities, and foreign trade (Lin et al., 1983). A free employment relationship, different from the feudal system, arose within these newly founded private businesses, which further spurred the development of commercial activities. With the economy growing and business transactions becoming more complicated, traditional Chinese bookkeeping revealed some severe weaknesses, such as the lack of integrated account systems, inconsistent account classifications, irregular account forms, different bookkeeping labels, poor organization of books, ambiguous recording rules, and difficulties in teaching and learning (Lin, 1992). By the middle of the 19th century, the need for accounting reform arose, and people began to study Western accounting as an alternative. It was in this environment that Italian-style bookkeeping was introduced to China.

Accounting historians generally agree that bookkeeping is an important tool of accounting and that the invention and adoption of particular bookkeeping system is influenced by many factors, including technological development, economic growth and cultural norms (Littleton and Yamey, 1956). The major reasons that resulted in Chinese bookkeeping falling behind Italian-style bookkeeping can be summarized as 'ultrastable structure of Chinese society' (Jin,

1992), or ‘integration structure of Chinese patriarchal clan system’, which essentially differ from the European social structure. This ‘ultrastable structure’ was consist of state structure and family structure, and bureaucratic system that principally was composed of scholar-bureaucrats, culture structure featuring Confucianism and dominant agriculture economic structure, these three interplayed and maintained the social equilibrium so as to constitute a stable state structure in China’s feudal society period. Based on the Confucianism, the powerful patriarchal system closely integrated with the state structure to keep highly centralization and attain the forceful control to Chinese society. As results of the ‘ultrastable structure’, China feudal society had lasted more than 2, 000 years and the nation and its culture was uniform and successive for a long time, in which Chinese created the magnificent Eastern culture, but sank into the circulation of development-destruction<sup>6</sup> and chronically stagnated. This stagnant ‘ultrastable structure’ that imposed restrictions on development of commerce and other social progress is the substantive reason of Chinese bookkeeping falling behind Italian-style bookkeeping at the time of Luca Pacioli.

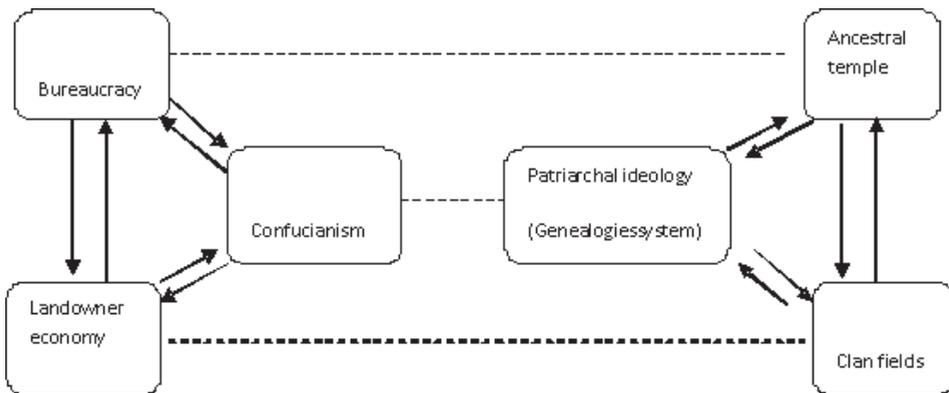


Figure 5 The isostructuralism of Chinese state structure and family structure (the ultrastable structure of Chinese society)

For the sake of maintaining highly centralization, the emperor had to keep equilibrium of the ‘ultrastable structure’, and then merchants were deemed to one

<sup>6</sup>In general, every 200-300 years, the Chinese peasant uprising destroyed the old dynasty and established a new dynasty. In the initial period of every dynasty, new emperors wanted to strengthen their powers and so they started economic and social reforms based on the ‘ultrastable structure of Chinese society’. After a period of time, things became fixed, and the economic and social conditions worsened, followed by the peasant uprising that severely destroyed the development of economy, science and technology .

of the ultimate threats to the authoritarianism because the prosperity of private capital likely lead to form the new social strata that is going to destroy the old social structure. Therefore, the Policy of 'Emphasizing Agriculture while Restraining Commerce' almost is the fundamental national policy of all Chinese dynasties. In the political systems, the government discriminate against merchants, for example, in the early period of West Han Dynasty the law expressly provided that the merchants and their descendants cannot become bureaucrat, ride and wear silk clothes. In the meantime, because of the domination of Confucius Philosophy in the Chinese feudal society, gentlemen were not allowed to speak about money; otherwise they would be regarded as mean. Confucius believed business was motivated by avarice. He preferred agriculture to business. Although he was an accountant, he believed it was an unworthy occupation - especially for higher-ups (Aiken and Lu, 1998). Indeed, Confucianism puts business on the lowest rung of society. In some dynasties, merchants were even classified as criminals. They were forced to serve in the army along the border areas. The most important control means to the development of private commerce was official commerce and handicraft system that was unique to China, which monopolized the primary trading market and operation of salt, iron and other minerals, mintage and important implements of production. For example, the flourishing foreign trade, developed manufacturing industry of Ming Dynasty principally was operated by the official commerce and handicraft system, although the system was economically inefficient and corrupt. Even as it is, the private commerce and handicraft tenaciously developed in Ming Dynasty, and generated some great merchants in some special regions, but the feudal China never had a vigorous class of economic entrepreneurs independent of the government, which was great different from contemporaneous European society, for example: 'I mercanti ... mantengano le Repubbliche (the merchants are mainstay of the Republic)' (Luca Pacioli, 1494). All of these conditions continued to obstruct the development of non-government accounting in China, particularly in the later years of the *Ming* and *Qing* Dynasties (1369-1911) (Meng, 1957; Xu, 1955).

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