

## ARTÍCULOS DOCTRINALES / ARTICLES

**THE PORTUGUESE ROYAL TREASURY: MANAGEMENT, TAXATION AND ACCOUNTS CONTROL IN THE JOHANNINE PERIOD (FROM 1814 TO 1820)<sup>1</sup>****Claudio Nascimento Pedroso**

Federal University of Rio de Janeiro, Brazil

Correo-e: [clanaspe@gmail.com](mailto:clanaspe@gmail.com) - ORCID iD: <https://orcid.org/0000-0001-8553-8480>**José Paulo Cosenza**

Fluminense Federal University, Brazil

Correo-e: [jpcosenza@id.uff.br](mailto:jpcosenza@id.uff.br) - ORCID iD: <https://orcid.org/0000-0002-1753-0134>**Alberto Donoso-Anes**

University of Seville, Spain

Correo-e: [adonoso@us.es](mailto:adonoso@us.es) - ORCID iD: <https://orcid.org/0000-0001-6959-4300>

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**Abstract:** In November 1807, Napoleon Bonaparte's troops were about to invade Portugal. To escape, the Queen of Portugal, Maria I, her son, future King Juan VI, Prince Regent at the time, as well as civilians and military men, had to embark and move to Brazil urgently. The transfer of the Portuguese court to Brazil transformed the then colony of Portugal into the seat of the Portuguese monarchy, giving the country a significant role in the economic, social, and political issues of the Portuguese Empire, between 1808 and 1821. Among the changes made by the Portuguese Crown in Brazil in the process of reorganization of the State apparatus, we highlight the creation of the Royal Treasury, similar to the one existing in Lisbon since 1761, which was responsible for the collection and accounting entries of the income generated throughout the Portuguese domain. This paper examines the balance sheets of the ledger book of the 2<sup>nd</sup> Royal Treasury General Accountancy from 1814 to 1820, based on historical and documentary research conducted in the collections of the Brazilian National Archive. The purpose of this study is to analyze the quality of the accounting information recorded in the annual balance sheets, comparing it across different periods and determining its functionality as a tax control tool. The paper contributes to the literature with information on this special historical period in which Rio de Janeiro

<sup>1</sup> A first Spanish version of this study, under the title: *Rendición de Cuentas del Erario Regio Portugués en el Período Joánico (1814 – 1820)*, was previously presented at the 14<sup>th</sup> International Research Seminar on Accounting History, held at Pablo de Olavide University, in Seville (Spain), on June 28, 2019. We wish to acknowledge the participants and anonymous reviewers who have always made constructive suggestions to improve the study. In this new version in English, we try, whenever possible, to recognize the observations made on the referred Seminar.

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provisionally became the capital of the Portuguese Kingdom, maintaining a vital role in the political, economic, and social context of the time. The results of the study enable us to infer the economic conception of fiscal control that the Royal Treasury exercised in its administrative and accounting organization, showing the role played by accounting in the management of the Portuguese Royal House, given that accounting records reveal the ascendancy of the environment over accounting and the influence of accounting on the environment.

**Keywords:** *Public Accounting, Accounting Records, Portuguese Royal House, Johannine Period, Royal Treasury.*

## EL ERARIO REGIO PORTUGUÉS: ADMINISTRACIÓN, SISTEMA TRIBUTARIO Y EL CONTROL DE LAS CUENTAS EN EL PERIODO JOÁNICO (1814 – 1820)

**Resumen:** En noviembre de 1807, las tropas de Napoleón Bonaparte estaban a punto de invadir Portugal. Para escapar, la reina de Portugal, María I, su hijo, el futuro rey Juan VI, y por entonces príncipe regente, así como numerosos civiles y militares tuvieron forzosamente que embarcarse y desplazarse urgentemente a Brasil. El escape de la corte portuguesa a Brasil transformó la entonces colonia de Portugal en la sede de la monarquía de Braganza, lo que le confirió un papel importante en las cuestiones económicas, sociales y políticas entre 1808 y 1821 en el imperio portugués. Situación que dio lugar a una reorganización del aparato estatal en Brasil destacando entre ellos la creación del Erario Regio por la corona portuguesa, institución similar al que ya existía desde 1761 en Lisboa como responsable de la recaudación y asientos contables de las rentas generadas en todo el dominio portugués. En este artículo se realiza un estudio de los balances anuales del Libro Mayor de la 2ª Contaduría General del Erario Regio en el periodo 1814-1820, basado en una investigación histórica y documentada desarrollada en los acervos del Archivo Nacional de Brasil. El objetivo de este artículo es, realizar un análisis de contenido, examinar la calidad de la información contable registrada en dichas cuentas de resultados, realizar un estudio comparativo entre diferentes periodos y determinar su funcionalidad como herramienta de control fiscal. El trabajo realizado contribuye a la literatura con información sobre un determinado momento histórico en el que Río de Janeiro se convierte provisionalmente en la capital del reino portugués, manteniendo un papel importante en la vida política, económica y social de la época. Los resultados del mismo, permiten inferir la concepción de control fiscal que el Erario Regio tenía en su ordenación administrativa y contable, mostrando el papel que la contabilidad jugaba dentro de la gestión de la Casa Real Portuguesa; dado que los asientos contables revelan las ascendencias del entorno sobre la contabilidad y las influencias de la contabilidad en el entorno.

**Palabras Clave:** *Contabilidad Pública, Asientos contables, Casa Real Portuguesa, Período Joánico, Tesoro Real.*

## O ERÁRIO RÉGIO PORTUGUÊS: ADMINISTRAÇÃO, SISTEMA TRIBUTÁRIO E CONTROLE DE CONTAS NO PERÍODO JOANINO (1814 – 1820)

**Resumo:** Em novembro de 1807, as tropas de Napoleão Bonaparte estavam prestes a invadir Portugal. Para escapar, a rainha de Portugal, Maria I, seu filho, o futuro rei João VI e, na época, príncipe regente, assim como numerosos civis e militares, tiveram que embarcar e se mudar com urgência para o Brasil. A fuga da corte joanina para o Brasil transformou a então colônia de Portugal na sede da monarquia portuguesa, dando-lhe um papel significativo nas questões econômicas, sociais e políticas entre 1808 e 1821 no Império Lusitano. Dentre as várias mudanças realizadas pela Coroa Portuguesa no Brasil no processo de reorganização do Aparelho Estatal, destaca-se a criação do Erário Régio, similar ao Real Erário que já existia como responsável pela arrecadação e contabilidade das rendas geradas em todo o domínio português desde 1761, em Lisboa. Este trabalho examina os balanços do livro Mestre da 2ª Contaduría Geral do Erário Régio no período 1814-1820, com base em uma pesquisa histórica e documental efetuada nos acervos do Arquivo Nacional do Brasil. O objetivo deste trabalho é, através da análise de conteúdo, examinar a qualidade das informações contábeis registradas nos balanços anuais, efetuando sua comparabilidade entre diferentes períodos e determinando sua funcionalidade como ferramenta de controle fiscal. O trabalho contribui para a literatura com informação sobre um momento histórico especial no

qual o Rio de Janeiro tornou-se, provisoriamente, a capital do reino português, mantendo um importante papel no contexto político, econômico e social da época. Os resultados do estudo permitem inferir a concepção de controle fiscal que o Erário Régio teve em sua organização administrativa e contábil, mostrando o papel desempenhado pela contabilidade durante a de permanência do Príncipe Regente Dom João no Brasil, dado que os registros contábeis revelam as ascendências do ambiente sobre a contabilidade e as influências da contabilidade sobre o ambiente.

**Palavras-Chave:** *Contabilidade Pública, Registros Contábeis, Família Real Portuguesa, Período Joanino, Erário Régio.*

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## 1. INTRODUCTION

The decree of the continental blockade aimed to end the economic and military power of the United Kingdom (issued by Napoleon through the Berlin Decree on November 21, 1806), and the new successes of the expansionist dynamics of Napoleonic France against Prussia and Russia radically modified the image of the political balance in Europe in 1807, with French predominance on the mainland. With that, an extreme situation was created, in which the Napoleonic forces, victorious in the east, could now direct their attention to the Iberian Peninsula.

In the Spanish context, the triumph of the French Revolution and the subsequent execution of Louis XVI broke the alliance that France and Spain had long maintained. The reason for the breakup was the displeasure of the Spanish monarchy for the execution of Louis XVI agreed by the Convention (name of the French assembly that at that time governed the neighboring country), which had decided on January 17 on the execution of the French king, carried out four days later, on Monday, January 21, 1793. From then on, the difficulties increased efforts, and diplomatic balances to maintain peace with revolutionary France became impossible. A later attempt of Prime Minister Manuel Godoy to prevent the war also failed. So, on March 7, 1793, the Convention took the lead and declared war on Spain, resulting in the so-called War of the Convention, also known as War of Roussillon or War of the Pyrenees, for taking place only in Guipúzcoa, Navarra, Aragon, Catalonia, and Roussillon. After some encouraging beginnings, it was disastrous for Spain, affecting both Navarra and the Pyrenees, which had been the main theatre of the war. For this reason, Spain was forced to sign peace with the French at Basel Cathedral on July 22, 1795, which, in view of the possible consequences, was not that catastrophic.

After so many fights, in a succession of brilliant victories, Napoleon Bonaparte's army had brought all the reigns of the European continent to their knees, becoming the emperor of the French, in 1807, the absolute lord of almost all Western and Central Europe (Gomes, 2007). Nonetheless, through a series of conquests and alliances, Napoleon had simply been unable to subdue England. The Treaty of Fontainebleau, signed on October 27, 1807 by the plenipotentiary Councillor of State and War Eugenio Izquierdo on behalf of Manuel Godoy, a favourite of Charles IV, and by Gérard Duroc, aide-de-camp and representative of the French

emperor, precisely stipulated the Franco-Spanish joint military invasion of Portugal, aiming at the passage of Napoleonic troops.

According to Sodr  (2009), in addition to the closure of Portuguese ports to British shipping the main French motivation was the arrest of the British subjects residing in Portugal and the confiscation of their properties. Since the first conflicts between France and England, Portugal had maintained a policy of neutrality, with Portuguese diplomacy oscillating between maintaining the traditional English alliance and complying with the demands of France and Spain. Under this difficult situation, Prince Regent John [then Duke of Braganza, and future King John VI] eventually decided to transfer the Portuguese crown to Rio de Janeiro city, in Brazil. For this, Portugal accepted the English conditions and was supported by Portuguese statesmen, mainly Rodrigo de Souza Coutinho.

The transfer of the Portuguese royal family to Brazil<sup>2</sup>, then a Portuguese colony, was headed by Queen Maria I of Portugal and Prince Regent John, with the entire court established in Lisbon. Together with them arrived nearly 5,000 nobles and 10,000 courtesans, among civilian and military people (Rios, 1908, p. 11). In spite of the time pressure, the disorder of the employees, the surprise and the fear of a people threatened by the troops of Napoleon Bonaparte that was arriving in Portugal in 1808, the Portuguese crown managed to arrive in Brazil safely and in due course.

Consequently, owing to the presence of the Braganza royal family, Rio de Janeiro, provisionally became the headquarters of the House of Braganza, acquiring an important role in the political, economic, and social context. The arrival of the Portuguese Crown raised the city to a situation that implied that the entire Portuguese colonial empire was governed from one of its colonies, Brazil, elevating it to a legal and administrative situation equal to that of their metropolis invaded by foreign troops. All this gave rise to the beginning of a series of transformations that forced the redefinition of the limits of the metropolis for the Portuguese court in Rio de Janeiro (Cabral and Camargo, 2010, p. 20).

As usual in monarchical regimes, the history of the country is inextricably tied to the history of the king. The escape of the royal family to Brazil from Portugal on November 27, 1807 represented a major transformation in the daily life of the city of Rio de Janeiro. Moreover, the presence of the Portuguese royal house in Brazil between 1808 and 1821<sup>3</sup> played a significant role in the history of the then colony of Portugal as it led to a revitalization of its economic, social, political, and cultural life. Therefore, we can highlight the great advances that were achieved as the capital of the Portuguese Empire, in everyday life, especially in areas such as commerce, urban planning, economy, finance, administration, and accounting. As for the last aspect mentioned, we must highlight the valuable legacy that exists, and that today is preserved in different files, on the accounting referred to the administration of the Portuguese monarchy, which will allow us to access and show the accounting practices developed during the period of permanence of Prince Regent John (later

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<sup>2</sup> The escape of the Royal family from Lisbon was protected by ships of the British Royal Navy, in addition to the small Portuguese war fleet. Since November 27, 1807, in Lisbon docks the belongings of the Portuguese crown, mainly art collections and valuable possessions of the Braganza royal family, were already being stored. Furniture and objects of aristocrats and royal officials, as well as archives, documents, libraries (most of the National Library of Portugal), and large amounts of gold and silver were being transported extensively to Brazil.

<sup>3</sup> The Brazilian literature usually calls the moment in the history of colonization of Brazil when the Portuguese royal family inhabited the city of Rio de Janeiro as the "Johannine period". We will always use this term throughout the article when referring to this period.

King John VI) in Brazil and its relation to the information needs that the different economic agents express in relation to their own activities.

It should be noted, on the one hand, that the withdrawal of the Royal family from Lisbon to Brazil was an unprecedented experience in the history of modern colonial empires (Pimenta, 2007, p. 15). On the other hand, the permanence of the Portuguese court in Brazil also enables us to show aspects of the history of the foundation of the Brazilian State, which until then had functioned as a Portuguese colony, without any type of right or interest.

For this reason, the choice of said period in this study is justified because it was when the United Kingdom of Portugal, Brazil, and Algarve was created, raising Brazil to the same political level as Portugal. This fact influenced the preparation of financial statements in the Brazilian public sector and provides information on the annual reporting of the period in which it was created. Furthermore, according to Chatfield (1974, p. 3), the view of accountancy as a mirror of socioeconomic development has analytical implications, considering that much of what is known about the daily life of ancient societies has come down to us through their account books.

The purpose of this article is to analyze the quality of the accounting information recorded in the annual balance sheets of the General Ledger of the 2<sup>nd</sup> General Accountancy Office of the Royal Treasury, examining its accounting entries and comparing it in different periods and determining its functionality as a tax control tool. To do this, first, we investigated the accountability of the Portuguese monarchy attached to the Brazilian royal treasury in a moment of the history of Brazil that marks the stay of the Portuguese royal house in Rio de Janeiro. Secondly, we analyse the extracts from the accountability, identifying the amounts and characteristics determining balances collected to try to obtain all information possible and perform an economic-financial analysis, considering the context.

This research contributes a historical case-study of a public entity and the accounting procedures adopted to deal with a unique set of political, economic, and social circumstances. Among the most highly relevant facts, we cite the use of the double-entry bookkeeping method in the recording of accounting books in the royal treasury. According to Rodrigues (2011a, p. 2), the royal treasury used to record all taxes using the double-entry debit and credit technique, which was an important innovation in terms of accounting, and favoured much more rigor and transparency to the public accounts, because until then the Portuguese public administration used to register them by simple-entry bookkeeping.

To develop the investigation, we used mainly primary sources kept in the collections of the Brazilian National Archive, as well as royal orders and decrees that were published within the time frame studied. The interpretation and analysis of the content of the accounts reported in the annual balances of the general ledger covered the period from 1814 to 1820.

This article is structured as follows. After this introduction, Section 2 describes and justifies the methodological procedures applied in the research. Section 3 characterizes the role of the State and the Public Administration during the stay of the Portuguese court in Rio de Janeiro, which had to adapt to the new political, social, and economic demands resulting from the transformation of Brazil into the seat of the Portuguese monarchy. Section 4 offers a view of the systematized elements in the creation, structure, operation, and functions of the royal treasury, one of the main administrative bodies established in Brazil due to the coming of the Portuguese royal family in 1808. It also discusses the aspects that refer to the Portuguese public administration regarding the organization and design of jobs in the organizational structure of the royal treasury, focusing on the role of accountant and the

specialization of the position. Section 5 shows the Brazilian treasury administration and the mechanisms that regulated the taxation of goods and products in the economic activities of the colonies and their different levels of power. Section 6 presents the empirical study through the description and analysis of the Annual Balances of the General Ledger of the 2<sup>nd</sup> General Accountancy Office of the Royal Treasury within the period 1814-1820. There is special emphasis on the aspects object of the annual reports on the financial situation of the Portuguese crown, qualifying their evolution, format, and content in historical and economic terms. Section 7 discusses the results and practical implications of the investigation, followed by the bibliography used as a reference in the study.

## 2. METHODOLOGY

We examine an old primary material of Brazil's Royal Treasury based on the existing records of the period under study, 1814 to 1820, which are preserved at the Brazilian National Archives (in Portuguese: *Arquivo Nacional*). Created in Rio de Janeiro in 1838 as the Imperial Public Archives, it was renamed in 1911, having the institutional responsibility for the management, preservation, and dissemination of Brazilian federal government documents.

To characterize and report the nature of the variables which are to be known, we used a descriptive and exploratory approach (Köche, 2007). The first step was a literature review of prior and current research on those materials. After that, the deductive method was used as a methodological procedure, from the direct examination of the primary sources available in the collections of the Brazilian National Archives. The 1914-1922 balance sheets of the Ledger Book of the 2<sup>nd</sup> Royal Treasury General Accountancy were found in the archives. We did not include the last two years in the study, due to Don John's return to Portugal on April 25, 1821, after a thirteen-year stay in Brazil. To analyze the content of the data, we used the content analysis methodology (Bardin, 2018), trying to examine the facts and basic components of a given phenomenon in its daily context and to interpret how social actors behaved in their time (Berwanger & Leal, 2015).

Consequently, the data are examined considering both the historical-accounting context, as well as the events that occurred in the past and the situations that gave rise to them. This research approach is relevant, not only to know the character of the accounting entries, but also to examine the performance of the royal treasury, in terms of fiscal control and its political, administrative, accounting, and financial arrangement during the stay of the Portuguese royal house in Brazil.

Due to the qualitative nature of the research, the method used was an exploratory and descriptive case study. This methodology is important to describe and interpret a practical situation, addressing the specific reality which is being investigated (Berry & Otley, 2004). The option to apply an epistemological approach based on a case study methodology, using documentary analysis and the construction of meaning as methods, involves the explanatory reality of the accounting practices observed (Ryan, Scapens & Theobald, 2002; Scapens, 2004). Case study methodology "not only describes the phenomena, but also explains why or how the phenomenon being studied is happening" (Adams, Hoque & McNicholas, 2006). In addition to providing a more appropriate analysis to add information that constructs alternative interpretation regarding the meaning of the relationships between the variables investigated, this method also enables explanations or interpretations about the phenomenon within its real-life context (Yin, 2018).

### **3. SOCIAL, POLITICAL, AND ECONOMIC SCENARIO OF THE TRANSFER OF THE PORTUGUESE CROWN TO BRAZIL**

According to Prado Junior (1994), it had not been observed the development of a national economy in the Brazilian context before 1808, within the colonial period. In practice, there was a total absence of any type of production or distribution system of goods and resources. Furthermore, in the colonial days of Brazil, practically no political ideology was allowed, and neither was cultural or economic freedom. From the point of view of the Portuguese colonial regime, these things were severely prohibited by the King of Portugal, Don José I. Thus, since the mid-eighteenth century, the installation of factories in the colonies, the creation of schools and libraries, the circulation of books and newspapers, as well as associations and discussions of ideas, and the development of political unions and any other form of cultural movement or free production of goods, were strictly controlled by the peninsular Inquisition (Leite, 2005, p. 33).

On the other hand, the arrival of the Portuguese royal family in Brazil occurred under a conjuncture where the trade in colonial agricultural products was once again an important factor for the economy of the kingdom of Portugal, benefited by the measures implemented in previous decades (Barcelos, 2014). For this author, "after centuries of colonization, the economy of the colony began to develop internally, establishing regional marketing networks and gaining a dynamic of its own, a little more independent in relation to the metropolis".

Rio de Janeiro became the center of the Lusitanian Empire with the presence of the house of Braganza in Brazil. Consequently, there was an incipient growth of commerce and industry activities, encouraging significant changes in the administration of the Portuguese monarchy in the tropics. On the other hand, this represented "a first step towards the great transformation that would take place in the country in the future" (Prado Júnior, 1994, p. 131). Some historians like Martins (2008, p. 1) classify this historical moment as a "second discovery of Brazil", as it intensely affected Brazilian life in so many aspects associated with society, economy, politics, culture, and citizen behavior, with the consequent elevation of the importance of Brazil within the Lusitanian imperial scheme. Under this context of important transformations, Martins and Abreu (2015) highlight the expansion of the coffee production, previously prohibited, which became, at the end of the 19<sup>th</sup> century, the main Brazilian export product. Also contributing to this new framework was the elevation of the colony status to the United Kingdom, which provided equal rights between Portuguese and Brazilian citizens (Lisbon, 1818, p. 17-21 and 66-69) and represented a great political advance towards the emancipation of Brazil in 1822.

Among the several measures taken by Don John, the then prince regent, the following stand out: (i) the opening of the ports of Brazil to customs free trade with "friendly nations", especially with the English, on January 28, 1808 (Ricupero, 2007); (ii) the revocation, on April 1, 1808, of the January 5, 1785 charter, which prohibited the establishment of manufactures in the colony, marking the end of the control of the metropolis over colonial trade (Barcelos, 2014); (iii) the implementation of a government model based on the same structure existent on the Portuguese State in Europe (Malerba, 2014); and (iv) the English

influence, which culminated in the privileges of the "Unequal Treaties"<sup>4</sup>, of 1810, with the economic predominance of England (Martins, 2008).

The transfer of the Portuguese royal family to Brazil caused the political and economic administration of the Portuguese colonial Empire (which also included territories in Africa and Asia) to be forcibly directed from Rio de Janeiro. Consequently, especially in this city, it was necessary to install a large and complex administrative structure to adapt to the recent political and economic demands of the then colony in its new status as seat of the Portuguese monarchy (Cabral & Camargo, 2010). Therefore, the management of Don John in the first years was very abundant with organizational initiatives. Martins (2010) points out that nearly all the existing organizations in Portugal (administrative, judicial, military, and educational) were recreated in Brazil. In other words, the institutional configuration of senior management in the new capital of the Portuguese-Brazilian Empire, Rio de Janeiro, was "formed, in large part, by the same institutions existing in Lisbon, recreated or transplanted with their names and employees" (Stumpf, 2018, p. 340).

However, to Haag (2009, p. 96), although important transformations had occurred during the period of permanence of the prince regent in Brazil, his government "was characterized by extreme conservatism, which reduced the performance of public power to administrative matters that had to be resolved according to the practices of the old State". However, although with the same failures and vices of their Lisbon counterparts, in the case of Brazil, nonetheless, its effects were beneficial, considering the situation of limitations and deficiencies experienced in the colony (Martins, 2010, p. 31).

On the administrative instances, in the new Brazilian context no type of specific device was attributed. The centralizing nature of Portuguese management ended up granting greater administrative autonomy to Brazil. This fact, according to Cabral and Camargo (2010), would imply on future conflicts over the concomitant existence of two centers of authority, one in Rio de Janeiro and the other in Lisbon. Consequently, the integration plan of the Portuguese Empire, which presupposed a hierarchical, centralized administration with the pole of hegemonic power configured from Portugal, became virtually impossible.

One of the main institutions that arose in this context is the Brazilian Royal Treasury, in the form of a mimetic isomorphism (DiMaggio & Powell, 2005). It was a superior governing body, created according to the same guidelines of the Royal Lisbon Treasury (Magliano Junior, 2012), including its characteristics of "total hierarchical control" of the "Treasury" (Wehling, 1986). Consequently, a polarity of power occurred during the period of permanence of the Portuguese court in Brazil. This implied the unusual existence of two distinct types of units of fiscal power, each with its own activities to control the Portuguese state's assets and income. Therefore, there was the simultaneous action of two institutions aimed at managing the royal treasury in the Portuguese Empire (Barcelos, 2014, p. 23).

On the one hand, there was one located in Lisbon, the oldest, whose powers and tasks were focused on Portugal, since the prerogatives of the Lisbon Royal Treasury continued to be exercised only on the metropolitan financial administration. On the other hand, there was

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<sup>4</sup> These are the commercial and navigation agreements concluded between the Prince Regent of Portugal, Don John, and George III, the King of the United Kingdom of Great Britain and Ireland, signed in Rio de Janeiro on February 18, 1810 and ratified, then, by Letter of Law on the 26th. They are called unequal treaties due to the customs privileges granted to the British (15%), while Portugal was paying 16% and the other nations 24%. In addition, the free port of the island of Santa Catarina (now called *Florianópolis*) was transferred to English supervision.

another located in Rio de Janeiro, that was newer and was created specifically for this extraordinary situation experienced by the Portuguese court, known as the Royal Treasury of Rio de Janeiro, also called the Royal Treasury or the General Treasury, and later the Public Treasury, on September 20, 1821, by Decision n. 61 (Brazil, 1890, p. 43). Due to this, the management of the overseas institutions belonging to the kingdom and dominions of Portugal was transferred to that new governing body, which had to take charge of their accounting (Aidar, 2016, p. 15-16). Internal accounting control was conducted twice. It was also the responsibility of that treasury to manage the jobs and offices related to the tax service, and to control all the businesses (accounts, proposals, administrations, and contracts) pertaining to the collection, distribution, and management of the royal treasury of the continent and overseas domains, including inspection of factories, foundries, and mines under their power.

The Royal Board of Agriculture, Commerce, Factories, and Navigation was equally created on August 23, 1808 for this specific situation. Also following the model that already existed in Portugal, it was directed by the president of the royal treasury and functioned as a higher court, with administrative and judicial functions, which included, among others, the promotion of productive activities. There was also the granting of privileges and exemptions, up to the administration of goods of deceased, authorization of classrooms of commerce, and solution to commercial disputes (Cabral, 2011).

In addition to these transformations resulting from the coming of the Portuguese royal house to the colony, Barcelos (2014) points out that three other official institutions also stood out, all created in the early years of the Johannine period: (i) the School of Commerce; (ii) the Royal Press; and (iii) the Bank of Brazil.

(i) The creation of the School of Commerce (in Portuguese, *Escola de Comércio*), for the teaching of business practices, is considered of fundamental importance for the dissemination of Brazilian accounting in the 19<sup>th</sup> century, since it sought to provide merchants and public employees with specific technical knowledge in the area of business, having José Antonio de Lisboa (Viscount of Cairu) as its first teacher. It is important to highlight that, until the arrival of the Portuguese court in Brazil in 1808, it was common for merchants living in the colony to send their children to learn accounting practices in the School of Commerce in Portugal (Santana, 1985). According to Araújo (2012), in the period from 1759 to 1808 approximately 2,100 students enrolled in this school in Lisbon, among Portuguese candidates and others coming from various countries belonging to the Portuguese Empire, specifically from Brazil, 35 students were enrolled in these classes. Consequently, it became necessary to have an official educational center capable of "recreating accounting, on a periphery of the Empire (Brazil), as taught and practiced when Portugal was the center of the empire at the time of the prince regent's grandfather" (Araújo, Rodrigues & Craig, 2017, p. 49). Hence, the creation of the School of Commerce of Rio de Janeiro occurred at a very propitious moment due to the changing scenario of the Johannine period and the development of the emerging Brazilian accounting. It performed a relevant role in the training of professionals to meet the demands of the new headquarters of the Portuguese monarchy. Araújo and Rodrigues (2013) mention that the school in Rio de Janeiro was governed by the same statutes as Lisbon School of Commerce and its mission was to provide qualified personnel in accounting practices and prepared to work both in public and private bodies of the Brazilian colonial domains.

(ii) To communicate acts and news of interest to the court, on May 13, 1808, Don John created the Royal Press, the first Brazilian publisher, which was intended particularly to print the legislation and official documents of the government in Brazil, and in addition, to expand

the political image that suited the house of Braganza (Dynasty of Braganza). The Brazilian Royal Press operated as a subsidiary of the publisher with the same name existing in Lisbon and published, mainly, the newspaper *Gazeta* of Rio de Janeiro, a newspaper that allowed the circulation of news about the colony, although restricted, for being, in fact, a communication vehicle used to expand the image of the royal house. For the Braganza monarchy it was essential to defend and strengthen the integrity of its power and influence in its colonial domains, mainly in Brazil, against the French advance in Portugal. Furthermore, "information constituted a fundamental weapon to prevent Brazil from receiving neighboring influences that could be harmful to the maintenance of the current order" (Pimenta, 2007, p. 18). Nonetheless, there was a private newspaper published monthly in London, called the "Correio Braziliense", which fed the population with information regarding matters related to the Portuguese empire (Pimenta, 2007, p. 17). Its circulation in the captaincies of Brazil was officially prohibited by orders of the government of the Prince Regent, since its content was considered too critical of the domain of Portugal. The transfer of the Portuguese court to Brazil happened "to flood the public spaces of discussion regarding political matters in Portuguese America, offering themes, examples, warnings, and paradigms". According to Pimenta (2007, p. 18), this transformation and expansion of public spaces for political discussion was progressively developing, altering radically the very forms of the exercise of politics at all levels and in all social strata".

(iii) The Bank of Brazil was extremely important to the Brazilian economy, as it was the first banking establishment created in the colony after the arrival of the Portuguese royal family. Its actions were considered essential to alleviate the shortage of currency in Brazil and to stimulate the growing commercial relations after the opening of the ports. Aside from acting as an incentive for investments in new production sectors, it developed a significant role as a financial institution. One of the main examples was that it served to boost the economy, in the face of the practical absence of a metropolis that could assume a leading role. Notwithstanding all these contributions, this public bank had the key role of financing the expenses made by the crown to adapt the infrastructure of the new headquarters of the kingdom (Cardoso, 2010, p. 169). It cannot be forgotten that, together with the prince regent, not only the Court of Lisbon had moved to Brazil, but also hundreds of bureaucrats, military, and aristocrats. Besides reproducing the same mechanism of operation of the Portuguese public administration of the metropolis on Brazilian soil, numerous Brazilian citizens and Portuguese residents were forcibly introduced into the new governmental machinery. For political, economic, and strategic reasons of the crown, these people had not enjoyed any type of benefit offered by the Portuguese state until then.

From a geographical point of view, most of the changes occurred naturally in Rio de Janeiro, which had already been the capital of the colony since 1763. Nevertheless, with the arrival of the Portuguese royal family, this city assumed the role of "Court", becoming in a short time one of the main urban centers of the Americas and one of the largest commercial centers of the South Atlantic (Martins, 2008). One of the great impacts caused was migration, which doubled the population with the coming of both foreigners and Portuguese individuals to Rio de Janeiro, between 1808 and 1821. Another important framework, according to Martins (2008), was the urban and architectural development, with the construction of public buildings, palaces, and luxurious residences, in which the nobility, the high bureaucracy and wealthy merchants lived. It should be said that Rio de Janeiro, at the time of the arrival of the Portuguese court in Brazil, had about 48 streets, eight parks, a square, four cross streets, six

alleyways, and two slopes as passable areas, denoting the state of delay that this city was in (Rios, 1908, p. 15).

Although the impact of the arrival of the Portuguese court in Brazil was strong, notably in its social, political, and economic aspects, the main effects caused were on the management structure, especially in Portugal. Due to the successive changes in the Portuguese organizational structure in Brazil, Rio de Janeiro gained more importance than Lisbon. This conferred more and more autonomy to the practices of the colonial administration. Although 34% of the inflation was discounted in the period between 1808 and 1821, there was visible economic growth, especially driven by foreign trade (Wehling, 2019), which benefited merchants, owners, and official agents, allowing the expansion of the public machinery (Buescu, 1978).

#### **4. THE ADMINISTRATIVE AND FINANCIAL INCOME MANAGEMENT OF THE PORTUGUESE CROWN IN BRAZIL**

Even though the ideals of the French Revolution had motivated the fight for profound economic, social, and political changes in European societies in the 18th century, the philosophy of power in societies did not change much. The public administration of the time, in most European kingdoms, was still organized under centralized control based on the power of the absolute state, represented in the form of an absolute monarchy.

In Portugal, with the death of Don John V in 1750, Dom José I ascended the throne, who, given the difficulties of the Portuguese Kingdom, appointed Sebastião José de Carvalho e Mello (later known as Marquis of Pombal or Count of Oeiras) as Secretary of Foreign Affairs and, subsequently, Prime Minister of Portugal. Under Pombal's management, several economic, administrative, and social reforms were undertaken aimed at bringing Portugal closer to the economic and social reality of the countries of Northern Europe.

Pombal's period was the moment when an objective, autonomous, and nationalist economic policy was introduced to reduce the growth of economic dependency on the English domain (Furtado, 1988, p. 64). To this end, Pombal implemented a centralizing organizational structure under his command, capable of rationalizing the economy, finance, and wealth management, enhancing fiscal control and reducing opportunistic behavior, especially embezzlement and corruption (Vasconcelos et al., 2008, p. 10).

Among the measures implemented by its institutional reform, the creation of the Royal Treasury and the Boards of the Royal Treasury stood out with the aim of unifying the tax accounting management systems under the king's accountability. Wehling (1986, p. 112-114) points out that the creation of the royal treasury was the result of an administrative project based on a regime of absolute financial and accounting centralization of the expenses and income of the Portuguese kingdom, highlighting as main measures: (1) adoption of accounting records in double entries, as a writing method; (2) preparation of semiannual statements of income and expenses, as an accountability mechanism; (3) valuation of the role of the accounting professional, as responsible for the patrimonial and financial control management of the state wealth; (4) reorganization of the state bureaucracy, as a means of improving tax management, increasing administrative efficiency, and fighting corruption and smuggling; (5) definition of the economic scenario of the kingdom of Portugal, as the best way to determine the budgetary management of the flows of expenses and income; (6)

execution of improvements in the operating profitability of the state machine, as a measure to reduce expenses with the court, with public works and avoid too many costs with sumptuous or unnecessary investments.

That same administrative structure of the Portuguese state was reproduced in Brazil without incident, that is, without the creation of new institutions differentiated and adapted to the demands of the court, after its transfer from Portugal (Lyra, 1994, p. 132). Araújo, Rodrigues and Craig (2017, p. 49) point out that the imperial self-image of Portugal as the center of the empire was transported to a new center in the periphery (Brazil), as a compensatory strategy to help build the sovereignty and identity of the Portuguese court in Rio de Janeiro.

In addition to securing its natural South American territorial border, not yet clearly established in its population centers and political organization, the Portuguese state also had to institute a necessary effectiveness in its administrative practices (Lyra, 1994, p. 134-137). Consequently, the formation of efficient staffs for the management of the monarchy became a key factor for the constitution of a support for the regime, as well as the creation of effective control mechanisms for the proper exercise of public management.

Although the management model instituted by Pombal's reforms sought progressive administrative rationalization in the distribution of the different competences in the state administrative machinery, the recruitment process was not always based on objective institutionalized relations by meritocracy. In the composition of the administrative staff in the court of Prince Regent Don John, still prevailed the culture of appointing public officials to the high positions of the Portuguese administration motivated by subjective criteria associated with personal relationships. The need to accommodate a large number of noblemen and their servants who accompanied the royal family to the new world largely determined the way in which the new benefits were carried out in the public administration recreated in Rio de Janeiro (Stumpf, 2018, p. 341).

The royal treasury could not afford the high cost of the Portuguese empire during the reign of Don John in Brazil, since the monarch used to resort to benefit the subjects of his government (public officials, employees of the royal palace, colonial merchants, and even the military and religious) loyal to the Portuguese royal house, and who were rewarded for their fidelity, granting appointments to high public offices or noble titles and honorable distinctions, which gave them recognition and social prestige (Lemos, 2012, p. 107-110). Being graced with royal mercies, especially as a deputy in the Royal Board of Commerce, Agriculture, Manufacturing and Navigation, represented a powerful mechanism for social advancement in the court of Don John and noble recognition in business (Braga, 2013, p. 81). To preserve the superior interests of a common nature and of the dynasty itself, Don John granted 144 titles during his administration as prince regent in Brazil. This governmental action of the Portuguese monarch, consolidated in a government practice, affected the whole society, socially projecting men of high military patent, church dignitaries, court judges, advisers of the treasury and of war and some negotiators, senior and official accountants of the estate and real estate (Silva, 2005, p. 292).

The discussion on the governance structure of the court of Don John in Brazil goes beyond the limits of this investigation, given that "as in other European courts, in general, the royal houses used to accumulate structuring functions of the royal family and state administration, there is no clear distinction between domestic administration and kingdom management" (Cabral & Camargo, 2010, p. 47). Furthermore, as Oliveira (2013, p. 9) points out, the emergence in Portugal of public and private organizations with special powers and obligations,

in some cases with significant dimensions, "also forced the use of more modern provisions of accounting, favoring the emergence of a public school dedicated to teaching accounting practices and other disciplines considered useful in promoting economic and trade activities".

Bearing in mind that the economy was considered a fundamental pillar of government in the centralized administration of the Portuguese kingdom, we present the role of the administration of the state, emphasizing accounting practices and their economic effects. Moreover, the economy becomes a subject of great interest to the king, as it encompasses the business carried out, in the private and informal context, by the royal family in search of the means available for their sustenance and growth (Cabral & Camargo, 2010, p. 63).

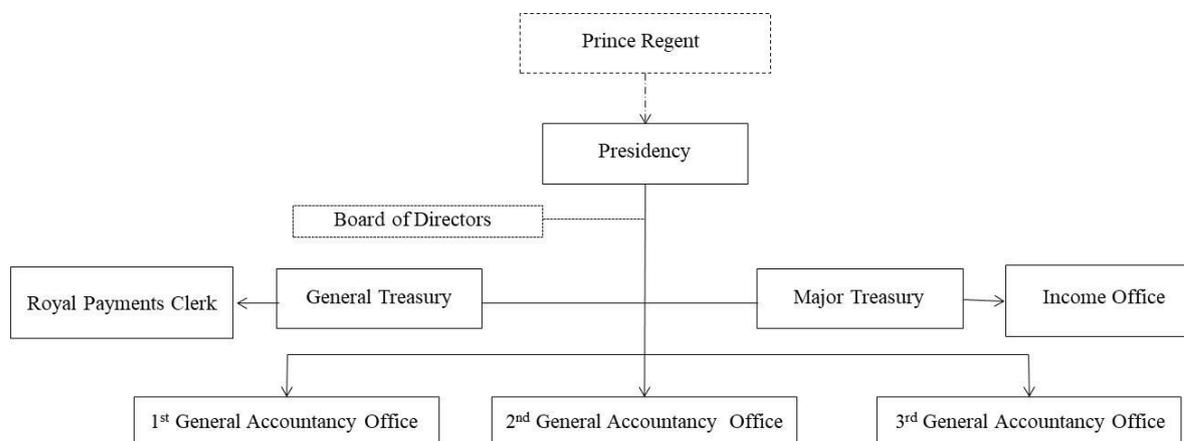
Consequently, in the economic sphere, it was considered important to centralize the management of public accounts in an institution that, on the one hand, would be in charge of collecting the crown's tax duties, thus covering the fiscal management needs arising from the overseas expansion and, on the other hand, assumed control of the business performed by the royal family. For this, it was also necessary to have elected agents who directly supervised the activities accomplished in the empire in order to guarantee the collection of real income, made up of taxes, own income, tobacco commerce, state monopolies, convictions, and patronages (Subtil, 1998).

For this purpose, Brazil's Royal Treasury was created, on March 11, 1808, accountable for the tax apparatus and its accounting of the Portuguese government in the tax administration of the kingdom and domains and in the accounting of public accounts. According to Rios (1908, p. 16), the royal treasury was located in an area between *Rua da Lampadosa* (currently *Av. Passos*), *Travessa da Lampadosa* (now *Rua Luiz de Camões*), *Rua do Alecrim* (later, from 1850 onwards, it became known simply as *Rua do Hospício*, and today it is called *Rua Buenos Aires*), and *Rua de São Jorge* (later called *Travessa do Senhor dos Passos* and currently known as *Rua Gonçalves Ledo*).

There were no great variations in the statute that regulated internal functioning of the Brazilian Royal Treasury (Brazil, 1891a; 1891b), in relation to the model that had been proposed to its correspondent in Lisbon. Only in the case of the structure of accountant offices were there slight variations in terms of quantity and geographic control, since modifications were made adapting this function to the new organization of the territorial structure of the Portuguese empire.

With the arrival of the Portuguese court, the changes derived from the reforms with the royal treasury were bigger, progressively assuming new functions and new structures, such as the powers of the then General Director of Diamonds, of the Administrative Board of New Taxes, of the control of the Royal Loan, and of the management of the General Treasury of Salaries and the Tenth of Sugar. In any case, the statutes of the Brazilian royal treasury remained largely stable, guarding all forms of collection of the kingdom in order to assemble a sufficiently firm and coherent fiscal apparatus, so as to promote more rigid and centralized supervision of the great expenses which the king had to support during his period of stay in Rio de Janeiro.

Unlike its Portuguese counterpart, the Brazilian royal treasury was constituted by four organizational structures for its operations (royal treasury, board of directors, general accountancy, and general treasury), in addition to its president, representative of the king (Araujo, 1830, p. 54). The hierarchical structure of the Brazilian royal treasury is presented below, according to the Letter of June 28, 1808 (Brazil, 1891a, p. 74-75).

**Illustration 1.** Brazil's Royal Treasury Organizational chart (1808-1819)

Source: Own elaboration

This structure was subsequently changed, with the creation of a fourth accounting office, called "General Accountancy Office of the Colonies", by means of the decree of December 22, 1819 (Brazil, 1889b, p. 84). This office determined that the accounting of the funds applied for the establishment of the colonies and the business transactions related to the administration and collection of said funds had to be performed separately from the other matters on the royal treasury. For this purpose, one more general accountant was appointed, but there is no reference to the organizational structure of this position.

The different institutions that constituted the structure were: The board of directors formally comprised the president, the chief treasurer, and the clerk, who were in charge of making the most important decisions of the treasury. They were able to summon an external rapporteur as an additional member, who could be the general treasury attorney, or the general accountant or any other minister of state, and even, according to the case, in an extraordinary way, request the presence of a private person.

The general treasury was composed of a general treasurer and a first registrar. It had more specific operative functions related to the management of the state apparatus, such as income and expenses control, and the sending of paid wages, pensions, interests, and retirement under state responsibility. The major treasury centralized the knowledge of all the financial operations accomplished by the Portuguese treasury. Therefore, it was up to the major treasurer to keep the record in an income and expense book (currently cash book), counting on the services provided by a general treasurer who financially controlled all the inflows and outflows of money collected and paid by the government of Prince Regent Don John throughout the fiscal year.

Under the organizational structure of the royal treasury it was also created the general accountancy office, organized in three units according to the territorial structure of the Portuguese empire, being responsible for maintaining the accounting records. Table 1 shows the organizational governance structure of the royal treasury and the assigned powers of each, according to the regulatory framework in force at the time.

The workforce of the royal treasury began with 66 employees in 1808, distributed in three accounting offices and two treasuries. At the end of 1817, the workforce had reached a staff of 122, divided in 12 job positions along the five departments. Although the treasury was

directed formally by a president, it was the king who had the power to give the last word in the decision-making, both regarding their organizational constitution and operation, as well as in the recruitment of workforce for the technical positions of the accounting offices. Consequently, only four people would be aware of the economic and financial situation of the sovereign's treasury: the chief treasurer, the general treasurer and his respective clerk, and the king himself (Rodrigues, 2011a, p. 18). The general accountants themselves controlled and had powers over the matters relating to their respective accounting office only.

**Table 1.** Organizational Structure of the Royal Treasury in Brazil – 1808 and 1817

FUNCTIONS	MAJOR TREASURY		GENERAL TREASURY		1 <sup>ST</sup> GENERAL ACCOUNTANCY		2 <sup>ND</sup> GENERAL ACCOUNTANCY		3 <sup>RD</sup> GENERAL ACCOUNTANCY		TOTAL	
	1808	1817	1808	1817	1808	1817	1808	1817	1808	1817	1808	1817
General treasury	1	1	1	1							2	2
General accountant	-	1			1	1	1	1	1	1	3	4
First registrar	1	1	1	1							2	2
Second registrar	-	1									-	1
First bookkeeper	2	1			3	2	3	1	3	3	11	7
Second bookkeeper	2	4			3	3	3	4	3	5	11	16
Third bookkeeper	2	5			3	3	3	4	3	8	11	20
Administrative Assistant	2	4			3	9	3	8	3	9	11	30
Trainee					1	10	1	9	1	8	3	27
Tax collector	4	4	1	1							5	5
Doorman	1	1									1	1
Office boy	6	7									6	7
<b>TOTAL</b>	<b>21</b>	<b>30</b>	<b>3</b>	<b>3</b>	<b>14</b>	<b>28</b>	<b>14</b>	<b>27</b>	<b>14</b>	<b>34</b>	<b>66</b>	<b>122</b>

Source: Own elaboration, based on data from IHGB (1966, p. 270-271), and Brazil (1891a, p. 151-154)

From an accounting perspective, the Brazilian royal treasury was divided into three general accountancy controls, each managed by a senior accountant. They provided accounting records using the double-entry bookkeeping technique. This method made it possible to supply, without delay, a faithful representation of the financial information, helping to assess the state of the accounts of each of the debtors or the creditors of the crown's incomes, as well as of the public funds of the entity (Rios, 1908, p. 18).

The Memorial, the Journal, and the Ledger were the three main record books used by Brazil's royal treasury record keepers in 1808 for the transcription of transactions or other events in accounting books (Brazil, 1891a, p. 76). Three general categories of secondary account books were also important to understand the record keeping in the royal treasury at the time. The first was used due to the need to report to the monarch on the state's financial resources. For such, the cash book was used to record the accounting entries of the revenues earned to the monarch and expense incurred in the operations of the Portuguese domain ascertained in each of the general accountancy offices. In addition, appropriate accounting records in other subsidiary books were also involved, as Current Accounts (destined to entry the revenues earned on the tax collection posts, receipts, treasuries, contracts, or tax administration) and Debtors and Creditors Account Control, called "personal accounts", identifying the person's or firm's name.

The 1<sup>st</sup> General Accountancy Office was responsible to record the financial facts regarding all the treasurers, storekeepers, collectors, administrators, suppliers, prosecutors, and contractors about the income and royal rights to be delivered in the City and Province of Rio de Janeiro. The 2<sup>nd</sup> General Accountancy Office was in charge of the accounting and collection of income from East Africa, Portuguese Asia, and the governments of Minas Gerais,

São Paulo, Goiás, Mato Grosso, and R o Grande de S o Pedro do Sul (currently Rio Grande do Sul), in addition to the administrations and contracts included in them. The 3<sup>rd</sup> General Accountancy Office was responsible for the bookkeeping and supervision of the royal income, including administration and contracts established in the governments of Bahia, Pernambuco, Maranh o, Par , Cear , Piaui, Para ba, Cape Verde Islands, Azores, Madeira, and West Africa.

Table 2. The First Employees of Brazil's Royal Treasury – 1808

In Cuento de Réis (Rs)<sup>5</sup>

NAME	ADMINISTRATIVE POSITION	CORPORATE STRUCTURE	ANNUAL WAGE	COMPETENCE	GRADUATED FROM
Fernando José de Portugal e Castro (Marquis of Aguiar)	President	Board	4:800\$000	Law	Coimbra University
Francisco Bento Maria Targini (Baron of São Lourenço)	Major Treasurer	Major Treasury	2:680\$000	Accounting	Lisbon School of Commerce
Manoel Jacintho Nogueira da Gama (future Marquis of Baependi)	First Registrar	"	2:000\$000	Mathematics	Coimbra University
João Ferreira da Costa e Sampaio	General Accountant Assistant	"	1:200\$000	Accounting	Lisbon School of Commerce
Antônio Homem do Amaral	Second Secretary	"	1:400\$000	Accounting	Lisbon School of Commerce
Venâncio José d'Azevedo Bello	Second Secretary	"	1:400\$000	Accounting	Lisbon School of Commerce
Apolinário José de Faria	Third bookkeeper	"	200\$000	Accounting	Lisbon School of Commerce
Basílio José Pinto	Third bookkeeper	"	200\$000	Accounting	Lisbon School of Commerce
Francisco Duarte Nunes	Tax Collector	"	400\$000	Engineering	Practical experience
Calixt José de Brito	Administrative Assistant	"	100\$000	Administrative	Practical experience
Theodorio Pulquerio da Silva	Administrative Assistant	"	100\$000	Administrative	Practical experience
Francisco Antônio Martins	Trainee	"	50\$000	Accounting	Rio Janeiro School of Commerce
Francisco Nunes Pereira	Trainee	"	50\$000	Accounting	Rio Janeiro School of Commerce
João Carneiro de Almeida	General Treasurer of Salaries	General Treasury	600\$000	Law	Coimbra University
João Prestes de Mello	General Accountant	1 <sup>st</sup> Accountancy Office	1:200\$000	Accounting	Lisbon School of Commerce
Bonifácio José Sergio da Silva	First bookkeeper and Assistant	"	600\$000	Accounting	
José de Rezende Costa	First bookkeeper to Portugal & England	"	600\$000	Accounting	
Manoel Joaquim d'Oliveira Leão	Second bookkeeper	"	400\$000	Accounting	
Manoel Duarte Nunes	Second bookkeeper	"	400\$000	Accounting	
Félix Ferreira de Andrade	Second bookkeeper	"	400\$000	Accounting	
José Aniceto Rangel de Caldas Tello	Third bookkeeper	"	200\$000	Accounting	
Francisco de Seixas Soto-Mayor	Third bookkeeper	"	200\$000	Accounting	Lisbon School of Commerce
Luiz Manoel Alvarez de Azevedo	Third bookkeeper	"	200\$000	Accounting	
Fernando de Souza e Silva	Administrative Assistant	"	100\$000	Administrative	Practical experience

<sup>5</sup> The *réis* is a deformation of the Portuguese word "*reais*", plural of the royal currency (which means the same as in English: "belonging to the King" or "proper to a King"). It was the currency of Portugal from 1430 to 1911. The *real* replaced the *dinheiro* at the rate of 1 *real* = 840 *dinheiros*. This same currency began to be used also in Brazil (colony of Portugal) as from the middle of the 17<sup>th</sup> century, following the Portuguese rule of not establishing divisions to the real.



Joaquim José da Silva	Administrative Assistant	"	100\$000	Administrative	Practical experience
Theodoro José da Silva	Administrative Assistant	"	100\$000	Administrative	Practical experience
João José Pereira Sotto	Trainee	"	50\$000	Accounting	Rio Janeiro School of Commerce
Francisco de Paula Ferreira de Amorim	Trainee	"	50\$000	Accounting	Rio Janeiro School of Commerce
João Maria Jacobina	Trainee of the 1 <sup>st</sup> Accounting Office	"	50\$000	Accounting	Rio Janeiro School of Commerce

Be continued

**Table 2.** continuation

NAME	ADMINISTRATIVE POSITION	CORPORATE STRUCTURE	ANNUAL WAGE	COMPETENCE	GRADUATED FROM
Antônio Marianno d'Azevedo	General Accountant	2 <sup>nd</sup> Accountancy Office	1:200\$000	Accounting	
João José Rodrigues Vareiro	First bookkeeper and Assistant	"	600\$000	Accounting	
Francisco Caetano da Silva	Second bookkeeper	"	400\$000	Accounting	Lisbon School of Commerce
Marianno Pinto Lobato (became general accountant)	Second bookkeeper	2 <sup>nd</sup> Accountancy Office	400\$000	Accounting	
Luiz Venâncio Ottoni	Second bookkeeper	"	400\$000	Accounting	
José Camillo da Silva Bittencourt	Third bookkeeper	"	200\$000	Accounting	
Vasco Henriques d'Amorim	Third bookkeeper	"	200\$000	Accounting	
Narciso Antônio da Rocha	Third bookkeeper	"	200\$000	Accounting	
Luiz Pedro de Valdetaro	Administrative Assistant	"	100\$000	Administrative	Practical experience
Thomaz José Tinoco	Administrative Assistant	"	100\$000	Administrative	Practical experience
João Rangel de Azevedo Coutinho	Administrative Assistant	"	100\$000	Administrative	Practical experience
Anacieto Venancio Valdetaro	Trainee	"	50\$000	Accounting	Rio Janeiro School of Commerce
Antônio José Caldeira	Trainee	"	50\$000	Accounting	Rio Janeiro School of Commerce
Emiliano Faustino Lins	Trainee	"	50\$000	Accounting	Rio Janeiro School of Commerce
Francisco de Paula Cabral de Mello	General Accountant	3 <sup>rd</sup> Accountant Office	1:200\$000	Accounting	
João Carlos Corrêa Lemos	First bookkeeper and Assistant	"	600\$000	Accounting	Lisbon School of Commerce
Elias Aniceto Martins Vidigal (became general accountant)	First bookkeeper	"	600\$000	Accounting	
Francisco Manoel da Cunha	First bookkeeper	"	600\$000	Accounting	
Manoel Joaquim Freire	First bookkeeper	"	600\$000	Accounting	
João Carlos Corrêa Lemos	Second bookkeeper	"	400\$000	Accounting	
Felipe Henrique da Costa	Second bookkeeper	"	400\$000	Accounting	



Francisco Lucio da Silva Serqueira	Second bookkeeper	"	400\$000	Accounting	
Diogo Barboza Rego	Third bookkeeper	"	200\$000	Accounting	Lisbon School of Commerce
José Procópio de Castro	Third bookkeeper	"	200\$000	Accounting	
Francisco d'Araújo Landim	Third bookkeeper	"	200\$000	Accounting	
José Pinto da Silva São Payo	Administrative Assistant	"	100\$000	Administrative	Practical experience
Casemiro de Oliveira Dias	Administrative Assistant	"	100\$000	Administrative	Practical experience
Izidoro Martins Soriano	Administrative Assistant	"	100\$000	Administrative	Practical experience
Tristão Rangel de Azeredo Coutinho	Trainee	"	50\$000	Accounting	Rio Janeiro School of Commerce
Joaquim Nunes de Carvalho	Trainee	"	50\$000	Accounting	Rio Janeiro School of Commerce
Bernardo de Souza Dias	Trainee	"	50\$000	Accounting	Rio Janeiro School of Commerce
Joaquim José Pinho	Trainee	"	50\$000	Accounting	Rio Janeiro School of Commerce
José Antonio Barboza	Doorman	Accountancy Offices	400\$000	-	Practical experience

Source: Own elaboration, based on Brazil (1891a, p. 6 and 89-90), Araujo (1830, p. 73-79), and Rios (1908, p. 24-25)



The general accountants appointed to manage the three accounting offices of Brazil's royal treasury were professionals with knowledge of mercantile calculations and experts in performing accounting records using the double-entry method. Each of them had six bookkeepers under their command, minimally capable of recording accounting facts or operations using the double-entry mechanism. The tax collector was an official representative of the state responsible to collect the tax rights of the treasury. The senior collector of each general accountancy office also played the role of expenditure payer in their tax jurisdiction and, in this case, kept a personal account recorded and controlled in the ledger book, according to the nature of the expenses made by him. The structure of the major treasury also provided the services of doorman and office-boy. The latter had tasks of a merely menial nature for the development of the administrative needs of the treasury, but sometimes also worked as a receptionist at the place where the general accountancy office was located.

In the royal letter of June 27, 1808, there is mention of the nature of the jobs and duties of Brazil's royal treasury, specifying that, according to customary law, these jobs maintained a contractual relationship of mere servants for three years, extendable for life, for which rights would not be paid (Godoy, 2013). This regulation also determined that dismissal of this type of workforce was exclusive to the prince regent, but did not apply to the function of office-boy, since these employees could be dismissed by decision of the president of the treasury (Brazil, 1891a, p. 88).

The first president of the Brazilian royal treasury, designated by the prince regent on March 11, 1808 was the Marquis of Aguiar (Don Fernando José de Portugal e Castro). On December 30, 1816, the Count of Barca, António de Araújo e Azevedo took office as interim president. Afterwards, on June 23, 1817, another temporary president was empowered, the Baron of Itaguaí, João Paulo Bezerra de Seixas. On November 28, 1817, a new president was appointed, Tomás António de Vila Nova Portugal, and was in charge of the presidency until February 25, 1821. As the last president of the royal treasury, before the royal family returned to Europe, the Count of Lousã, Don Diogo José Ferreira de Menezes, would be nominated. He remained as Prime Minister and Secretary of State for Finance Affairs until the independence of Brazil in 1822.

## 5. INCOME TAXATION IN THE JOHANNINE PERIOD

Although "income taxation is as old as civilization" (Chatfield, 1974, p. 203), Brazil did not possess any legislation providing taxing principles. From its discovery and exploitation by the Portuguese to the drafting of its first constitutional letter in 1824, there was no type of tax mechanism in Brazil that could be characterized as an articulated tax system. In colonial times, there were only scattered and unconnected norms establishing the exaggerated demand for taxes on Brazilian lands by the metropolis (Coelho, 2016).

During the colonial period there were two types of tax in Brazil (Matos, 2007). One of an ordinary nature referring to the income of the royal treasury (charged for the trade monopoly, customs duties, the fifth of metals and precious stones, and tithing), and the revenues of the general government (collected for the monopoly of any mill, farms, rights of navigation on rivers, rights over slaves, the fifth of brazilwood, spices, and drugs). The other, of an extraordinary nature, was taxed on exceptional occasions, such as to cover expenses

with troops or the construction of fortresses or cities (Souza, 1999). Regarding the extraordinary tax, the main charging resulted from the default on payment of royal rights over the fifth of gold mining (Coelho, 2016). This situation was a consequence of the tax payment reduction, derived from the decline of mineral extraction as from the second half of the 19<sup>th</sup> century. Consequently, the Portuguese tax authorities elaborated the Royal Act of December 3, 1750, which determined a new fiscal orientation of the Portuguese crown towards the colony. Popularly called the "*Derrama*"<sup>6</sup>, this statement imposed the collection of delayed taxes when considered appropriately due to the crown. One negative point highlighted by some authors is related to the *modus operandi* (despotic and despoiling aspect) in the execution of this form of charge due to the violence exerted by the tax-collectors (Gaspar, 2010; Amed & Negreiros, 2000). As Prado Júnior (1997, p. 177) said, "nothing mattered to Portugal but the taxation on the fifth in the mining activity, even if paid by force, because otherwise there would be bloodshed, confiscations, dungeons, or deportations to the Coast of Africa."

In general, the collection was the responsibility of private contractors to whom the crown leased, by contract, the tax collection rights for a certain period (Menezes, 2006). Much of the income from these tributes was destined to cover expenses of the military troops, construction of fortresses or cities in defense of the colony (Souza, 1999). In this sense, Araújo (2009) believes that the pattern of military spending throughout the 18<sup>th</sup> century represented 69% of the total tax revenue, based on estimates by the then Captain General<sup>7</sup> Martim Lopes Lobo de Saldanha from the São Paulo captaincy between 1775 and 1782.

The arrival of the Portuguese royal family in 1808 led to the creation of more taxes to cover the maintenance costs of the court in Brazil and of the implementation and operation of the new state structures. From the moment the then Prince Regent arrived in Brazil, the important decision was made to "open ports to friendly nations", through the Act of January 28, 1808, which established the collection of import tax rights of 24%, with the exception of wines, spirits, and sweet oils, which should pay double the "duties" hitherto paid. It should be noted that wine and sweet oils were mainly produced in Portugal (Godoy, 2008).

In 1810, international agreements were signed in counterpart to the British support for the preservation of the Braganza dynasty (Manchester, 1933, p. 92), which reduced the rates for the importation of English products to 15% and placed them at an advantage over the other nations. The rate signed for English products was even lower than the one practiced for Portuguese products since the Act of June 11, 1808: 16% (Mont Serrath, 2013, p. 283). This regulation directly benefited England in the sale of its products in Brazilian territory, beginning a tradition of dependency that lasted until World War 1, when an incipient import substitution model was processed in Brazil.

On May 28, 1808, began the increase in the tax burden of the Johannine period, with the creation of a taxation of \$400 réis per arroba of string tobacco. The payment of this tax was calculated on "string tobacco" coming out of the Collection House of the Captaincy of Bahia, commonly called "smoke weight", for the said captaincy's own consumption. The same tax was also collected on all roll tobacco or string tobacco that entered the customs

<sup>6</sup> In Portuguese, this fiscal device, applied by virtue of the excessive exploitation of the mining activity in Brazil Colony by the crown of Portugal since the end of the 17<sup>th</sup> century, became known as "*a Derrama*".

<sup>7</sup> Corresponds to the position of Governor.

office of Rio de Janeiro by sea. In June 1908, it was instituted "a tenth of urban buildings", a rate collected on the basis of the net income of homeowners and in the midst of a major housing crisis in the Brazilian capital due to the considerable population increase, resulting from the arrival of the Portuguese court in Rio de Janeiro (Godoy, 2008). Other taxes were also instituted at the time, specifically to offset police and lighting costs, since those expenses were increased by the installation of the court that generated urban transformations of greater volume in the capital (Barcelos, 2014). These types of charges were also made, according to Godoy (2008), on licenses to ask for alms, in addition to several other impositions, incidents on gambling houses, restaurants, farms, warehouses, cargo transport, preparation of passports, among many others.

In addition to the existing taxes, other new taxes were created in 1809 to supply resources to meet "public needs". Among these, Souza (1999) points out the real estate tax on property (Act of June 3, 1809), which consisted of a tribute that in later times would be called the property transfer tax per act among living persons, with an aliquot of 10% on the value of the property. That type of tax was charged on all income from real estate (purchases, sales, auctions, and exchanges). On that same date, the tax on ladino slaves (considered more qualified to take on labor) was created, which meant the collection of 5% on the entire sale. The tenth of inheritances and legacies was also instituted on June 17, 1809, as well as taxation on certification of signatures on commercial transactions and copies of documents. This stamp duty tax lasted from 1809 to 1965. The Act of June 22, 1810 charged tax on the entry of new slaves in Brazil and the Act of October 20, 1812 established the obligation of a royal subsidy. The latter would be, as it were, a kind of seed of a value-added tax on goods, focused on the commercialization of fresh meat and coarse wool produced in Brazil. Finally, Souza (1999, p. 25) mentions the creation of a tax that some considered as a first test of income tax in Brazil: the 10% rights, demanded on the salaries of the Treasury and Justice Officials in Brazil.

**Table 3.** Summary of the main taxes dictated in the Johannine period

<b>BRAZILIAN INCOME TAX LAWS, 1808-1812</b>	
Royal Act of January 28, 1808	Opening of ports to friendly nations and the collection of 24% as import tax, except for wines, spirits, and sweet oils, which should pay double the fees previously paid.
Act of May 28, 1808	Tax of \$400 <i>réis</i> per arroba of string tobacco for the consumption of Bahia and entrance into the city of Rio de Janeiro.
Decree of June 11, 1808	Privileges granted to Portuguese producers at rates of 16%.
Act of June 27, 1808	Creation of a tax charged on urban real estate, at the rate of 10%.
Decree of May 13, 1809	Creation of several taxes with application to support the expenses of the Military Division of the Royal Guard, the Police, and the lighting of the city of Rio de Janeiro.
Act of June 3, 1809	Creation of a tax on the purchase and sale of real estate, as well as on ladino slaves.
Act of June 3, 1809	Creation of a contribution of \$5 <i>réis</i> for fresh beef load.
Permit of June 17, 1809	Creation of a tax on certification of signatures and another on legacies and inheritances.
Decree of August 17, 1809	Collection of a tax on tobacco, the subsidy for the brandy of the land, the rights over slaves from Angola, the sale of salt, and the new tax on sealed paper. Furthermore, the Royal Treasury charged tax on fresh meat processing, as well as on commercial whaling.
Letter of Law of February 26, 1810	Trade and navigation treaty ratification between the Prince Regent of Portugal and the King of the United Kingdom of Great Britain and Ireland signed in Rio de Janeiro on February 18, 1810 establishing 15% of tax import rights for English products.

Decree of October 18, 1810	Goods and merchandise from England and imported on behalf of the Portuguese, would only collect 15% of the rights as import tax.
Act of October 20, 1812	Tax on carriages, shops, and boats for capital fund for the establishment of the Bank of Brazil.

Source: Collection of Laws of the Brazilian Empire

During the Johannine period, despite the creation of the Royal Board of Commerce, replacing the Inspection Board of Rio de Janeiro, a large part of the collection and administration of these taxes (of brandy and the sale of salt, as well as tobacco contracts and the rights over slaves from Angola) were in charge of the royal treasury, in accordance with the Decree of June 3, 1809. Subsequently, on August 17 of the same year, a new decree was issued ordering the royal treasury to collect and manage those taxes. In addition, new incomes charged to the commerce of fresh meat and whale hunting were added. The responsibility for the collection and control of these two newly created taxes was shared between isolated agents and the 2<sup>nd</sup> and 3<sup>rd</sup> accounting offices (Barcelos, 2014).

On October 20, 1812, an act written in full detail established the collection of a tax on carriages, stores, and vessels aiming to create a capital fund for the newly created Bank of Brazil. The initial extract of this regulation, which set out the justifications for this measure, recorded the importance of the creation of this entity as a Brazilian public bank. It should be noted that until the publication, on October 12, 1808, of the permit to create this bank, the government had not yet tried to enjoy financial benefits associating fundraising with a useful public entity.

For Coelho (2016, p. 34), the colonial period, in terms of taxation, was marked by the lack of balance in the taxing activity of the metropolis, with a predominance of the legal insecurity resulting from the abuses in the demand for taxes. According to this author, "there was a poorly distributed tax burden, with innumerable bases of incidence, with the criterion of taxation having as sole objective the collection, with a clear lack of respect for the contributory capacity of the colonists".

## 6. ACCOUNTS MANAGEMENT AND CONTROL IN THE ROYAL TREASURY

Over time, the management structure centralized on the king and a reduced circle of close people ended up giving to accounting a strategic and outstanding role, since every financial decision and evaluation taken was consistently supported by the accounting reports available. In this way, the general account offices were converted into the neuralgic center of the royal treasury, due to the application of the double-entry method that favored the coordination and control of the Portuguese kingdom accounts. In fact, this power became further accentuated in practice since all financial transactions of the Portuguese empire had to pass through accounting. The three accounting offices controlled all income, resources, and payment of expenses from the crown, including the colonies under their dominance (Wehling, 1986). According to Silva, et al. (2018, p. 8), this centralizing taxation organization made it possible to rationalize the economic management of the state, maximizing the efficiency of tax collection and restricting the financial deviations and institutional corruption.

### Accountability in the Royal Treasury



With the arrival of the Portuguese court to Brazil in 1808, an imperial law was issued determining that the royal treasury should publish a statement of income and expenses of the government at the end of each semester, according to the calendar year (Brazil, 1891a, p. 81). The purpose of this was to provide a faithful representation of the state of the government's economic and financial situation and disclose information about income and expenses performed during the reported period ended every six months. In practice, what was sought with this act was, in view of the use of the accounting double-entry technique, to present a synoptic outlook of the incomes and payments of the three general accountancy offices that made up the organizational structure of the royal treasury, showing the balance of the creditor and debtor accounts.

In this sense, the record books of the royal treasury were essential for an understanding of the operations, worth, and progress of the income taxation. Therefore, by determination of the act promulgated by Prince Regent Don John (Brazil, 1891a, p. 76), the double-entry techniques were used in keeping the royal treasury accounts. Furthermore, each accounting office maintained three books - Memorial, Journal, and Ledger - where all entries were recorded twice, with debits and credits. In addition, there was a Current Accounts book for the tax collection agencies, receiving agents, treasuries, contracts, or administrations income of the royal treasury. This bookkeeping system was appropriate to the Portuguese imperial crown where income taxation of citizens required the accountability on the booked payments and receipts. Through this mechanism, it was always possible to access the status of the accounts of each of the debtors or exactors of the income of the Portuguese crown and the situation of public funds. Rodrigues (2011b, p. 62) mentions that the journal and ledger books of each general accountancy office were closed and initialed by the president of the royal treasury and his general accountants. The auxiliary books of each accounting office needed to be certified only with the signature of a general accountant from another accounting office.

Accounting was used as an established information system to provide the king with as objective a diagnosis as possible of the crown's financial and patrimonial situation; in other words, to faithfully represent the transactions and events that occurred in the royal treasury. At management control level, the accounting system was structured as an accountability model based on the control of the cash account. In this way, audit procedures were used to ascertain that the annual accounts reported by the royal treasury provided, with appropriate presentation and disclosure, a faithful representation of its financial performance for the reporting period. For this purpose, a compliance audit was performed, carrying out substantive procedures in the cash account, comparing the balance of each accounting with the balance presented in the cash book, where the collections and payments made in the royal treasury were recorded. The purpose of this compliance audit was to detect any existing material inaccuracy in the cash account, that is, divergences of values. When no differences were identified, the general treasurer together with his first registrar, responsible for recording expenses and income in the cash book, signed a report referring to the fact that, in relation to the cash account, the amount that had been transcribed into the annual balance sheet status truly represented the total amount of that account.

Straightaway, the president of the royal treasury, accompanied by the general treasurer and his first registrar, headed for the Royal House of Custody, also popularly called

stronghold, to accomplish an inventory in the presence of tax-collectors, checking the coins, money bills, bill receivables, bill payables, gold in powder and bars kept there in custody. Based on this audit process, if everything was in compliance, namely, the balance of the treasurers cash book (major and general) = balance of three ledger cash counts (accounting) = balance of inventory (stronghold), the president ordered the issuance of the final audit report certifying that the annual accountability of the general treasury responded to the king's demands. Consequently, he became exempt of any fiscal responsibility for managing royal wealth regarding the fiscal year ended. The report was sent to the king, thus declaring the closure of the annual financial and equity audit. The balance sheet of each fiscal year, approved by the king, had to be published in the official press (Rodrigues, 2000, p. 54).

Consequently, at the end of each year, the king delegated to the president of the royal treasury the responsibility to establish and supervise the preparation of the annual balance sheet of accounts in order to express the faithful representation of the crown's assets, liabilities, income, and expenses in a particular span of time. The bookkeepers identified the financial position of the royal treasury by measuring the profit or loss for a fiscal year. This result was disclosed in a financial report in the form of a table, summarizing all income and expenses. In the case of communicated revenues, they were classified describing the nature of each item, annual amount, and the sum earned for each item in the fiscal year. The report also provided information about the liabilities, reporting what was left in debt of each of the debtors, which would be collectible as debt in execution or fallible in the following year (what today is denominated as the provision for doubtful debts, irrecoverable debt, or bad debts). In the case of spending, the estimated annual amount in the budget of each item was distinctly disclosed specifying how much was spent or paid in that year for each item, and how much was actually owed (Brazil, 1891a, p. 81).

Furthermore, the president of the treasury also had to prepare a complementary report including observations that he deemed appropriate or relevant, to improve the collection of income tax or to avoid unnecessary or avoidable expenses. Therefore, with regard to inefficient tax collection units, the president, in addition to the full balance sheet consolidate, should also attach the report of the active and passive debts of each unit, as well as other documents such as a summary report per unit (see table 2 and balance sheet) to analyze the behavior of the income and expenses incurred within them so that their managers could be evaluated, taking into account the delegation of functions to accomplish such activities. The ex-post control was conducted by the king. Therefore, all performance reports should be shown to the sovereign, who would evaluate the results of the management of each person in charge of a tax collection unit. Later, the king returned these reports to the president so that he kept it confidential in the archives of the royal treasury. In the case of possible modifications in the general accounting, the changes should be made by an official of the major treasury (a king's person of trust) chosen for that specific purpose (Brazil, 1891a, p. 82).

As accounting processes are reactive and they develop mainly in response to business needs at any given time (Chatfield, 1974, p. 3), the royal treasury control mechanism was performed by accounting. In the face of the relative growth of the colonial economic progress, the record books of the royal treasury were essential for an understanding of the operations, worth, and progress of the economy. Therefore, the general accountancy office recorded and

documented both formal and routine credit transactions and occasional bartered settlements of accounts, in addition to direct cash transactions that occurred. Within this general order, the systematization of accounting was not only carried out rigorously to develop consistent accounting policies for transactions or other events, but also provided an accountability to the king regarding the financial information about the status of the royal treasury. The financial performance in terms of profit or loss was evaluated by the king by measuring the result of managers' actions and decision-making.

For this purpose, in accordance with the statements of the act that created the Brazilian royal treasury (Brazil, 1891a, p. 82), each of them had to write a profit and loss report of his unit, classifying the incomes and expenses using the double-entry bookkeeping. They also needed to present information about assets and liabilities, accompanied by the list of the active and passive debts of each tax-collect unit. The annual balance sheet resulted from the contents consolidated of the accounting entries made in each accountancy office in the corresponding fiscal year, being briefly disclosed in a particular form of financial report that provided relevant information about the royal treasury's faithful representation. In other words, it worked as a general ledger annual balancing due to the need to disclose the accountability report required by law.

As we have already mentioned, there were several books used in the practices of bookkeeping of the Brazilian royal treasury. The bookkeepers designated by the president documented the facts and events in these books. Educational or experiential prerequisites existed to perform the accounting positions, but there were also employees that did not have bookkeeping experience or training to help an accountant in a trainee job. We will analyze entries made in the balance sheets in the ledger book maintained by the 2<sup>nd</sup> Royal Treasury General Accountancy in the period from 1814 to 1820. In addition to being recorded in the journal, the balance was issued outside in a perfectly bound document. The statement was signed by the general accountant at the end, on the last page of the balance closing. The function of this report was to present, in an organized format, all the information applicable to each account within the 2<sup>nd</sup> General Accountancy which was posted from the ledger book. Next, in illustration 2, we show the account statement sheet of the second semester of the year 1820, where the general structure can be appreciated.

**Illustration n° 2.** Extract from a ledger book typical balance sheet of December 31, 1820



Vem fôrmando as Contas Devedoras Nº. 981.329.8749		Vem fôrmando as Contas Credoras Nº. 626.933.696.622.272.4275	
<u>Despesa Extraordinaria</u>		<u>Folio 21. Rendim. dos Div. do Anulo</u>	
Folio 46. Caixa dos Resarcimentos, Cap. da R.ª Rep. do R.ª. C.ª. Pela passagem q. se fez p. suprimir das Div. do Estado, Ser. 514/567		Portuguez	1.100/500
43. Ajudas de Custo. Pelo q. recebeu D. Manoel da Camara, Nomeado Gen. e Cap. Gen. dos Estados da India p. seu transp. ....	1.600/000	22. D. dos de Estrangeiros	2.234/759
45. Despesa Extraordinaria. Pelo q. se receberam diversas Penhas p. diferentes of. jutos neste Sem. ....	9.223/745	23. D. dos de Recuperaçao	22.118/132
59. Ajunta da R.ª. Ser.ª da Cap. de Matã. Pelo q. recebeu Manoel Fernando Pimentel, p. conta dos Soldos q. se lhe estavam devendo	329/000	24. D. dos de Aluguer dos An. ....	2.254/536
75. Ajunta da Real Faz.ª da Cap. de Mocimbo. Pelo q. recebeu D.º de S.ª. M.ª da Costa, Cap. de S.ª.ª. e Comandante do Charrua Lacionia, em mocida Provincial de Co. de p.ª. Cap. ....	20.000/000	25. D. dos de Recuperaçao	3.773/283
	531.263/4612	26. D. dos da Guarda Costa	13.825/849
	R.ª. 1513.093/161	27. D. dos do Consulado de L.ª. ....	346/222
		28. D. dos do Porto	53/712
		29. D. dos de Lichida	53.395/595
		31. D. do Novo Imposto dos Esc.ª. ....	4.604/500
		32. D. do C.ª. de Contrato de Tabaco	4.604/500
		33. D. do Imposto Mínimo dos Esc.ª. ....	51.762/000
		34. D. do Novo Imposto do Caffee	2.654.44/821
		35. D. da Contribuiçao dos Esc.ª. em cada alq. de Sal. ....	11.797/032
		36. D. dos Ser.ª. em cada alq. de Sal. ....	190.44/732
		37. D. dos Quintas	851/000
			829.995/595
		<u>Sobras das Juntas de Ser.ª</u>	
		46. Da de Minas Geraes	3.667/572
		62. Da de S. Paulo	9.284/880
		71. Da de Goyaz	500/000
			13.469/532
		<u>Recita Extraordinaria</u>	
		64. Rep. dos Bens dos Def. e An. Capellas, Residuos e Capellos	38.334/424
		76. D. do Curso em p.ª e Barras	9.044/315
			47.375/739
			R.ª. 1513.093/161

Source: Annual report of the 2<sup>nd</sup> General Accountancy Office for the year 1820, National Archive of Brazil

The balance sheet was prepared in a standard general format for accounts disclosures. It grouped transactions according to polarities, either in two vertical divisions or in two juxtaposed columns or pages. The left page was dedicated to the debit entries and the right page to the credit entries. The records show both the accumulated balance for the year recognized by the 2<sup>nd</sup> Accountancy Office, which amounts to 1:513.093\$161 "cuento de réis",



as well as the debtor accounts, expenses, listed on the left page (the *Debe*), and the income, such as credit accounts, recorded on the right page (the *Haber*).

We observed that this general structure of presentation was maintained throughout the analyzed years. Regarding its content, for each period, the general structure presented by the report follows the same disclosure order throughout that period. The balance sheet included information designating the movement of debtor accounts and creditor accounts in the fiscal year. Under this system, the main account used can be classified according to the structure shown in Table 3. Regarding the bookkeeping of the balance sheet, there was a structured standardized chart of accounts, at which the series of data were repeated on a recurring basis throughout the periods analyzed. The entries were recorded with the respective folio or page number specifying the account location on the ledger book. In this way, each account description, in addition to its nature and value, presented on the left column the information related to the ledger page where the account was annotated.

### Analysis of the Balance Sheet Statement

The balance sheets were an extract of the ledger book that showed the outline, in form of a summary report and in a reasoned manner, all origins, and applications of resources produced during the semester, which explained the main debtors amounts (expenses and assets) and creditors values (income and liabilities) in the exploitation of the government's royal tax rights at the end of the period. The objective was to show the king the details of the final result situation of the treasury, recording the expenses and assets on the left side of the balance sheet, destined to the recording of the debtor accounts, and the income and liabilities on the other side, where the creditor accounts were listed. This was supposed to be done every six months and in aggregate form.

This reference mechanism for the analysis of the cash situation of the royal treasury was characterized by the need for information related to accountability, and required an accounting system that provided evidence on the government's cash flow, in terms of rights and obligations. In this sense, it is remarkable how the double-entry method was introduced on the register of the facts and events that involved the treasury to be able to provide a faithful representation of the accounting information. Only then was it possible to prepare one balance sheet of the ledger book, and thus control the cash and its equivalents, so that an audit procedure could be performed, confronted with the records of the major treasury, accomplishing, in sequence, the inventory in the Royal House of Custody.

In general, we can say that it was an organizational structure like that presented by contemporary companies in the statement of profit and loss that is currently included in the financial statements. For this, the three general accountancy offices were constituted in the central organism of control of the accounts to record the accounting entries, review, qualify, and approve them. They also performed the liquidation and valuation of the scopes to check the amount of balances and verify that they were correct after checking them with the information from the major treasury cash book.

Hence, the information on the debits and credits of the fiscal year, published in the balance sheet extracted from the ledger book of the 2<sup>nd</sup> General Accountancy Office of the Royal Treasury in the period from 1814 to 1820 can be classified, by way of disclosure, as shown in Table

Table 4. Summary of the presentation of the balance sheet of 2<sup>nd</sup> Royal Treasury General Accountancy

====Debt Accounts====	1814		1815		1816		1817		1818		1819		1820	
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
Royal Treasury Cash	263,281,736	12.1	94,154,291	12.1	262,991,980	33.4	219,068,232	28.0	1,155,654,755	65.5	364,321,316	21.1	372,282,414	24.6
General Accountancy Cash	1,553,396,018	71.5	269,175,477	34.5	0	0.0	9,074,452	1.2	0	0.0	624,881,840	36.2	500,510,667	33.1
Civil Expenses	60,356,702	2.8	63,207,640	8.1	75,315,050	9.6	68,110,677	8.7	134,638,982	7.6	102,826,188	6.0	145,848,044	9.6
General Police of the Court	3,060,550	0.1	2,663,885	0.3	3,207,750	0.4	3,253,880	0.4	2,557,171	0.1	2,791,885	0.2	941,010	0.1
Expenses with Navy and Warehouses	206,276,628	9.5	285,164,874	36.6	340,717,611	43.3	376,778,228	48.2	327,089,233	18.5	496,848,941	28.8	387,915,500	25.6
Expenses with Army, Arsenal, Factories, and Foundries	46,000,000	2.1	51,143,530	6.6	70,854,217	9.0	77,020,947	9.8	37,000,000	2.1	83,177,921	4.8	67,525,269	4.5
Expenses with the Royal Tithe	0	0.0	0	0.0	0	0.0	3,020,538	0.4	3,127,368	0.2	2,128,200	0.1	962,760	0.1
Expenses with Brazilian Captaincies	5,400,000	0.2	1,952,760	0.3	17,104,897	2.2	3,600,000	0.5	3,125,420	0.2	22,514,888	1.3	329,000	0.0
Expenses with Consulates	0	0.0	0	0.0	2,400,000	0.3	434,676	0.1	0	0.0	1,448,475	0.1	20,000,000	1.3
Expenses with Customs and Taxes Services	13,449,382	0.6	2,008,772	0.3	0	0.0	3,680,096	0.5	4,365,000	0.2	0	0.0	2,012	0.0
Expenses with the Royal House of Custody	0	0.0	0	0.0	0	0.0	0	0.0	1,643,470	0.1	0	0.0	0	0.0
Expenses with Bank of Brazil	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Expenses with the Royal Whalers	0	0.0	0	0.0	1,700,000	0.2	0	0.0	0	0.0	0	0.0	0	0.0
Expenses with Transportation of Prisoners	16,959,531	0.8	1,070,000	0.1	1,524,070	0.2	0	0.0	4,164,076	0.2	0	0.0	0	0.0
Advance Payments	2,460,000	0.1	200	0.0	500,000	0.1	3,033,330	0.4	1,000,000	0.1	1,966,666	0.1	1,600,000	0.1
Extraordinary Expenses	629,839	0.0	22,123	0.0	30,427	0.0	22,409	0.0	80,421,613	4.6	1,5545,800	0.9	8,823,745	0.6
Expenses with General Operations	0	0.0	9,110,080	1.2	11,258,160	1.4	15,006,880	1.9	9,810,960	0.6	6,802,240	0.4	6,352,740	0.4
<b>Total</b>	<b>2,171,270,386</b>	<b>100.0</b>	<b>779,873,432</b>	<b>100.0</b>	<b>787,604,162</b>	<b>100.0</b>	<b>782,104,345</b>	<b>100.0</b>	<b>1,764,598,048</b>	<b>100.0</b>	<b>1,725,254,360</b>	<b>100.0</b>	<b>1,513,093,161</b>	<b>100.0</b>
==== Credit Accounts ====	1814		1815		1816		1817		1818		1819		1820	
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
Revenues for Ecclesiastical, Civil, Military, and Extraordinary Expenses	1,554,085,682	71.6	270,450,218	34.7	120,323,527	15.3	9,074,452	1.2	582,101,084	33.0	625,380,359	36.2	500,541,021	33.1
Revenues from the Royal Tithe Contract	63,441,211	2.9	59,900,823	7.7	58,182,401	7.4	67,909,915	8.7	78,763,212	4.5	100,196,582	5.8	104,449,868	6.9
Revenues from other Tobacco and Brandy Contracts	18,026,136	0.8	17,150,720	2.2	18,137,920	2.3	25,170,328	3.2	19,030,687	1.1	11,334,370	0.7	10,115,700	0.7
Revenues from Rents and other Rights	18,758,230	0.9	18,279,176	2.3	22,757,047	2.9	24,280,900	3.1	21,384,289	1.2	20,348,459	1.2	19,113,668	1.3
Revenues from Customs and Tax - Beverages and Sweet Oil	75,071,530	3.5	28,421,116	3.6	99,445,535	12.6	51,819,210	6.6	94,121,877	5.3	193,194,154	11.2	141,903,197	9.4
Revenues from Customs and Tax - Sugar, Coffee, Salt, and Meat	33,455,167	1.5	42,907,278	5.5	47,920,589	6.1	58,476,396	7.5	40,081,515	2.3	35,002,079	2.0	50,013,931	3.3
Revenues from Customs and Tax - Others	17,492,668	0.8	18,327,988	2.4	25,097,832	3.2	67,554,252	8.6	33,438,260	1.9	16,702,059	1.0	29,315,132	1.9
Revenues from Customs and Tax - 24% Rights	25,465,305	1.2	14,785,206	1.9	60,824,531	7.7	61,923,286	7.9	93,508,853	5.3	122,938,161	7.1	114,715,599	7.6
Revenues from Customs and Tax - 16% Rights	70,637,714	3.3	100,879,372	12.9	66,168,466	8.4	127,421,967	16.3	94,842,746	5.4	67,878,989	3.9	44,298,544	2.9
Revenues from Customs and Tax - 15% Rights	140,845,315	6.3	142,248,474	18.2	155,789,913	19.8	161,694,612	20.7	391,296,364	22.2	346,420,185	20.1	314,273,544	20.8
Revenues from Customs and Tax - 11% Rights	0	0.0	0	0.0	0	0.0	0	0.0	5,217,892	0.3	19,375,894	1.1	13,366,537	0.9
Revenues from Customs and Tax - Slaves	29,405,700	1.4	20,695,700	2.7	38,085,700	4.8	59,805,410	7.6	116,396,500	6.6	93,512,300	5.4	56,369,600	3.7
Other Revenues	21,736,527	1.0	7,394,934	0.9	30,034,186	3.8	20,239,148	2.6	0	0.0	0	0.0	0	0.0
Revenues with Brazilian Captaincies	101,446,694	4.7	37,820,322	4.8	42,744,829	5.4	45,662,210	5.8	120,173,598	6.8	26,268,161	1.5	60,825,291	4.0
Revenues with Consulates	1,392,107	0.1	547,925	0.1	2,091,626	0.3	1,066,149	0.1	55,759,004	3.2	46,702,608	2.7	53,791,529	3.6
Extraordinary Revenues	1,400	0.0	64,180	0.0	60	0.0	6,110	0.0	18,482,167	1.0	0	0.0	0	0.0
<b>Total</b>	<b>2,171,261,386</b>	<b>100.0</b>	<b>779,873,432</b>	<b>100.0</b>	<b>787,604,162</b>	<b>100.0</b>	<b>782,104,345</b>	<b>100.0</b>	<b>1,764,598,048</b>	<b>100.0</b>	<b>1,725,254,360</b>	<b>100.0</b>	<b>1,513,093,161</b>	<b>100.0</b>

\* Rs = Conto de réis (Rs 1:000\$000)

Source: Own elaboration, based on data from the National Archive of Brazil



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The main groups of debtor accounts were: 1. royal treasury cash; 2. general accountancy cash; 3. civil expenses; 4. expenses with Navy and warehouses; and 5. expenses with the Army arsenal, factories, and foundries. The expense accounts with the largest volumes of investment of resources were the Navy and warehouses, royal treasury cash, and general accountancy cash, with an average of 30.1%, 28.1%, and 25.2% of the total expenses, respectively, in the period 1814-1820. These accounts presented quite a different movement; the expenses with the Navy and warehouses had a more stable behaviour than the other two, which fluctuated widely, one of them not having a balance in some years (general accountancy cash in 1816 and 1817). Unfortunately, we do not possess more detailed data on these expenses to search for a possible explanation, particularly about the occurrence of the great variation observed in their balance.

In addition, it can be verified that the main account of the 2<sup>nd</sup> General Accountancy Office of the Royal Treasury is really military in nature, as verified in our literature review (Araujo, 2009), reaching its highest participation in relation to total expenses in the year 1817 (48.2%), when the *Pernambucan* Revolt occurred<sup>8</sup>, which can justify a higher level of expenses in this account statement. If the average relative to the Army is added, a reduction is observed in relation to 69% of the total taxes calculated by Araujo (2009) in the previous century. In other words, military spending remained relevant, but decreased in importance during the Johannine period.

As for income (from where the denomination of revenue continues to be maintained), the balances of the 2<sup>nd</sup> General Accountancy Office of the Royal Treasury presented the collection of a large amount of taxes during the Johannine period. This form of taxation structure was maintained throughout the years, with an average of 39 taxes collected, reaching a maximum of 44 types of tax revenue in the year 1818. This situation confirms the conclusions of our historiographic review regarding the high tax burden charged by the Portuguese court to its colonies (Amed & Negreiros, 2000; Godoy, 2008). For analysis purposes, these taxes were organized into seven main groups, according to the nature and functions of these accounts, as shown in the following table.

In this order, the revenues from customs and tax and the revenues for ecclesiastical, civil, military, and extraordinary expenses are remarkable, with an average, respectively, of 46.4% and 32.1% of the total yields throughout the period under study. This result reflects in a relevant way the impact of commerce opening between Brazil and "friendly nations" in 1808, due to the substantial growth in foreign trade, reinforcing the conclusions of Brazilian historiography in this regard (Barcelos, 2014, Wehling, 2019). The other tax income accounts were below 5% of the total income, except for revenues linked to Brazilian captaincies and consulates accounts.

**Illustration 3.** Diagram of the main revenue accounts used in the 2<sup>nd</sup> General Accountancy

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<sup>8</sup> It was an uprising that occurred in the province of Pernambuco, Brazil, against the Portuguese colonial government, aiming to found an independent republic in Northeast Brazil. It lasted from March 6 to May 19, 1817, when it was crushed by troops loyal to the Portuguese government. Among its causes, the ideas of liberalism and the influences of the Enlightenment propagated by Masonic societies, Portuguese monarchical absolutism, and the enormous expenses with the support of the court and administration arrived from Portugal to Brazil stand out.

REVENUE	ACCOUNT	DESCRIPTION & FUNCTION
REVENUES FOR ECCLESIASTICAL, CIVIL, MILITARY, AND EXTRAORDINARY EXPENSES	CONTRACTS BELONGING TO BOARD MINISTERS AND FINANCE OFFICERS	Main source of income to keep the management and bureaucracy of the Portuguese State.
	FEE FROM THE HOUSE OF MERCY CONTRACTS	Collection rights of those hired for the Holy House of Mercy.
	FEE FROM CONTRACTS FOR WAR AMMUNITION	Fee used to collect tax on contracts for war ammunition.
REVENUES FROM THE ROYAL TITHE CONTRACT	ROYAL TITHES CONTRACT OF THE VILLAGES OF PARATY AND ILHA GRANDE	Collection of tithes from the two most important gold exporting ports in Brazil at the time.
	ROYAL TITHING CONTRACT OF CANTAGALO 'S MINAS NOVAS VILLAGE	Collection of tithes from that important pole of slave agriculture in the Captaincy of Rio de Janeiro at the time.
	ROYAL SUGAR TITHES	Taxation charged to sugar mills and distillations as a right to carry out sugar exploration.
REVENUES FROM TOBACCO AND BRANDY CONTRACTS	CONTRIBUTION OF 1% ON THE MAIN PRICE FOR PIOUS WORK	Fund for the tax collection for ecclesiastical and charitable works.
	TOBACCO AND BRANDY CONTRACTS	Tax charged on tobacco sales and brandy for consumption.
REVENUES FROM RENTS AND OTHER RIGHTS	TRANSPORT RIGHTS	A 2% tax charged on the movement of goods on ships docked at customs piers.
	WAREHOUSE RENTAL RIGHTS	Rights to rental services of warehouses designed to store products at customs.
	COAST GUARD RIGHTS	Tax collection destined to maintain the Navy that protected the coastal area of Brazil.
REVENUES FROM CUSTOMS AND TAX	NEW TAX ON FRESH MEAT	Royal subsidy represented by rights to the contribution of \$5 réis in each fresh meat shipment.
	15% RIGHT	Collection of the entrance customs duties of 15% for the import of all English products (Treaty of 1810).
	16% RIGHT	Customs duties of entry, charged at the rate of 16%, official value, established in the customs tariff for the importation of all Portuguese products.
	24% RIGHT	Taxation of 24% that affected the customs duties on the importation of products from all nations, except for Portuguese and English products, excluding wines, brandy, spirits, and sweet oil.
	11% RIGHT	Customs entry fees, charged at the rate of 11%, for imported chintz from factories in Portugal.
	TOBACCO CONTRACT	Taxation of \$400 réis per arroba of string tobacco for consumption in the Captaincies of Bahia and Rio de Janeiro.
	OLIVE OIL ALLOWANCE	Taxes paid on the import of sweet oil.
	WINE ALLOWANCE	Taxes paid on the import of wines.
	BRANDY ALLOWANCE	Taxes paid on the import of brandy.
	NEW COFFEE TAX	Royal subsidy represented by tax rights on the exploitation of the incipient coffee activity in Brazil.
	SLAVE EXIT RIGHTS	Tax charged for the departure from Brazilian customs of slaves coming from foreign ports and Portuguese provinces.
	NEW SLAVE TAX	Additional taxation of \$9,600 réis on customs duties related to the slave trade.
	REVENUES FROM BRAZILIAN CAPTAINCIES AND CONSULATES	RE-EXPORT RIGHTS
DEPARTURE CONSULATE RIGHTS		Collection of 2% of exit rights for all Brazilians who were without subsidy or other exit right.
EXTRAORDINARY REVENUES	LISBON CONSULATE RIGHTS	Used to register court's consular rights on the activities of consulate in Lisbon..
	DONATIONS	Used to record the income received as voluntary donations from the courtiers.

Source: Prepared by the authors, based on data from the National Archive of Brazil.

The balance sheets studied provide more detail on the creditor accounts (returns). Therefore, the predominance of English products (15% rights) can be effectively observed in the collection of the royal treasury, followed by Portuguese products and, then only later, by products of other nationalities, as presented in the table below.



**Table nº 5.** Detail of the Main Customs Yields (1814-1820)

CUSTOMS REVENUE	1814	1815	1816	1817	1818	1819	1820	AVERAGE
Rights of 15%	6.5%	18.20%	19.80%	20.70%	22.20%	20.10%	20.80%	18.30%
Rights of 16%	3.3%	12.90%	8.40%	16.30%	5.40%	3.90%	2.90%	7.60%
Wine subsidy rights	2.4%	2.40%	8.70%	6.10%	1.70%	9.60%	8.30%	5.60%
Rights of 14%	1.20%	1.90%	7.70%	7.90%	5.30%	7.10%	7.60%	5.50%

Source: Own elaboration, based on data from the National Archive of Brazil

The evolution with respect to the previous years presented in the rights of wine tax in the years 1819 and 1820 is highlighted. This aspect can be explained mainly by the high rates charged for wines produced by other nations, to promote the wine trade with a Portuguese designation of origin. On average, this item is more relevant than the one presented by the taxes charged for the entrance rights of 24%, which corresponded to the foreign trade practiced with the other nations.

In the other extracts from the balance sheets of the 2<sup>nd</sup> Accounting Office, it was also observed that, in the last years, there were records on the collection of taxes related to the prices of coffee exports. In the second half of the 19<sup>th</sup> century, this product would become the main item in the Brazilian export pattern. From the formal accounting point of view, the balances published by the royal treasury presented a better organization of the accounts in the last two years analyzed. It is evident that this way of preparing accounts represents an evolution in relation to accounting control, given the need to account for common money, which implies giving more details and disaggregating the accounting information.

Therefore, its structure is no longer determined by the patrimonial nature of the accounts but is distributed according to the purposes and organization of the royal treasury in terms of management control. Such as: Army (expenses with the Army, arsenal, factories, and foundries; Navy (expenses with the Navy and warehouses; extraordinary expenses); management (extraordinary expenses and revenue); customs (revenues from customs and taxes); contracts (revenues from rents and others rights and revenues from the royal title contract). This fact highlights the greater accounting maturity of the Brazilian accountants of the time and the fact that the role of accounting was associated with the sphere of its use for the control of activities.

## 7. FINAL CONSIDERATIONS

The accounting history literature has sufficiently emphasized that business success is usually associated with proficient accountancy. The main reason for this direct correlation is that accounting and management functions are inextricably intertwined and have always focused on business proficiency.

This paper allowed us to draw the key elements of accounting together into Brazil's history to show the relevance of accounting for the socioeconomic development. The permanence of the Portuguese royal family in the new world, between 1808 and 1821, is linked to political, economic, legal, administrative, social, and cultural aspects transferring to

Brazil, then a colony of Portugal, the role of seat of the Portuguese monarchy, and giving it an important status in the Portuguese Empire. We proposed an analysis of the accountancy of Don John's court, specifically the royal treasury's, during their permanence in Brazil. Through the development of this study, we examined the documents which refer to the annual balances of the 2<sup>nd</sup> General Accountancy Office of the Royal Treasury from 1814 to 1820.

Through the analysis of manuscripts belonging to the collection of the National Archive of Brazil, we described the relevance and importance of accounting mechanisms to provide financial information that is useful to decision-making relating the management needs of the Portuguese empire. Therefore, the research shows that the use of accountancy as a management tool for the royal treasury, in addition to its role in coordinating the accounting entries referring to assets, liabilities, income, and expenses using the double-entry technique, allowed to maintain the centralized management model of Portugal. Introduced in the Portuguese state from the period management of Sebastião José de Carvalho e Melo (Marquis of Pombal) with his modernizing reforms in the economic field, this form of government organization remained from the beginning of the reign of Don José I (from February 24, 1777 to September 8, 1750) and was applied in Brazil by Don John during the stay of the Johannine court.

This article highlights that, with regard to accountability procedures, there was a high level of internal accounting control of the cash-accounts (one maintained by the major treasury, and the other three by the general accountancy) and draws attention to the audit process used, in order to perform the external review and verification of the inventory of coins, money bills, bill receivables, bill payables, gold in powder and bars maintained there in custody. The results of this study reveal that, to enhance the usefulness and the faithful representation of the information provided in the accounting reports about the financial performance of Brazil's royal treasury, there was an organized accounting apparatus supporting the recognition, measurement, and control of tax. This practice was reflected in a constant evolution of its structure and content and encouraged technical learning of the bookkeepers in charge. We also reveal that this evolution was materialized in a process that began with a series of clarifications and recommendations established in the act that created the royal treasury in 1808 (Brazil, 1891a) and culminated years later with the requirement of accounting learning in schools of commerce as a pre-requisite to work in the general accountancy offices (Brazil, 1889a, p.7).

Finally, the analysis of the content of those balance sheets detailed the tax collection proceedings of the royal treasury and confirmed the literature regarding the high tax burden collected in the Johannine period. Furthermore, it was evident the increase in the sales of British products in the incipient Brazilian trade, from the opening of Brazil's ports to international commerce. It was also observed the important amount of military spending with respect to the total expenses of the Portuguese government. In correlation with the significant increase in the administrative structure due to the transfer of the court to another continent, as observed in the period studied, a large part of the costs of the Portuguese court resulted from the need to maintain a military apparatus in conditions to guarantee their safety in Brazil.

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**Claudio Nascimento Pedroso**

Magíster en contabilidad por la Universidad Federal de Río de Janeiro. Investigador del Observatorio de Gestión y Responsabilidad del Programa de Postgrado en Contabilidad de la Facultad de Administración y Contabilidad de la Universidad Federal de Río de Janeiro, Av. Pasteur, 250 – sala 250 – Urca – Rio de Janeiro/RJ – Brasil, [clanaspe@gmail.com](mailto:clanaspe@gmail.com), ORCID: <https://orcid.org/0000-0001-8553-8480>

He holds a master's degree in accounting from the Federal University of Rio de Janeiro, Brazil, and is a researcher of the Management and Social Responsibility Observatory of the Postgraduate Program in Accounting of the Faculty of Administration and Accounting of the Federal University of Rio de Janeiro, Av. Pasteur, 250 - room 250 - Urca - Rio de Janeiro / RJ - Brazil, [clanaspe@gmail.com](mailto:clanaspe@gmail.com), ORCID code: <https://orcid.org/0000-0001-8553-8480>

**José Paulo Cosenza**

Doctor por la Universidad de Zaragoza. Profesor Catedrático del Programa de Postgrado en Administración de la Facultad de Administración y Contabilidad de la Universidad Federal Fluminense, Rua Mário Santos Braga, s/n - 4º piso – Predio 1 ADM, CEP 24.020-140, Niterói/RJ – Brasil, Teléfono: +55 (21) 2629-9867, [jpcosenza@id.uff.br](mailto:jpcosenza@id.uff.br), ORCID: <https://orcid.org/0000-0002-1753-0134>

He holds a doctor degree in accounting from the University of Zaragoza, Spain, and is Full Professor of the Postgraduate Program in Accounting of the Faculty of Administration and Accounting of the Fluminense Federal University, Rua Mário Santos Braga, s/n - 4<sup>th</sup> Floor – Building 1 ADM, Postal Code 24.020-140, Niterói - RJ - Brazil, Phone: +55 (21) 2629-9867, [jpcosenza@id.uff.br](mailto:jpcosenza@id.uff.br), ORCID code: <https://orcid.org/0000-0002-1753-0134>

**Alberto Donoso-Anes**

Doctor por la Universidad de Sevilla. Profesor Titular del Departamento de Contabilidad y Economía Financiera de la Facultad de Ciencias Económicas y Empresariales de la Universidad de Sevilla, Avda. Ramón y Cajal, 1 – CP 41018, Sevilla – España, Teléfono: +34 954556053, [adonoso@us.es](mailto:adonoso@us.es), ORCID: <https://orcid.org/0000-0001-6959-4300>

He holds a doctor degree in accounting from the University of Seville, Spain, and is Full Professor at the Department of Accounting and Finance at the University of Seville, Avenue Ramón y Cajal, 1 – Postal Code 41018, Seville – Spain, Phone: +34 954556053, [adonoso@us.es](mailto:adonoso@us.es), ORCID code: <https://orcid.org/0000-0001-6959-4300>

