ACCOUNTING CHANGE AT A SMALL BUSINESS: THE CASE OF MEDINA GARVEY, SA (1963-1968)

First Draft

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ABSTRACT

In this work we have analysed the case of a Spanish small company which developed a change in its accounting system, removing all the previous features of accounting. The reasons for such change can be found on the accounting culture of the proprietors of the company. The rigorousness and accuracy pursued by the managers influenced for the change. Moreover, considering that Spain was isolated from the rest of the world in those days, and that no legal pressures for the change can be appreciated, the accounting change came from inside the company. With this analysis we aim to contribute to the literature: 1) improving the research on accounting change in a historical perspective at small enterprises; 2) on companies at Spain at the turning 20th century; and 3) explaining how is generated and transmitted the accounting knowledge and culture at a family and its influence over the accounting procedures.

Keywords: Accounting change, family culture, small business, 20th century.
INTRODUCTION

Accounting history research on the twentieth century has been devoted, mainly, to big firms where the development and use of management accounting practices has offered a particular vision of the influence of accounting in such firms and their environment (Miller, 1987; 1994; Carnegie and Napier, 1996; Boyns and Edwards, 1997; Hopwood, 1987; Merino, 1993). The results of this research has improved the knowledge on how accounting and its social and organizational contexts are intertwined, and also the traditional and new accounting history have found an interesting place to show their abilities (see, f.e., Loft, 1986; Bryer, 1993; Miller and Napier, 1993; Tyson 2000; Hoskin and Macve, 2000).

However, as Carmona and Zan recognise, there is a need for more research, and thus, “… A historical view of twentieth-century accounting developments, for instance, would enhance understanding about present accounting practices as well as the role played by accounting systems and the accounting profession in some crucial events of our recent history…” (2002, p. 300). In this sense, the complexity and diversity of the history at the 20th century should lead us to improve our understanding of the development of accounting practices. In spite of the growing literature on this sense, more efforts are welcomed. Moreover, Carmona and Zan claim that “… It is striking that not much is known about the contexts that have surrounded the emergence and evolution of many contemporary accounting and managerial practices…” (2002, p. 300). Specifically, the Spanish history at the 20th century is an example of different political, social and economic changes and, as a consequence, new studies that analyses the accounting procedures in those periods, are welcomed (Fernández-Revuelta et al., 2002).

We are going to analyse the change at the accounting practices at Medina Garvey, SA (MGSA) at the period 1963-1968 and how the board assumed this change. MGSA is a small and familiar business, which has survived for more than a century, in spite that it, has changed of juridical status in two times. MGSA started as a personal agriculture business in 1904, by Luis Medina Garvey, a son of an aristocratic family, at Pilas, a small village near Seville (Medina Medina, 2003). In 1938 he transformed his personal business in a limited company titled “Luis Medina Garvey, SL”, with his sons. By the years, the company developed the following business: “… farms… Industrial and commercial running of “Oil Mill”, “Soap Factory”, “Olives mixing”, “Carpenter’s Shop”, “Winery”, “Vinegar Factory” and “Electricity Distribution”…” (Organization of accounting plan at MGSA, 1963, Archive of MGSA, box 314) among others. In 1952 died Luis Medina Garvey and his sons decided to transform the limited company and recall it as “Medina Garvey, Sociedad Anónima”. Nowadays, MGSA, is a medium company, with 91 employees, a total assets of 34 million euros and sales for 26 million euros (Annual Accounts, MGSA, 2004).

From 1938 to 1963, MGSA always obtained gains, with just two years with losses. However, in 1964 it was changed the accounting system and procedures that had aimed to manage the businesses. The new system attached a plan which included management and financial accounting, the Plan General de la Organización de la Contabilidad (Organization of accounting plan at MGSA, 1963, Archive of MGSA, box 314) dated in 1964. This new plan coincided with a technological change for such accounting system.
It should be remarked that this change was not based on legal influences. Despite the transformations operated at the political, economical and social arenas at Spain, not too much was disposed and regulated on accounting. Since the Code of Commerce of 1885 and until 1973, in which emerged the first Accounting Plan, nothing was disposed and regulated in Spain at the accounting arena, excepting tax laws (Fernández Peña, 1992). As Fernández Peña points out, “...The study of the regulation on accounting at Spain in the 20th century I divide in two periods: before and after 1973...” (1992, p. 65).

We have selected MGSA, firstly, because of its familiar attitude. Since the beginning, the most of the shares of the company are on hands of a family, and they were shown the transmission of accounting culture and use of accounting numbers to manage the company through the years, as it can be explained at the Boards Acts’ Book (Archive of MGSA, box L.923). The longitudinal historical perspective (Tinker and Neimark, 1993; Boyns et al., 1999; Danture and Hopper, 2005) will allow us to study the influence of the accounting culture on the use and change of accounting by the board in this familiar company.

Secondly, MGSA was born at the beginning of 20th century in Spain and it is still working. In spite of the changes operated at such period in Spain not too much has been written in this issue (Carmona and Boyns, 2002). At the Anglo-Saxon case, the development of the main management accounting practices was introduced at the beginning of the 20th century period (Carmona, 1993). However, not too much is known from the Spanish trends in management accounting practices at the 20th century. This case, would allow us to understand the use of management accounting practices and the change of these last at a Spanish company.

Finally, it is remarkable the case due to its Historical Archive. MGSA was born in 1904, but until 2004 it kept the most of the documents, including, as we will describe, personal memos. All this documentation was grouped and classified at the creation of the Archive in 2004, as part of the commemoration of the hundredth anniversary (López Gutiérrez, 2005). The Archive has 1.174 boxes, 923 books (including accounting books) and 2.253 folders inside the boxes. Accounting section inside the Archive is one of “...the most representative...” (López Gutiérrez, 2005, p. 11) due to the amount of documentation, including, not only official documents, but also manuscripts, memos and personal letters. It includes ledgers (from 1906 to 1977), journals (1914-1985), accounts (1910-1969), bills, taxes, banking documentation, and insurances among others. “...Summing up, we find [accounting as] one of the subsections with the most means to research from the accounting or business history point of view...” (López Gutiérrez, 2005, p. 12).

With this analysis we aim to contribute to the literature improving, on one side, the research on accounting change in a historical perspective at small and medium enterprises (SMEs). The specific features of the small enterprises lead the research on this area far from the biggest business due to that they do not, generally, adopt those frames used at big companies for the management and control (Nayak and Greenfield, 1994) and the most of the literature on this kind of business is controversial (Perren and Grant, 2000). On the other side, we aim to contribute to literature on the accounting change on companies at Spain at the turning 20th century. Through the MGSA case, we can observe how a company used and constructed accounting from its experience,
without any legal disposition. Finally, we expect to contribute to literature explaining, through the MGSA case, how is generated and transmitted the accounting knowledge and culture at a family and its influence over the accounting procedures.

For this research, we have used, mainly, primary sources from the Historical Archive of the company Medina Garvey, SA (AMGSA). Also, we have used secondary sources to complete and verify the information supplied by the primary sources.

The rest of the paper is as follows. In the next section, it will be explained the origins and evolution of the company Medina Garvey, SA from 1904 to 1968. The following section will explain the accounting procedures at MGSA before and after the accounting change in 1963-1964. Finally, it will be pointed out some remarks and future aims.

**MEDINA GARVEY, SA. THE COMPANY.**

The company Medina Garvey, SA, was originally a personal firm, owned by Luis Medina Garvey (1870-1952). Luis Medina Garvey was son of an aristocratic family at Seville. He became a lawyer at the beginning of the 20th century and received “...some land as part of the heritage from his parents...” (Medina Villalonga, 1975, p. 44) at the small village of Pilas, close to Seville. This land was devoted to the collection of olives and Luis Medina Garvey quickly started a complementary industry, for the mill and refine of the oil in 1910 (Medina Villalonga, 1975). As part of the wastes from this activity, it was produced the “orujillo”, a kind of oil that was not apt for humans, but that was useful to produce soap. Thus, Luis Medina Garvey started a plant for the production of soap, close to the mill of oil (Medina Medina, 2003). Taking part of the “orujillo” as combustible, he also started a “...electricity factory...” or utility (Medina Medina, 2003, p. 24).

In 1938, and “... for the good administration and continuity of his complex farming and industrial enterprise, he founded the company “Luis Medina Garvey, SL” to which he contributed with the most of his industrial and farming goods. At the new limited company he gave shares to all his sons in the same proportion to every one...” (Medina Medina, 2003, p. 34). His sons worked actively at the company, either men or women.

Following the Acts Book from 1938 until 1955 (AMGSA, box L.923) it can be extracted the evolution of the company until its change, in 1952. Thus, it can be showed that, every year, by the 15th of February it was joined the shareholders meeting and it was explained the income of the year before and the reasons to get such result, with comments from the shareholders. At the years that the company obtained losses, these were explained widely by Luis Medina Garvey to his sons. Thus, in 1944, appears a loss, explaining the activities that produced such loss, their causes and a comment on the costs of the company (Acts Book, AMGSA, box L.923).

In such year, it was enlarged the share capital at the company in 1.000.000 of pesetas and a new activity was created, “... breeder and exporter of country wines and the manufacture of wine alcohol...” (Acts Book, AMGSA, box L.923). In 1947 it was enlarged again the share capital in 5.000.000 of pesetas, as it was repeated in 1952. To all these changes the sons of Luis Medina contributed with their respective part, showing, thus, the implication of the sons on MGSA.
In 1952, the company was changed in its name and juridical status: From “Luis Medina Garvey, SL”, to “Medina Garvey, SA”. The 4th of March, 1952, Luis Medina died. The 21st of March, a son of Luis Medina, Rafael Medina was appointed as managing director and the 7th of April, 1952, the shareholders meeting gave to Rafael Medina wide authority to manage the company, in spite that the rest of the brothers were also part of the new Management Board. Rafael Medina was a chemist, and given his knowledge on the industrial process, he received his appointment.

In 1952, it was changed, also, the period to render accounts. Due to technical problems of the activity of the company, the period chosen before – every 15th of February – did not represented the farming year – which is closed every 30th of June – and “...this supposes a misrepresentation of the real incomes of the activities of the company...” (Acts Book, p. 115, AMGSA, box L.923). Thus, in 1952, there was a couple of General Accounts; one dated the 15th of February and the other, the 30th of June. Also, since 1952, the General Accounts were formed by a Balance Sheet, the Income Statement, the Annual Report and a Report of Accounts Censor, which, in those days, was a member of the Management Board, a brother of Rafael Medina.

THE ACCOUNTING SYSTEM UNTIL AND AFTER 1964.

The Spanish regulation on accounting until 1973 can be considered as scarce. In 1885 it was emerged the Code of Commerce. At Spain, since 1885 to 1973, there was a dictatorial monarchy; a democratic republic, a civil war and a dictatorial period. In spite of these changes, the regulation on accounting practices was scarce. Following Fernández Peña (1992), before 1973 there were rules on the models of Annual Accounts for banks (1922 and 1950), savings banks (1937) and insurance companies (1940 and 1953), but nothing for the rest of companies (Fernández Peña, 1992).

But the most of the regulation was leaded to the taxes on the income of the business. These dispositions, however, included references to the annual accounts, and to specific paragraphs. In this sense, the Law published the 28th of March, 1900, included that the income of the companies was taxed with the 6 per cent. It also points out that these companies “...will send a statement with the net incomes obtained, authorised copies of the Balance Sheet and the notes, and any other information to prove the accuracy...” (Law published the 28th of March, 1900, Gazette of Madrid, 28th of March, 1900, p. 1102). The same idea can be found on a law published the 24th of February, 1922 (Gazette of Madrid, 24th of February, 1922) or the dispositions signed by Franco in 1937 and 1940 (State Gazette, 19th of February, 1937; State Gazette, 22nd of December, 1940). Thus, the accounting practices at MGSA were developed without a reference to a legal disposition.

Since the beginning of the activity at MGSA, the accounting records of the company registered the main activities and their revenues and expenditures. Luis Medina Garvey believed on the accounting records to control his business. In this way, as part of his personal library it has been found a book titled: “Treatise Didactic Theorist-Practical of Bookeeping” (Bofill, 1916), which included practical operations and registration of this last for the industries. Also, his personal wealth was controlled by journal in which every spent and entry was registered.
Thus, at the journals of the company until 1964 (see, i.e. the books series L.313-L.323, AMGSA), appeared the activities of the company and at their accounts were registered the revenues and expenditures that the company had per each one (see figure 1). Those expenditures not directly associated to the activity were accounted at a general account titled “Gastos Generales” (General expenditures). Specifically, nor the depreciation of the fixed assets, nor the interests, nor the taxes, were included in such general account.

The calculation of the income was in such a way (see figure 2). First, it was accounted at the Income/Loses Account, the results of every activity, grouped in two main accounts: Electricity and Oil and Soap. Generally, to these two accounts were attached other accounts with the incomes and losses from the bills of exchange. Then, it was appointed to the Income/Loses Account the expenditures on taxes, depreciation and the sum of the Gastos Generales account. Since 1938, it can be observed that Luis Medina Garvey too received an annual amount of 4.000 pesetas for the renting of the buildings to the company to develop its activities. Such amount was allocated directly to the accounts of each activity (see figure 2).

Once the sum of Income/Loses Account was calculated, this was directly accounted to Luis Medina Garvey (see figure 2). Nevertheless, some years after, he should perceive the 10% of the net income for his work as President of the company. The rest of the net income was given to the shareholders of the company, namely Luis Medina and his sons, as the dividend that they perceived (Acts Book, AMGSA, box L.923).

But in 1963, the company made a report in order to modify its accounting system. From a Plan General de la Organización de la Contabilidad (Organization of accounting plan, 1963, AMGSA, box 314) it can be analysed the defects of the before accounting system and the benefits of the alternative accounting system. Thus, as the introduction of this document points out:

“...The needs of this company respecting accounting are... 1st.- The accounting system adopted must reflect at any moment the state of the company regarding the outside world... 2nd.- It must reflect at the end of every financial year, with safety and sureness, the real output obtained in each of the different activities... 3rd.- It must establish, as a main requirement for reaching the before aim, the real costs of manufacturing per each activity... For achieve these needs, accounting requires more resources to its development than those allowed by the Commerce Code... These official books will be run, also, to fulfil the fiscal needs and those of the Code; but in a summed up way, with a short effort...” (Organization of accounting plan, 1963, AMGSA, box 314).

Then, it follows the document by analysing the depreciation and its calculation: “... It is indisputable that the goods for the manufacturing of the company are wasted and, so,
are depreciated due to their use. This depreciation is because of the manufacturing some products; so it is natural that such depreciation should be accounted for and increase the production cost of the goods that produced it... But this depreciation it is not uniform in all the goods used for the work, otherwise, some felt it with a higher intensity than other. So, it is no adjusted to the reality the system followed until now at the company based on calculate every year a 5 per cent over the acquisition cost of those depreciable goods....” (Organization of accounting plan, 1963, AMGSA, box 314).

The document explains also some possibilities that are not being reached by the accounting system used at MGSA: “... a perfect separation of the results obtained in each activity because if it is not made in this way, it is run the risk that any activity should produce losses and those should be covered by the income obtained at the rest... Also, and comparing the resources invested in an activity and the results got, we will obtain the return of each business... there is no way to calculate the unitary cost nor the composition of this cost... in the case of new acquisitions of machinery for an activity we could verify [with the new system] their performance by the decrease of cost... we can not get, at any moment, the stock of the different goods of the business... it cannot be achieved information so interesting as the amounts of purchases and sales annuals or referred to any other period, nor the sum paid to the workers...” (Organization of accounting plan, 1963, AMGSA, box 314).

The new system started by explaining the depreciation process with examples and tables (see figure 3) and explaining the reasons to adopt a clear and real depreciation process, and the grounds on why the depreciation cost should be accounted to the production cost. Through the table for each of the elements of the fixed assets, it was controlled the total amount of depreciation and the real value of each factor.

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FIGURE 3 HERE
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For the development of the new management accounting system, it was established a set of cost centers, which corresponded to products lines and/or sections of production. According to an internal and manuscript document, it is described such lines and sections (Internal document, attached to Organization of accounting plan, 1963, AMGSA, box 314). Thus, the lines were: 1) Olives mixing, for the stuff olives that were sold. The rest of the olives were used of the production of oil. 2) At the production of oil line, it can be found the following sections: Mill; Extractor; Refinery; Soap Factory and Oil Store, fulfilling, thus, all the process of the oil production, including the sub-product of the soap. 3) At the Winery, it can be found: Wines, Alcohols; Vinegars and Concentrated. 4) The Carpentry was, in it self, a section and a line, as well as it was Electricity. Finally “Morera2” and “Olive Trees of the hillside” were the sections of the Agriculture line. By itself, the Threshing, the Morera’s Farm and Cattle and Pigs were sections, but without line of products.

Added to the main sections were some other called supplementary: the Carpentry Workshop; the Forge; the Truck Repair Shop; the Brickwork; Trucks; Garage; Laboratory; Cattle Maintenance; Extractor Steam; Warehouse.

2 Morera was the name of a piece of land that belonged to MGSA (note of the authors).
Finally, and not included in the sections before, can be found: The Medical Service, the Social Service and the Company Store.

Through this new system it was controlled all the activities and products performed at MGSA. Also, this system allowed calculating the unitary cost per product. In this way, it describes how to input the direct and indirect costs to the product, and what to do with the expenditures on administration and interests. These last should be distributed among the different products removing them from the results of each product at the end of the financial year. The document includes a table to calculate the cost of the product (see figure 4) where all the direct and indirect costs were accounted for and it discounted the sales of sub-products, which were obtained from the production process.

Finally, at the end of the financial year, it was made a report to calculate the incomes from each line of product (see figure 5). In this sense, and departing from the total amount of sales, it was deducted the cost calculated following the table of the cost allocation (see figure 4). Then, it was removed the expenditures for the selling process (i.e., the wages of the sellers, commissions, or advertising) and the rest of costs not added before, namely, administration and interests, which were distributed among the lines following allocation keys. As a result, it was obtained the net income of the products.

For the formalization of this process, it was used a scheme pre-determined of accounts, that is, it was detailed by a monist system, which includes managerial and financial accounting. Through a list it can be found the total number of accounts with a specific number, that should be used to develop the new accounting systems. This scheme was composed of ten groups of accounts and it was, originally, “...used at Norway...” (Organization of accounting plan, 1963, AMGSA, box 314). These groups covered the so-called “Cuentas en reposo” (accounts with a low movement each financial year, i.e., fixed assets); the financial accounts, which covered the cashing and the payments; the raw materials accounts; the expenditures accounts; the costs accounts; the activities costs; the costs of the products in process; the costs of the finished items; the sales accounts and the accounts for the results and analysis.

This new process supposed a deep change at the accounting processes and flow of information at MGSA. For its implementation, the information flows were formalised and a new area was created at the organization, the Cost Accounting Office. As it is recognised in a document attached to the Organization of accounting plan (The Cost Accounting Office, AMGSA, box 314), “... the cost accounting office is a board at the company which works in a parallel way to the financial accounting office, and it belongs to the management of the company...”. The cost accounting office must “... intervene at all the works made, all the supplies made, recovering all the data needed to
determine the costs... This presupposes that all the employees at the cost accounting office... must be well-informed of the industrial process at the minor details... [the employees at the cost accounting office] must adapt to the organization of the company their systems to collect the data...” (The Cost Accounting Office, AMGSA, box 314).

To make easy the work of the cost accounting office, “...at each one of the different sections designed by the cost accounting office must be a responsible for all the expenditures made at such section, in such a way that it cannot be invested any cent if there is not a responsible for it...”. For this aim, “...the cost accounting office must have enough authority given by the Board of the company to investigate without restriction all the expenditures made at the different cost centres...” (The Cost Accounting Office, AMGSA, box 314).

The cost accounting office has a main feature interesting to the Board of the company: “...to submit to the board and the studies and project department the needed reports for the making of the financial and economical studies and maintain a permanent vigilance over all the operations made at the company. It is, so, the staff used by the board to exert vigilance over the industry. But this staff must be, at the same time, watched over, and for this purpose, it is used the information and data supported by financial accounting...” (The Cost Accounting Office, AMGSA, box 314).

As it can be observed, the cost accounting office should reform all the information channels at MGSA. In this sense, some documents reflect this change and the problems found to reach this objective. In a memorandum from the Chief of the Cost Accounting Office to all the Sections Chiefs, he exposes: “... The monthly balances try to show the real economic situation of the Company, at the day 30 of such period; as a consequence, the absence of accounting documents, independently their amount, gives place to an erroneous opinion, or in any case, to the absolute uselessness of such balances... Considering that the Direction has disposed the implementation of this accounting system, each Section Chief or Responsible to send documents, that not fulfil the before idea, whatever it is the circumstance, will have the total responsibility due to delays and damages that happen...” (Memorandum from the Chief of the Cost Accounting Office to all the Sections Chiefs, 12th, September, 1966, AMGSA, box 925). At the same time, the Chief of the Cost Accounting Office, offers in such document all his support and aid for those with doubts or comments.

The Cost Accounting Office also verified the payments made. In this sense, a Memorandum from the Cost Accounting Office to the Cash Office, points out that every payment and cashing must be accompanied by the account number according to the scheme of accounts of the company and “...Before to make any payment, [the Cash Office] will demand from the Responsible the agreement to the amount and the account number... which must receive the cost...” (Memorandum from the Cost Accounting Office to the Cash Office, 29th, August, 1966, AMGSA, box 925). In the same way, the Cost Accounting Office points out: “... Following you will find the accounts numbers corresponding to [the department] called before General Expenditures, in whose numbers can be find the most of the problems...” (Memorandum from the Cost Accounting Office to the Cash Office, 29th, August, 1966, AMGSA, box 925).

The Board of MGSA was also implicated in this new accounting system, and thus, the General Manager sent a Memorandum to all the Sections with a “… Plan to be followed
for the delivery of documents and the assembly of the Balance 1967/68...” (Memorandum from the General Manager to all the Sections, June, 1968, AMGSA, box 925). In such plan it was disposed: “...Each responsible must take the needed dispositions in order to submit to Accounting the following data and any other which be considered as needed. It must be tried, at any price, to observe the established dates for the delivery of documents...”. The required information was: A list of debtors and creditors, including those out of time to be collected or paid; the approval or the changes made to, the depreciation plan; expenditures to be paid; costs made to sections; a forecast of investments; and the stock. Finally, at the end of the document, it is remarked: “...IT IS REMINDED THAT THE DEADLINE FOR THE SUBMISSION OF THE DOCUMENTS REFERRED TO THE MONTH OF JUNE IS THE NEXT 5 OF JULY...” (Memorandum from the General Manager to all the Sections, June, 1968, AMGSA, box 925, capitals in the original). A copy of this document was sent to the Chief of the Cost Accounting Office (Memorandum from the General Manager to the Chief of the Cost Accounting Office, June, 1968, AMGSA, box 925).

It also included standard charts that should be followed for the better control at the placing of orders. In this sense, in a memo dated the 27th of September, 1965, the General Manager of MGSA to the Chief of the Forge Section, it is explained: “...Attached you will find the diagram of the process for the placing of orders and examples of the “Needs of acquisition”, which as you will observe at the diagram, should fulfil the Section when it needed it...” (Memorandum from the General Manager to the Chief of the Forge Section, 27th of September, 1965, AMGSA, box 925).

Moreover, the control was extended also to know the industrial accident and hours lost due to this last or to illness of the employees. In this sense, the General Manager sent a Memorandum to the Doctor of the Company, and disposed: “...The data on the hours worked should be submitted by the Doctor, who will be in contact with the different departments (Human Resources, Sections, etc.) that will submit the documents where to find the data. It is interesting the graph submitted referred to 1966, but it is needed to follow by months to compare and follow the trend...” (Memorandum from the General Manager to the Doctor, 7th, March, 1967, AMGSA, box 925).

CONCLUSIONS AND FUTURE RESEARCH.

From this work, it can be remarked how, in a context without any regulation, the company MGSA decided to change its accounting system, which is an innovative initiative. Such scheme, as it observed through the life of the company, given that the strictness and expectations of the managers of the company from the accounting system was high, which it is observed also in other moments of the life of MGSA.

The convulse period that was part of the history of Spain, did not seem to influence MGSA at all. The changes operated at the company along all its life, were not as a response to legal changes. The changes at the political power, from left parties to the dictatorship, did not affected nor influenced the accounting procedures at the company, in spite of the influence that they had on the economy at Spain. Thus, from the socio-political context, MGSA acted as not involved in such context.
However, accounting culture at the ownership exerted a high influence over the accounting policies. This culture, which was at Luis Medina Garvey, also was maintained and improved by his sons at the company. The way in which Luis Medina Garvey involved at the business his sons and daughters was based, partly, on the accounting records. From the beginning he believed on accounting as a way to understand and follow his business. Thus, his knowledge on accounting influenced his personal economy. His sons learned this trust on accounting from their father and they also used and transformed the accounting procedures for a better knowledge of the business. Thus, the sons asked for reasons to his father because of the loss in 1944 and they changed the date for the rendering of accounts in 1952 from the 15th of February to the 30th of June in order that the accounting year could fit with the farming year.

This culture was also the main reason for the change of the accounting procedures in 1963. On one side, they imported a Norwegian system, which was far from the accounting tradition at Spain and earlier than 1973, when it emerged the First Accounting Plan at Spain, which was close to the Norwegian one. On the other side, the General Manager also was involved in this change. In this sense, it can be remarked the memo for the Chief of the different sections to enforce the fulfilment of the Annual Accounts (Memorandum from the General Manager to the Chief of the Cost Accounting Office, June, 1968, AMGSA, box 925); or the memo sent to the Doctor of MGSA, aiming him to improve his reports on the hours worked at MGSA (Memorandum from the General Manager to the Doctor, 7th, March, 1967, AMGSA, box 925); finally, the memo sent to the Chief of the Forge section disposing a new plan to be followed for new order to suppliers (Memorandum from the General Manager to the Doctor, 7th, March, 1967, AMGSA, box 925).

The new system can be considered as actual, comprehensive and complex. The assumptions of the system can be considered as actual. As the Cost Accounting Office recognised, the system had as main proposal to aid for the decision making of the company (The Cost Accounting Office, AMGSA, box 314). Considering that we are analysing a document dated in 1963, this system is advanced bearing in mind the schemes, frames and objectives that the Institute of Management Accountants of Britain and the American Accounting Association disposed for management accounting at the 80’s (Carmona, 1993). It is also comprehensive, due that every activity at the company was controlled. An Internal document, attached to Organization of accounting plan, 1963, (AMGSA, box 314), points out that all the activities at MGSA had a section in which their costs were controlled. Finally, it is complex given the different activities developed under the same system. It should be remained that at MGSA there were working an electricity factory, a soap factory or an oil mill, among other dissimilar activities.

As a conclusion, it should be pointed out that, as the MGSA have shown, the accounting procedures at the small and medium companies can be influenced by their socio-political and economical contexts (Hopwood, 1987), but the business culture of the ownership can also promote and improve an accounting change at a familiar and small business. All this new system is result on the accounting culture and the transmission of this culture from generation to generation at the company.

Finally, some issues are still under worked and they should be improved. First, we should like to improve our knowledge on how was generated and developed the
accounting knowledge at the family Medina. If other members received formal training in the business management, or informal. Also, we would like to explore if any accountant could be part at this culture. Considering the size and diversity of the company, it can be extracted that Luis Medina Garvey did not registered all the operations at the journals and ledgers. Thus, some accountants should carried out the accounting books.

Also, we would like to explore in future works on the influence (or not) of the new accounting system at MGSA for its performance. Our aim is, then, to analyse if the implementation of the new accounting system improved the income of the business or not.

At last, we would like to explore the possible resistance to this new system at MGSA. For more than fifty five years (1904 to 1963), the accounting procedures did not change at MGSA. Thus, it is possible to find resistance for the implementation of this new system. As the Memorandum from the Chief of the Cost Accounting Office to all the Sections Chiefs (12th, September, 1966, AMGSA, box 925) recognised, there were sanctions for those that not fulfil the deadlines for sending the information required at the Cost Accounting Office. The same can be found at the deadlines remarked by the General Manager for sending information in order to make the General Accounts (Memorandum from the General Manager to the Chief of the Cost Accounting Office, June, 1968, AMGSA, box 925).
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FIGURES.

Figure 1. Detail of a ledger in 1933, where it can be found two entries at the Oil and Soap activity (Source: Ledger, 1933, AMGSA, box L.312)

Figure 2. Detail of a ledger in 1938, where it can be found the calculation of the net income plus the rent perceived by Luis Medina Garvey (Source: Ledger, 1938, AMGSA, box L.312).
Figure 3. Detail of a table used as example for the depreciation of a fixed asset (Source: Organization of accounting plan, 1963, AMGSA, box 314).

Figure 4. Cost allocation table (Source: Organization of accounting plan, 1963, AMGSA, box 314).
Figure 5. Report made to calculate the incomes from each activity (Source: Organization of accounting plan, 1963, AMGSA, box 314).

ESTADO DE RESULTADOS de ____________

Ejercicio______

Ventas Brutas, ............
a deducir:

Costo Artículos vendidos ....

Beneficio bruto en ventas, ...

a deducir:

Gastos de Ventas:

Saldos personal ventas ....

Comisiones .................

Publicidad ................

Otros gastos de ventas ....

Beneficio neto en ventas, ..

a deducir:

Gastos de Admán. Directos ...

Gastos de Admán. Indirectos ...

Parte correspondiente de gastos financieros .............

BENEFICIO LIQUIDO DEL EMBROCIO

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