

**The Innovations Introduced by British
Adminstration into Turkish Accounting
Phlosophy Towards the and of 19th
Century - Accounting of Foundations
- 1878-1905(*)**

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Abstract

The Ottoman culture is a very strong one, which still dominated various parts of the world, in terms of various aspects. Still, even such a strong culture needed to change its old-fashioned practices, especially, after the Tanzimat era. Westernization of the empire intensified in this era, observable changes in the state system coincided with these years. In terms of accounting, it may be indicated that, the Ottomans continued to use old-fashioned techniques, until the late 19th century. Still, modernization in this field did not spread from the capital, in fact the new techniques started to be used in an ex-Ottoman sanjak, Cyprus, in the first place. After Britain annexed Cyprus in 1878, she sent her officials to make changes in the functions of the island. Several Ottoman

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officials continued to work in the island, in various places, which influenced these changes directly. In terms of accounting, these officials started to practice British methods, which would be spread to the whole empire, in the end. Therefore, it would be fair to say that British influence, in terms of accounting system, was quite powerful and it showed its effects in the Ottoman accounting system after they settled in Cyprus, in 1878.

Keywords: Cyprus, the Ottoman accounting systems, British accounting systems, foundation accounting

Jel Classification: M41, N15

1. Introduction

Foundations are socially purposed institutions, which were founded by Seljuks (1048-1308) in the first place, and then Ottomans practiced them (1299-1922) in Anatolia and the other regions under the rule of the state since the early 14th century, within the framework of Turkish-Islam synthesis.

Briefly, a foundation is an allocation for an individual who can hold all kinds of assets, incomes obtained from these assets, (rent, profit, interest etc.) movable or immovable ones, including money. They can be utilized for the construction of public properties and their maintenance such as schools, food banks, fountains, roads, bridges etc. (Öztürk, 1983).

First of all, it should be noted foundation culture was very popular in the Ottoman Empire. Professor Ömer Lütfi Barkan, the famous Ottoman agriculture historian, stated that, 17% of the total public income from the Anatolian provinces and 30% of the Balkan provinces were controlled by the foundations, between 1530 and 1540 (Barkan, 1962). In addition to this information, many other examples can be seen in *tahrirs* (the counting and

recording performed by Ottoman state once in every 15-20 years) about the significance of the foundations in the Ottoman history, as well. These ratios put sufficient information about to display the functions of foundations in the Ottoman economic and social life.

It is observed that the development in the number of foundations with social deeds continued to increase for centuries. However, after the late 19th century, when these socially driven infrastructure investments began to be handled intensely, the foundations started to lose their influence in the state as the entire world. It can be said that the culturally driven foundations came to the fore in the 20th century.

Foundations in the Ottoman Empire lived quite long. For example, one of the foundation income and expense table published in the *The Cyprus Gazette* in October 15, 1897, which belonged to Lala Mustafa Pasha's foundation. Lala Mustafa Pasha was an Ottoman grand vizier, who conquered Cyprus in 1571. This foundation was founded at the end of 1570's. According to the news, this foundation survived more than three hundred years and contributed to the region's social economic structure significantly (KKTC Milli Kütüphane, 1897). There are several reasons why this and other foundations survived centuries. First of all, the Ottomans launched a legislation to protect these foundations. This legal protection ensured the foundations to be preserved and to process their purposes well. Even, the state undertook the administration of heirless foundations and made them worked properly (they were called annexed foundations) (Akgündüz, 2013). Likewise, there is a foundation charter (foundation regulations) defining the conditions which should be respected by the administration, as well. This charter helped to provide certain conditions of the foundations, in terms of law. In addition to the legislative rules, accounting orders and powerful accounting auditing mechanism helped these foundations to survive

(Güvemli, Toraman, & Güvemli, 2014). A tight control over the foundations was developed. The local judges examined and prosecuted the annual income and expense charts of the foundation every year. They also inspected to expenditures and the regulations of the foundations along with their accounts. After such inspections they prepared reports and sent these information to the central accounting office of the state (*BaşdeFTERdarlık*) (Güvemli, Türk Devletleri Muhasebe Tarihi Osmanlı İmparatorluğu Tanzimat'a Kadar, 1998). These state initiatives were the significant motives to protect foundations in the Ottoman Empire. In addition to these initiatives, the empire also focused on to use proper accounting techniques, as well.

One of them was the stair method, which was widely used in state accounting. In fact, it was not well known method in the periphery, the annual income and expenditure table of the foundation were sent to the centre to be reorganised. There are thousands of foundations accounting books reorganized in that way at the Prime Ministry Ottoman Archives in Istanbul. This reorganization aimed a detailed state inspection. Reorganised incomes and spending are compared with the foundation charter (foundation regulations) and their conformity is checked. If there were any nonconformity, the foundation inspectors (controllers) would take the file and would perform the necessary inspection by interrogating the trustee of the foundation.

These regular registrations and inspections of the foundations were utilized by the state after the conquest of Cyprus, as well. According to state archives, there were several annual income and spending records of the island issued in such techniques. (please see, (Başbakanlık Osmanlı Arşivi) for an example). In this document, it can be seen that the incomes and spending of the island were recorded annually, in between 1571 and 1576. Form these reports; Professor Sahilliođlu conducted significant studies about accounting system in the island, in the modern period (Salihođlu, 1967). The reason for

stating this point is to display the state culture of the Ottomans for recording incomes and spending of the provinces. These recordings contained the foundations, as well.

After the 1878 the island was started to be governed by the Britain with two contracts and its administration was left to the British with the agreement on that the provision that the legal system would be preserved (Çavlan & Ekinci, 2008). This new order continued until 30th December 1915 when the island was annexed by Britain as the Ottoman State was in war with Britain in the First World War (The Cyprus Gazette, 1915).

In fact, this change of government brought new adjustments to the Ottoman accounting systems, as well. Between 1878 and 1915, Ottoman accountants continued to take parts in calculating and recording the annual incomes and expenditures of the island and making and spending the budgets of municipalities as well as conducting accounting records of the foundations. However, all these practices were performed within the framework of British recording culture. This means that stair method was abandoned and the Ottomans adopted double entry bookkeeping method. Therefore, the practices in Cyprus between 1878 and 1915 bear special importance in terms of Turkish accounting culture, as the first double entry bookkeeping method and first audit practice were employed, in this period.²¹⁴

In this paper the late 19th century and early 20th century will be covered and pioneering applications in terms of their relevance to foundations will be investigated. From several primary sources, it would be supported that British accounting system started to be influential in the Ottoman system. To support this claim, Cyprus and foundations of the island in terms of their accounting practices would be examined. It seems, the new settlers and their techniques

contributed much to the Ottoman accounting system, and these new methods started to be used in various parts of the empire. Furthermore, it should be noted that the developments in the last quarter of 19th century provided the foundations of transition to modern accounting practices in Republican era, as well.

Before explaining the examination of the impact of Cypriot practice on Turkish accounting philosophy, two issues should be mentioned. First one is related to the legal and organic structure of the Turkish foundations. The second one is the numerical development of foundations in Cyprus between 1878 and 1915, which is the subject of this paper.

In this paper, the data showing incomes and spending of foundations as well as annual reports showing the incomes and expenditures of foundations published in *The Cyprus Gazette - Published by Authority* will be used. However, to understand the income and expenditure elements in these reports and financial tables, the foundation procedures, operation and organizational structure of Cypriot foundations should be mentioned briefly (Efendi, 2003):

-Preparation of foundation charter (regulations): According to the foundation law, a foundation charter (foundation regulations) must be prepared. In these regulations, the movable or immovable assets and incomes to be allocated for the social purposes should be given in detail. Incomes and the social deeds for which these incomes will be given in detail. The names of the people who will take part in foundation management are written, especially the chief administrator (responsible administrator) called trustee is stated. In addition, the wages of people who would take part in the administration of the foundation are recorded. In the larger foundations, accountants are also included in this list.

- Approval of foundation charter (regulations) by the Kadı (Islamic Judge): After the foundation charter (regulations) is prepared, it is signed by

the founder of the foundation. Then this document is submitted to the regional Kadi. Kadi's approval is needed for the establishment of a foundation. Kadi has a great authority on this issue; for example, assignment of trustee requires his approval; in case the trustee quits or dies, the Kadi may assign the person who will be the acting trustee until a new trustee appears.

-Provision of auditing and consultancy services to the foundation:
In larger foundations, a minister called *Nazır* (auditor, controller) is assigned to audit the works of the trustee continuously. *Nazır* performs the supervision service constantly and receives his wage from the foundation. In the Ottoman Empire, it is a common act that the auditor receives his wage from the institution that he audits. There is also a *cabir* of the foundation, who is responsible for collecting the incomes and keeping the integration of the structure of the foundation. In addition to this, it is witnessed in larger foundations; accountants are mentioned in several annual reports.

- Types of foundations in Cyprus: In Cyprus, these foundations are generally named as *Evcaf Mazbouta Cyprusis*. *Evcaf* is the plural of the word "vaqf" (foundation). *Mazbouta* means the foundations, which are under the authority of the foundation administration of the state. These foundations are also categorized by their functions and their connections to the various state administrations. The foundations founded by leading statesmen and the Sultan fall in this category. The trustees of such foundations are assigned by the state. This administration was *Evkaf-ı Humayun Nezareti* (Ministry of Foundations) settled in Istanbul and increased in the second half of the 19th century in the Ottoman Empire. The foundations in Cyprus were under the authority of the Cyprus Authority of Foundations, which was also connected to the capital.

With the British settlement in the island, the titles of the Ottoman foundation administrators started to change, as well. The task of the trustee started to be assumed by both British and Turkish delegates. Even Kadıs' and Nazırs' job description influenced by the British wave, which had the right

to comment on foundation administration. The only remaining title from the Ottoman era was the accountant, who started to use new methods, as well.

A second point, which deserves attention, is related to the numerical data of foundations in Cyprus between the years of 1878 and 1915. In this data, the general information about foundations and their relations with the various branches of the administration are displayed. In the national archives, a very detailed report is published titled as *Cyprus under Ottoman Rule*. In this study, the all of the foundations survived from mostly the late 17th century to 1963 are listed (Bařbakanlık Devlet Arřivleri Genel M¼d¼rl¼ę¼, 2000). According to these information, 608 foundations were established in Cyprus island between 1688 and

1963. 204 of these foundations were established during the Ottoman rule, until 1878. From 1878 to 1915 when the island was under the occupation of the Britain, 56 foundations were added. The remaining 248 foundations were established between 1915 and 1963. This means that under British rule 260 (204 + 56) foundations were audited. It is beyond doubt that the most of these foundations were independent ones founded by private initiatives. The remaining foundations are those, which are examined in the *mazbouta* concept and they were administered by the state. Financial tables, which are going to be examined here, belong to these foundations. Their number is not certain, but it is possible that there were around one hundred of them. These numbers show that the Turkish foundations in Cyprus were in abundance and they had huge importance in the economic and social structure of the island. Furthermore, according to these numerical statistics, it can be deducted that Britain helped the progress of foundations in the island, significantly, as well. In the next chapter, accounting practices of both the Ottomans and the British in the island are going to be discussed.

2. Accounting Philosophy and Practices in the Second Half of 19th Century

In 1878 when British administration started to settle in Cyprus, the Ottoman accounting culture was dominant in the island for three centuries. In fact, several changes have already started in the Ottoman state system with the Imperial Edict of Reorganization of 1839. This edict is a westernization movement in both financial and administrative structure. In terms of the accounting, until this date the stair method was used in state. This method was born in the Abbasid Empire (770-1258), developed in the Ilkhanid Empire (1256-1353) and it was transferred and used by the Ottomans, for centuries. (Elitaş, Güvemli, Aydemir, & Erkan, 2008). This method was not used in private sector companies, as private sector was not developed and existing, only small enterprises met their needs with simple accounting records.

This westernization movement supported the private sector, as well. In the 1840's, sending some two hundred students to France for education and gain experience about private sectors and business were being discussed (Duran, 2012). When these students, as Ali Paşa, Mithat Paşa, Cevdet Paşa or Keçecizade Fuat Paşa, returned to the state they published the Turkish Commercial Code in 1850 inspired by *Code de Commerce* of Napoleon. This code introduced the western European commercial law and double entry bookkeeping method to the empire. However, there were no accountants, no books and no businesses understood or used this method in the empire, in the first times. The code was not applied for long because the infrastructure was not favourable, as well. However, in 1879 it was seen that a liberalization trial in economy was initiated. The purpose of this trial, which continued until 1885 was establishment of the infrastructures needed to bring to life the profit-based business understanding. In six years, it is observed that the following developments were experienced:

- *Foundation of Istanbul Chamber of Commerce*: Istanbul Chamber of Commerce, which is the biggest occupational chamber of Turkey today, was founded as *Dersaadet (Capital city) Chamber of Commerce* (1879- 1882) (Nezihi, 1932). As a result, organization of private sector was launched.

- Introduction of double entry bookkeeping method: The stair method used by the Ottoman Empire was a government accounting method and was not suitable for calculating profits. Double entry bookkeeping method was, on the other hand, becoming popular globally and taking huge steps towards becoming a branch of science. This means that it had some features that could be benefited by the Ottomans, as well. The decisions of adopting double entry bookkeeping method began to be prepared in 1879 and the double entry bookkeeping method was put into practice in 1880. It should be noted that this transition to double entry bookkeeping method was encouraged by successful practices of the Ottoman Bank which was active during these years (Çabuk & Saygılı, 2012).

-*Establishment of Hamidiye School of Commerce*: Now it was time to establish the school, which would educate accountants with the knowledge of double entry bookkeeping method. The establishment of this school was a huge challenge, as until then the government was founding schools at undergraduate level, which would meet its limited needs and educate public servants who would take part in state administration. This would be the first school to educate accountants for the private sector (Ergin, 1977). It should be noted that after a number of attempts occurred to establish this school with private financial aid of Sultan Abdulhamid II (1876-1908). Hence, the name *Hamidiye* given to this institute, after the Sultan. After the second half of the 19th century, this institution has been offering business education and today it is continuing its activities in Istanbul within the Marmara University.

- *The first profit-based serious businesses established by Duyun-i*

Umumiye. In 1881 when the Ottoman Empire had difficulties in paying its foreign debts, the creditors established the Ottoman Public Debt Administration (*Duyun-ı Umumiye*) in Istanbul. The function of this agency was to manage the income sources of the Ottoman Empire and collect its receivables. This agency is still debated by the legalists and historians about whether it was a violation of the sovereignty rights of the state or not. Two companies established in the early 1880's to operate tobacco and salt marshes. These were the first companies in the empire, which operated in a profit-based and suitable manner for modern understanding (Güler, 2006). It should be noted that *Duyun-ı Umumiye* grew into a huge bureaucracy, which employed five thousand people in a very short time. Education historians indicate that the graduates of Hamidiye School of Commerce preferred to work at these companies of *Duyun-ı Umumiye*. It would not be wrong to understand that the Turkish private businesses also had the opportunity to benefit from business experiences of *Duyun-ı Umumiye* and improve their business management understanding, despite its bad influence on the state.

In addition to these efforts, it should be noted that during this period, using French culture several accounting books teaching double entry bookkeeping method were translated, that the government tried to implement double entry bookkeeping method in its enterprises and that private companies also paid effort to implement this method.

Between the years 1879 and 1885, upon the transition to double entry bookkeeping method, which would lay the foundations of private sector, Hamidiye School of Commerce and Istanbul Chamber of Commerce did not gain success at once. The breakthrough was occurred in the last two decades of the 19th century. It is clear that the main development in the accounting systems were witnessed after the proclamation of the Republic (1923) and the founders of republic made considerable use of the trails between 1879 and 1885.

All these explanations show that in this period when Cyprus began to be administered by the British the Ottomans were in search of modernizing the accounting philosophy and paying effort to improve accounting practices in line with western European culture. It shows that the Ottomans were ready for a change. For this reason, the Turkish foundation accountants in Cyprus were setting an example for the empire in the first place. In other words, it can be claimed that the first initiatives in the modernization in the accounting system were occurred in Cyprus. Even, it can be supported that Cyprus and British occupation might be the founding ground for the modernization movements in the accounting system in the empire. Ottomans started to benefit from the developments in foundation accounting in this region; in late 19th century.

In the next chapter, the examples of the British culture and foundation accounting in Cyprus in late 19th century and early 20th century are going to be discussed.

3. Foundation Accounting and Accounting Reports in Cyprus Island in Late 19th Century

3.1. Income and Expenditure Tables of Foundations in Cyprus in 1898 and 1899 as Organized According to Double Entry Bookkeeping Method

In 3rd February 1899 dated issue of The Cyprus Gazette, the income – expenditure tables of foundations are administered by the state as organized and audited according to double entry bookkeeping method dated 31 March 1898 is given. (Appendix 1). Likewise in Appendix 2, which shows the 2 February 1900 dated issue of The Cyprus Gazette, the income – expenditure tables of foundations as organized and audited according to double entry bookkeeping method dated 31 March 1898 is given. It seems in the late, 19th

century, Ottoman accountants who still served in Cyprus, started to adapt these new methods.

3.1.1. Audited income – expenditure table of foundations for the year 1898

It should be appropriate to give the following information, which required the consolidated financial table is given in Appendix 1:

Foundations of the accounting information is given in this paper are grouped in terms of regions, as Nicosia (both as city and region), Limassol, Larnaca, Famagusta and Papho. Still, the information is lacking on the titles and numbers of foundations. The British administration made use of the foundations authority, which remained from the Ottomans, as the following:

This is the administration area of foundations under the responsibility of the state similar to the previous application. However, each foundation does not have a separate accounting order in terms of their variances, until that time. The British administration unified the accounting records of all foundations and integrated them in the same record. They only clustered the foundations on regional basis and mentioned their expenditures as regions, as well. That was all to it; they did not group other incomes and all expenditures as foundations or on a regional basis. Still, they abolished the trustees of foundations who did their jobs separately and attributed the all foundations in a single management (delegates).

The note on the table shows that the income table – expenditure status at the end of financial year, which ended on 31st March 1898. This 31st March rule was also valid and applied in the Ottoman Empire and first years of the Republican era.

That the names of both British and Turkish delegates were mentioned under the tables belonging to 1898 and 1899, which are going to be examined later, shows that, as stated above, these delegates working at Cyprus Foundations Authority and they were government officials in Cyprus. They also assumed the responsibility of the administration of all foundations. These delegates were also administrators to whom the accountants that prepared the table reported. However, it is certain that these delegates are people who are responsible for the information in the tables. These officials left a note below the table and explained that the tables also included the non-collected incomes, as well. This information displays the relation of income-expenditure table with the balance. However, in the Ottoman bookkeeping culture, the balances of foundations are not organized, only the income and expenditure table are presented. The novelty brought to the Ottoman bookkeeping order by this table is that the table was prepared with double entry bookkeeping method and that it was audited.

A British auditor stated that he performed the auditing of the financial table belonging to the year of 1898 and cast his signature below the table. He also gave the date of auditing (16th December 1898). This means that the auditor completed and undersigned the auditing of income – expenditure table as of 31st March 1898. The same procedure was followed in the financial table belonging to the year of 1899.

The focusing points of the tables can be found towards the end of 19th century. It is beyond doubt that this application began in 1880's. Therefore it can be said that, preparation of a financial table within this framework according to double entry bookkeeping method, signing by the authorities, signing by the auditor by stating that auditing was conducted, were "first" in Turkish accounting philosophy. This procedure was adopted by the Ottoman administrators and accountants, and then applied in the Ottoman state, as well.

The final point to mention is that the accounting books from where financial table data were retrieved and were being kept by the Turkish accountants according to the double entry bookkeeping method. They can be seen on the incomes side of the tables.

The following section is on the income and expenditure sections of the table given in Appendix 1.

The income side consists of six sections.

<i>Incomes</i>	<i>Str. s. c.p.</i>
<i>Start of period – case dated 1 April</i>	<i>1897 589 9 1</i>
<i>Tithe 10% and liqueur production tax</i>	<i>1.824 19 8</i>
<i>Foundation incomes of four regions</i>	<i>894 6 8</i>
<i>Collection by general bookkeeping centre</i>	<i>482 9 1</i>
<i>Miscellaneous (auditing expenditures, interests obtained, Colossi farm incomes, sales of old materials</i>	
<i>Solution sales of Esad efendi</i>	<i>643 1 5</i>
<i>Advances received</i>	<i>628 5 2</i>
<i>Total</i>	<i>4.558 15 8</i>

To explain this information in detail:

1. The foundation has several other incomes other than its own incomes. It is understood that the 10% tithe tax received by the Ottomans from agricultural production and liqueur and they were collected within the system of the foundations. It is noticeable that these taxes were added by the state to the revenues of foundations to be spent on the social deeds.

2. Auditing expenditure is also included among the incomes. There are two possibilities to include this amount in the incomes. The income generated by the foundation staff with extensive accounting and auditing knowledge is the first one. The second one is about the usage of the word “expenditure” which can be explained with addition to foundation incomes in order to meet the auditing expenses of the foundation.

An example from the 1898, that required the regulations about the expenditures, is as the following. It can be understood that these expenditures are handled in six sections, as well:

<i>Expenditures</i>	<i>Str. s. cp</i>
<i>-Foundation central office expenses</i>	<i>460 3 7</i>
<i>(Wages of delegates, accountants and aides, transportation and additional payments – aids – and several expenses)</i>	
<i>-Mosque services (wages of Imam and his aide, illumination expenses, Ramadan month expenses)</i>	<i>670 8 1</i>
<i>-Maintenance and repairs and new buildings</i>	<i>942 12 3</i>
<i>- For foundation affairs, Petra farm, middle room rents, garden landscaping expenses</i>	<i>210 19 5</i>
<i>-Miscellaneous (expenditures for transporting tools and equipment, bringing water, forestation, taxes, expenses for collecting tithe, book and stationary expenses, legal consultancy expenses, counting and bookkeeping office expenses, irrigation expenses, expenditures for auditing of foundation accounts and others)</i>	<i>395 5 0</i>

Subtotal	2.679 8 7
- Advances paid	906 19 3
- End of term case -31 March 1898 -	972 7 7
Total	4.588 15 8

According to this table:

1. Expenditures are mostly aimed the maintaining foundation activities. This situation shows that incomes from agricultural taxes such as tithe, which are included in incomes, are for the purpose of meeting the social expenditures of the foundation.

2. The first group of expenditures are the central office spending of the foundation administration.

3. There are interesting costs for several expenditures. Water is a scarcity in Cyprus. In some foundations, it can be seen that the founder allocated the right of having water to as a social deed. For this reason, bringing water and irrigation are among important expenditures. The state receives some share from this kind of foundations' incomes. Still, it can be traced that some British accounting culture influence in the books and records of these social deeds.

4. With the professional techniques introduced in the island, it can be seen that the old fashion implications and officials started to change. Kadı is one of them. In some cases, Kadı was a responsible official for the foundations and their accounts. However, in the late 19th kadıs started to be replaced by the auditors.

3.1.2. Audited income – expenditure table of foundations for the year 1899

In this examination, financial tables of the two consecutive periods of Cypriot foundations are discussed.

In appendix 1, the income-expenditure table organized and audited according to double entry bookkeeping method belonging to the financial year that ended on 31st March 1899, is provided. Below the table, the signatures of a British and a Turkish representative responsible for financial tables who are members of foundation administration can be found, as well. The delegates state that the income, which was not collected from Kolossi farm is also included in the table. With the word “examined” (verified), the auditor stated that the auditing was performed and cast his signature below the table. The auditor was British. It will be appropriate to state that the Ottoman auditors also took charge in the process in some time, as well.

Income section of the table organized as of 31st March 1899 is divided into six sections. These sections are as the following:

<i>Incomes</i>	<i>Str. s. c.p</i>
<i>-Start of period case – 1 April 1898 -</i>	<i>972 7 7</i>
<i>- tithe -10% and liqueur production etc. taxes</i>	<i>1.055 19 5</i>
<i>- incomes of foundations divided into five regions</i>	<i>819 8 6</i>
<i>- incomes directly collected by administration of foundations – including solution sales-</i>	<i>565 18 1</i>

-miscellaneous incomes (auditing expenditures, interest incomes, the grant from government for the wall of Famagusta ceetery, rent receivable from olive trees, sales of woods and old materials, returns – received from payments made -

Subtotal **3.618 2 8**

Advances received **1.797 5 8**

Total **5.415 8 7**

These incomes are parallel to the revenue items of the previous year. The point, which needs further explanation, is that the rent from olive trees was recorded although it was not collected. This is similar to the recording as income of non-collected receivable of Kolossi farm stated in the note below the table. However, it was not written below the table. Generally, it can be seen that the incomes were determined based on accrual condition instead of collection condition. This is a method, which was adopted in the Ottoman bookkeeping system, as well. It is well known that the Ottoman Empire had considerable experience in application of accrual accounting in state accounting. However, new British methods as bookkeeping was started to be adopted by the Ottomans, which had several similarities with the Ottoman ones.

It is observed that the expenditure section of the income-expenditure table prepared as of 31st March 1899, was divided into six parts. These six parts are discussed below.

Expenditures **Str. s. cp.**

- Foundations central office expenses **562 10 7**

(Wages of delegates, accountants and aides, transportation and additional

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payments – aids – and several expenses)

-Mosque services (wages of Imam and his aide, illumination expenses, Ramadan month expenses) 752 13 3

-Miscellaneous (government share from tithe and other taxes, expenses for bringing water, forestation, taxes paid top the government from foundation incomes, expenses for collecting titheand other taxes, general counting and bookkeeping expenses, law consultancy expenses, carpet expenses of the Hagia Sophia mosque, auditing expenses, examination expenses in Lakatamia region, expenses for monitoring foundation property, percentage for collecting rent incomes and others) 472 10 4

- maintenance-repair expenses and new buildings 848 5 5

Sub total 2.639 0 1

- Advances paid 1.845 0 6

- End of term case – 31 March 1899- 1.431 8 0

Total 5.415 8 7230

In this table the expenses of foundations as of 31 March 1899 are given. The parallelism of the expenditures with the previous year is noticeable. However, some items in miscellaneous expenses should be explained, namely:

Three tax payments are included in miscellaneous expenses. The first is the government share from tithe and other tax incomes, which are given to the foundation so that they could be used in the social deeds. The second one is the payment made to the government under the name of the cost of collecting tithe and other taxes. The third one is the tax paid to the government through incomes of the foundation. This last one is a type of tax applied by the Ottoman Empire.

A third type of income, which deserves clarification is an expense made under the title of *Survey of Properties*. It is highly probable and this expenditure represents the payment made to the person who is known as Nazır. They are charged with the duty of constantly monitoring the properties of the foundation as well as its incomes and expenditures.

There is also the expenditures with the title *percentage for collecting rents*. This type of expenditure reminds the wage of the person called Cabir who was charged with collecting foundation incomes in the Ottoman Empire.

Although functions in foundation administration do not change, it is understood that the titles and work definitions of people who take charge in the activities of foundations under the British rule are changed.

3. 2. Reports by Delegates Who Took Charge in Administration of Cypriot Foundations About Annual Income and Expenditure Calculations – the Case of 1904 -

Under the British rule, to calculate the annual income, expenditure accounts started to be used which were applied to the foundations in Cyprus. This practice made important contribution to the Ottoman accounting philosophy, as these reports indicated in the Board of Directors. They covered the interpretation and evaluation of income and expenditure items. The financial table given below aims the preparation of these kinds of reports.

3.2.1. Financial report subject to the report of delegates be longing to the financial year that ended on 31 March 1904

In 30 December 1904 dated The Cyprus Gazette, where the delegate report was published, the financial table of the same period can also be found (Appendix 4). Income and expenditure sides of the financial table, which was the cause of the writing of the report are grouped and given below.

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<i>Incomes</i>	<i>Str. s. cp</i>
<i>-Foundation incomes (Nicosia, Limassol and Famagusta foundations)</i>	1.300 15 6
<i>-Collected by general bookkeeping office</i>	633 4 8
<i>Returns</i>	29 5 0
<i>-Miscellaneous (sales of old materials, interest income, Auditing income)</i>	89 3 2
<i>Kiti farm income</i>	401 0 0
<i>Sum of incomes of foundations</i>	3.227 7 1
<i>Start of term case – 1 April 1903-</i>	1.248 14 3
<i>Advances given</i>	750 0 0
<i>Deposit at the accounts of annexed foundations</i>	1.189 11 4
<i>Total</i>	6.410 12 8

The details of the expenditure section of the mentioned financial table are as the following:

<i>Expenditures</i>	<i>Str s cp</i>
<i>Delegate and accountant office expenses</i> <i>(wages, transport etc.)</i>	521 6 3
<i>Mosque and school expenses (wages, Illumination and Ramadan expenses)</i>	991 19 5

<i>Maintenance and repairs</i>	215 18 6	
<i>Hagia Sophia mosque special repair and maintenance</i>	242 4 4	
<i>New buildings</i>	504 16 6	
<i>Payment of debts to the state (taxes)</i>	133 15 0	
<i>Returns</i>	33 19 0	
<i>Miscellaneous (income collection expenses, counting and bookkeeping expenses, Audit expenses, taxes, legal consultancy, irrigation etc.</i>	332 17 5	
<i>Islamic education expenses</i>	159 9 8	
<i>Kiti farm expenses</i>	43 6 4	
<i>Expenditures of Mazboutah foundations</i>	3.179 18 5	
<i>Advances given</i>	750 0 0	
<i>Deposits of annexed foundations</i>	1.180 19 7	
<i>End of term case -31 March 1904 -</i>	1.299 19 5	
<i>Total</i>	6.410 12 8	
<i>M.Irfan</i>	<i>W. Collet</i>	
<i>Turkish foundations delegate British foundations delegate</i>		
<i>17th June 1904</i>	<i>25th July 1904</i>	<i>Audited</i>

Allen Grannum

Regional auditor

It is noticed that in the early 20th century the income and expenditure tables of the foundations were given a more appropriate shape. A more regulated system seems appeared, incomes and expenses calculated separately, other incomes and expenses were denoted independently, and the documents started and ended with the term cases, which were written below the table.

In addition these practices, it is witnessed that the share given to the foundations from taxes collected from agricultural production by the government such as tithe were abolished and the state tended towards collecting the conventional taxes of the foundations.

3.2.2. Delegate report belonging to the financial year that ended on 31 March 1904

Due to the reasons stated in the above explanations, the example of the report, which will be discussed, belongs to the early 20th century; it is a financial report in the financial year 1904.

In the 30 December 1904 dated issue of the Cyprus Gazette, the delegate report on the financial year, which was completed on 31 March 1904 signed by British delegate W. Collett and Turkish delegate M. Irfan, published. The mentioned report is as the following:

2 December 1904

Foundation accounts report Administration of foundations Nicosia

The 31 March 1904 dated income of foundations under the control of the government (mazboutah) was 3.227 Str. 7 s 1 cp and expenditures was 3.178 Str 13 s,5 cp, and the excessive income shown in this year was 47 Str 13 s 5 cp. Although it seems satisfactory, a closer inspection will show that accounts ended up this way due to incidental reasons. It

was a misfortune to lose the service of Mehmet Efendi, who was Turkish foundations representative, due to death at the beginning of the year. As a result, new accountant was assigned to this new post within a few months and 70 Str was saved from wages.

2. The 401 Str portion of the income is the rent obtained from our joint tenant, Kiti Farm. Due to drought we bought seed corn from 123 Str and gave to our tenant as we always did. Despite this we made a good profit. The cost of corn can be seen from the accounts of previous years. This cost was 100 Str.

3. In this case, taking into consideration the saving realised due to the unexpected income obtained from Kiti, it will be seen that expenses are 300 Str higher than regular income (which is above the tithe tax income).

4. Among expenditures a special donation of 159 Str 9 s 8 cp is observed for the education of Muslims. The 9 Str. 9 s 8cp represents the books purchased for religious courses at high school (idadi) and the maps and similar materials purchased for Hagia Sophia school. The 150 Str paid to the government is given for the furnishing of village schools which are not in good condition and which cannot obtain aid due to the rejection of Muslim members of the council and expenditures that arose related to the Nicosia girl school of the state.

5. The spending for new building construction and repairs were higher than regular. It is feared that big mosques will require big spending for four or five more years.

6. During the auditing year we spent 200 Str. For Hagia Sophia mosque. At least 300 Str more spending is needed. At the moment we are repairing Ömerli Mosque at reasonable expenses. The minaret of which top is three feet higher than the ground and on which cracks are formed should be demolished. All of these repairs will be made next year. When the minaret is built anew and other parts are repaired will be reported. The Big Mosque in Magusa also needs significant repair.

7. *A significant portion of expenses is related to the completion of Yeni Saray Önü Mosque. This development work gave great happiness to the entire Muslim community who stated their satisfaction to the former Development Director Mr Bellamy who designed the mosque.*

8. *Despite heavy demands for village mosque and school buildings we could not make a noteworthy grant. This is something which makes us sad.*

9. *Imperial Ministry of Foundations (in Istanbul) nominated Musa İrfan Efendi to the place of the former Turkish delegate who deceased. İrfan Efendi will perform his previous service here now.*

Experiences and education status of accountants have been reported to Mehmet Fahri Efendi at Deed Registry Office. Starting he work from this point will ensure recording of the properties in an order.

In the meantime, it should be noted that some changes of authority were made which were expected to have low cost but high efficiency.

10. *For administrations of independent foundations, it is compulsory to hire offices in Yeni Konak. Until now the office of the commissioner in Nicosia was being used.*

W. Collet

M. İrfan

Foundations British delegate

Foundations Turkish delegate

From this report, it would be deducted that:

This is an annual report about the financial activity, which is presented by the officials for the consideration of the management. It covers explanations as regards the items in annual financial table and relevant information. Ottoman accounting system was introduced with such annual financial reports at the beginning of the 20th century, with such practices in Cyprus. It is beyond

doubt that several institutions founded with the foreign capital (investments to the Ottoman Bank mostly) were preparing such reports in the second half of the 19th century in the empire. However, the first application in foundations, which was a part of Ottoman culture, was witnessed in Cyprus. For this reason, the mentioned practice was the first one for most Turkish accountants as the accountants of foundation administrations in the Ottoman Empire had a different culture from accountants of companies. The difference was caused by the fact that the former were accountants of socially driven institutions.

Secondly, it is clearly seen that the delegates who signed the report were performing the function of people called “trustees” in the Ottoman foundation culture, as the explanations in the report indicate that delegates are responsible for the collection of incomes and making the expenditures. Trustee in the Ottoman foundation administration was the highest professional manager who performed these tasks.

Thirdly, as it is seen often in the financial tables, Cypriot foundations have two main expenditure items. One of them is the repair, maintenance and furnishing of religious structures. The other is usually education, and especially religious education. These are the expenditures, which were traditionally seen in the Ottoman foundation culture. On the other hand, it is seen that incomes are slightly different from the Ottoman culture in the financial tables in late 19th century. In the mentioned tables, the share given to foundations from 10% tithe collected from agricultural products, which is the traditional income of the government, is noticeable. However, the financial table above reveals that this practice was terminated in early 20th century and the foundations began to conduct their activities based on their own revenues. These changes were mostly introduced with the British occupation of the island.

It is interesting that, even though the decrease in this revenue of the foundations, they continued to provide aid to the village schools. In the Ottoman foundations, incomes were identified and restricted with the foundation charter. Expenditures were also identified and restricted. It is observed that this principle was readopted in Cypriot foundations in the early 20th century.

It is remarkable that the evaluations of incomes and expenditures go beyond being only descriptive of the existing situation, for example include normative phrases. However, it is understood that budgeting was not a practice for foundations. In the same years, municipalities in Cyprus made extensive use of budgeting practices. It is understood that this case was caused by the fact that foundations adopted the Ottoman style of management, as it is known that towards the end of 19th century the Ottoman foundations did not perform budgeting in foundations.

Another interesting point is the decease of Mehmet Efendi, who was the Ottoman delegate, which was mentioned with sorrow. Mehmet Efendi was an experienced foundation accountant sent from Istanbul. His task was to make sure that the British practices on the foundations would not cross with Ottoman culture as far as possible. The information in the report shows that Mehmet Efendi performed these duties with success. Moreover, it is understood that he was open to the innovations such as practicing double entry bookkeeping method and auditing. Nomination of M. Irfan Efendi in the place of Mehmet Efendi shows that the Ministry of Foundations showed close interest in Cypriot foundations and the innovations were monitored in the centre.

4. Conclusion

It is observed that foundation culture in the Ottoman Empire was widespread in all territories that were controlled by the state authority in general. It is observed that many foundations were established in Cyprus after the conquest of the island. These foundations were socially-driven institutions, which were administered upon Turkish-Islamic synthesis. When the Britain occupied the island after 1878, she introduced her culture to the island, even in terms of accounting practices, as well.

British administration began to implement double entry bookkeeping method in the island, similar to many other fields; they also introduced the practice of undersigning of financial tables by the state officials. Furthermore, they shared their knowledge with the Ottomans, as well. In fact, in the same years, the Ottomans were in search of modernization in terms of accounting philosophy, which facilitated the acceptance of such changes. The westernization movement, which began in 1839 with Tanzimat in the Ottoman Empire gained momentum in the second half of 19th century and led to an important liberalization trial between 1879 and 1885. This trial included accounting techniques and helped the adoption of double entry bookkeeping method and opening of business school, which offered western style education, properly.

It is noticed that the British gave importance to the social works of foundations. Moreover, they wanted to take part in the administration of foundations, it is remarkable that they made changes to the Ottoman foundation administration. The most important change in terms of accounting is the unification of accounts technique, what were reversely practiced during the Ottoman rule and they recorded as one foundation the more than one hundred foundations, which were under the responsibility of the government. Only the

foundation incomes were shown separately for the each region. Changes also helped the administration and an order was created, which would ensure that British and Turkish delegates would work cooperatively in the administration of the foundations.

Another novelty introduced by the British officials to foundation administration with the early 20th century. Publication of annual financial reports, which belong to annual income-expenditure table, was occurred. This was the first time when the Ottoman accountants met with a foundation report, which included evaluations and interpretations of income and expenditure items.

Finally, it should be noted that in late 19th and the early 20th centuries, these developments in the direction of modernization of Turkish accounting philosophy provided guidance for accounting practices at the foundation of the Republic of Turkey and the infrastructure for accounting philosophy of the new state.

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Appendix 3: The Cyprus Gazette Published by Authority, 30th December 1904, Annual report of the delegates on consolidated financial table belonging to the financial year which ended on 31 March 1904
(Pages 5480,5481)

5480 THE CYPRUS GAZETTE, 30th DECEMBER, 1904.
(No. 7410.)

EVKAF ACCOUNTS REPORT.
EVKAF OFFICE, NICOSIA,
30th December, 1904.

The Honourable The Chief Secretary,

The income of the Muzakkeh for the financial year ended the 31st March, 1904, was £8,227 7s. 1cp., and the expenditure £8,179 18s. 5cp., showing a surplus on the year of £47 18s. 5cp. This appears satisfactory, but an examination of the accounts shows that the surplus is due to fortuitous circumstances. Early in the year under review the Evkaf Department had the misfortune to lose the services of the Turkish Delegate, Sadik Effendi. In consequence of this the post of Muhassabedji was vacant for some months, and the saving effected in salary amounted to £70.

Among the expenditure will be seen a special grant for Moslem Education of £169 9s. 8cp. The £9 5s. 8cp. represents books purchased by us for the religious classes at the Idadi School, and maps, etc., for Ayla Sofia School. £150 was granted to the Government to enable it to make the usual grants to the Village Elementary Schools, which the Government was not in a position to do otherwise, by reason of the expense incurred in connection with the Nicosia Girls School, and the refusal of the Moslem members of the Council to provide the necessary funds therefore.

The amount we have had to expend on new buildings and repairs has been unusually large; but we are afraid that the condition of the principal Mosques will necessitate a large expenditure for some four or five years to come.

During the year under review we spent over £200 on the Saint Sophia Mosque in Nicosia. An expenditure of at least another £300 is required. We are now repairing the Eumerieh Mosque at considerable expense, and have had to pull down the minaret, the top of which was 3 feet out of the straight, and which was showing new cracks. We will report on this fully next year when we are able to rebuild the minaret and complete other connected repairs. The large Mosque at Parnagusta also requires extensive repairs.

A great part of the expenditure on new works is represented by the completion of the new Saraf Omca Mosque. This is a work which has given great satisfaction to the whole Moslem community, who have

2. Among the receipts is an item of £401, revenue derived from Kiti Farm, in partnership with our tenants. In 1902, after the drought, when there was a scarcity of seed, we purchased seed corn at a cost of £123, and let to our tenants on the usual sharing terms when the landlord supplies the seed. Had there been another bad year we should have lost on the transaction. As it was we made a handsome profit. The cost of the seed corn appeared in the previous year's accounts. In ordinary circumstances we should only have received about £100 from Kiti.

3. If, therefore, we take into consideration the saving on the salary of Muhassabedji, and the unusual receipts from Kiti, it will be seen that the expenditure exceeded the normal receipts of a year (much above the average as to tithes) by some £300.

4. If, therefore, we take into consideration the saving on the salary of Muhassabedji, and the unusual receipts from Kiti, it will be seen that the expenditure exceeded the normal receipts of a year (much above the average as to tithes) by some £300.

expressed their appreciation of the design made by Mr. Bellamy the late Director of Public Works.

8. Owing to the heavy demands upon us we have been unable to make any grants worth mentioning to Village Mosques and School buildings. This we greatly regret.

9. Consequent on the death of the late Turkish Delegate, the Imperial Ministry of Evkaf, nominated Mucam Irfan Effendi as his successor. Irfan Effendi will retain the post he previously held in the Department.

The post of Muhassabedji has been conferred on Mehmed Fakhri Effendi, whose training in the work of the Land Registry Office is likely to be of considerable advantage to us in bringing our registers of properties into order.

Sundry changes have been made in the minor posts, which, while effecting a small economy, will we hope lead to greater efficiency.

10. Owing to the provisions having been made for the Evkaf in the new Qanun we have had to rent offices. Hitherto we have had a share of the Commissioner's office at Nicosia.

W. COLLEY,
British Delegate of Evkaf.

M. IRFAN,
Turkish Delegate of Evkaf.

(C.S. 2067/1904.)

Appendix 4 : The Cyprus Gazette Published by Authority, 30th December 1904, 31 March 1904 dated Evcaf Mazbouta Cyprus Consolidated income-expense table photocopy (Page 5481)

THE CYPRUS GAZETTE, 30th DECEMBER, 1904. 5481
(No. 7411.)
EVCAF MAZBOUHAH. CYPRUS.

His Excellency the High Commissioner is pleased to direct the publication of the following Statement of Receipts and Expenditure for the year ended 31st March, 1905.

31st December, 1904. (C.S. 2067/1904.)

RECEIPTS.	£ s. d.	EXPENDITURE.	£ s. d.
Tithes.....	1,300 11 4	Office of Delegates and Muhasebi—Salaries and allowances.....	861 8 4
Rents of properties in Nicosia Town.....	908 2 1	Transport and Subsistence allowances.....	10 3 0
" " " District.....	58 9 8	Contingencies.....	41 14 8
" " " Larnaca.....	216 5 8		
" " " Famagusta.....	24 18 0	Service of Mosques and Schools:—	661 6 3
Revenue collected by the Registrar General.....	653 4 8	Salaries and allowances of Staff.....	776 1 1
Refunds.....	773 10 3	Lighting and contingencies.....	138 14 1
Miscellaneous:—		Cost of Salutes, Razamans, etc.....	87 4 8
Sale of old materials, etc.....	15 11 5		
Interest on Bank Account.....	25 10 6	Maintenance of existing works.....	215 18 6
Audit fees.....	69 19 0	Special repairs to Ayia Sophia Mosque.....	243 4 4
Revenue derived from Kiti Farms, Larnaca, ROWNI in partnership.....	201 0 0	New works and grants.....	604 16 6
Revenue of the Mazbouthah.....	3,227 7 1	Repayment on account of Loans from Public Works Loan Fund.....	333 18 0
Cash Balance on 1st April, 1903.....	1,248 14 8	Refunds.....	33 18 0
		Miscellaneous:—	
		Cost of collecting Tithes.....	33 5 8
		" " Land Registry fees.....	98 14 8
		Audit fees.....	26 0 0
		Taxes.....	80 10 4
		Law expenses.....	72 4 1
		Watering, etc., trees.....	26 0 0
		Other.....	12 3 0
			833 17 8
		Grant for Modern Education.....	159 0 8
		Expenses on Kiti Farms.....	43 6 4
		Expenditure of Mazbouthah.....	3,179 18 8
Advances.....	750 0 0	Advances.....	750 0 0
Deposits on account of Malbaha Vakfs.....	1,189 11 4	Deposits:—	
		Payments on account of the deposits of Malbaha Vakfs shown on the other side.....	1,180 19 7
		Cash Balance 31st March, 1905, (included £311 5s. 9p. due on balance to Malbaha Vakfs).....	1,290 19 5
	46,410 13 8		46,410 13 8

W. COLLET,
British Delegate of Evcaf.

17th June, 1904.

Examined,
ALLAN GRANHAM,
Local Auditor.

25th July, 1904.