

Chapter 2

Ancient Indian Accounting

Learning Points

After going through this chapter, you will :

- Be able to know the ancient accounting thought from Indian viewpoint.
- Be able to attain brief information about ancient Indian scriptures.
- Be able to know about the evolution of accounting in ancient Indian scriptures.
- Be able to have brief introduction of ancient Indian accounting glossary.
- Be able to have brief information about the concepts and conventions of accounting as per ancient Indian thoughts.
- Be able to have brief information about ancient Indian accounts officer.
- Be able to have brief understanding of ancient Indian eternal accounting thought.

The ancient Indian treasure of knowledge has been appreciated all over the world. There is hardly any such branch of knowledge in which the ancient Indian knowledge does not have substantial importance.

The historians of California University of America have mentioned about the scientific revolution in Europe during 17th century that “If the Indian knowledge had not reached Europe, this revolution would not have taken place”. Frederic Shleegal, after studying around 200 Indian manuscripts preserved in the library of Paris, has written a book entitled “The Intellect and Spectrum of Hindus” in German Language. He said that “We still expect from India to throw light on such pages of ancient world which are still clad with darkness”.

Ancient Indian Scriptures :

The ancient Indian knowledge is mainly available in ancient Indian scriptures even now. Scriptures mean the knowledge which was written down by the best of humans based on their intuition, experience and intellect and in such scriptures they have mentioned description of science of life, art and the best ideals of human race. The main types of ancient Indian scriptures have been covered in the following table :

Table 1
Ancient Indian Scriptures

- | | |
|---|---|
| <ul style="list-style-type: none">• Ved• Dharmasutra• Valmikiya Ramayan• Bhagwad Geeta• Puran• Neeti-shatak of Bhartihari• Neeti-sar of Kamandak• Chanakya Neeti | <ul style="list-style-type: none">• Upnishad• Smritis• Mahabharat• Yog Vashishthha• Vidur Neeti• Shukra Neeti• Panchatantrahitopadesh |
|---|---|

All this scriptures are available in the original and translated forms and the depth of ancient Indian knowledge may be easily known by studying these scriptures seriously.

Accounting is such a branch of knowledge which is closely associated with commerce. The main types of studies indicated in ancient India included “Varta Vidya” which used to include agriculture, animal husbandry, commerce etc.

Most Ancient Accounting Book :

Ancient Indian Scriptures indicate that right from the ancient historical times based on the subject preached by goddess Saraswati, Lord Brahma has created a Shastra or scripture with one lakh chapters and one crore Shlokas. This Shastra contained many subjects along with “Varta Vidya”. Thus, this shastra created by Lord Brahma may be considered as the most ancient book of accounting in the word. This shastra has been summarized over time by learned persons. In this series, Kautilya Arthshastra is also considered as one of the prominent scriptures which contains ample subject matter on accountancy.

Ancient Indian Accounting Terminology :

The accounting related terminology was used in ancient India in specific senses. Some examples of this are briefly mentioned below :

Income :

The income related ideas of Kautilya are being classified in three parts as follows :

- (a) **Aay Shareer :** Under this type, in addition to the place of receipt and means of income, such persons and regions have also been mentioned through which reason income has been received.

Table 2 depicts various types of *Aay Shareer* in brief

Table 2 : *Aay Shareer*

S.No.	Types	Meaning
1	<i>Durga</i>	Income received from various Heads
2	<i>Rashtra</i>	Income received from <i>Ghat Rakshak</i> (Guard of the River bank), <i>Seemantpal</i> (Guard of Frontiers), <i>Choukidar</i> (Guard)
3	<i>Khan</i>	Income received from various minerals
4	<i>Satu</i>	Income received from various agricultural units
5	<i>Van</i>	Income received from various forests
6	<i>Vajra</i>	Income received from various animals
7	<i>Vanik Path</i>	Income received from various roots such as surface root, water root

Table 3 : Types of *Aay Mukh*

S.No.	Types	Meaning
1	<i>Mool</i>	Income received from the sale of food grains, fruits etc.
2	<i>Bhag</i>	The sixth part of grains
3	<i>Byaji</i>	The five percent more of the weight of any commodity being charged (for the purpose of compensating for the shortage of weighing)
4	<i>Paridh</i>	Unclaimed wealth etc.
5	<i>Kriptā</i>	Fixed taxes
6	<i>Rupik</i>	The one eighth part received by the salt head of sale of salt.
7	<i>Avyay</i>	The income received from imposing penalty or prosecution.

In addition to the above, many other types of incomes have also been mentioned.

1. Wealth :

The term wealth was used in broad sense during ancient times. This is depicted by the three types of wealth identified by Kautilya :

- Karniya Dhan* – Expected wealth or wealth being received.
- Sidhdhan* – Actual or accrued assets.
- Shesh Dhan* – Remaining types of wealth.

Kautilya has classified all three types of wealth further.

2. Expenses : The expense related ideas of Kautilya may be understood by dividing them into two parts :

- Vyay Shareer* : The various 22 items of expenses are included in Table 4.
- Classification of expenses* : The classification of expenses according to their nature is shown in Table 5

Table 4 : Vyay Shareer

Expenses related with the following :

Worship of God	Worship of ancestors	Donation	For peace and health to priest
Wife or Son of the King Etc.	Kitchen	Ambassador	Armaments store
Store House	Panya Grih (Commercial Housy)	Kupya Grih (Forest items house)	Factory
Infantries	Horses	Chariot Army	Elephant House
Cow Herd	Animal House	Birds House	Safegaurding Violent Animals
Wood House	Wages		

1. *Neevi (Savings)* : The income remaining after deducting expenses from revenue is called Neevi or Savings. Kautilya has explained it having classified in two parts :

(i) Received, which has been deposited in the kings treasure and second “*Anuvrat*” means the savings which should have been deposited in kings treasure but not deposited so far.

Table 5 :
Classification of expenses

S.No.	Types	Meaning
1	<i>Nitya</i>	Expenses accruing daily
2	<i>Nityodpadik</i>	The expenses accrued in addition to daily ascertained expenses
3	<i>Labh</i>	The expenses incurred on daily, fortnightly or monthly basis.
4	<i>Labhotpadik</i>	The expenses incurred in addition to previously ascertained profit expenses.

Ancient Central Accounts Officer : *Akshapatlamadhyaksh*

In ancient times, various heads of departments of the kingdom used to maintain accounts of their respective departments. Then consolidated accounts of this departments used in “*Akshapatla*” the Central accounts department. The head of this department namely central accounts officer used to be called “*Akshapatlamadhyaksh*”. The end of annual accounting period was considered to be *Poornima* (Full Moon Day) of *Ashad* (Month) as per the accounting department of the kingdom. The accounting books kept at *Akshapatal* are called *Nibandh Pustake* (Books of Essays).

The *Akshapatlamadhyaksh* used to prepare consolidated accounts on the basis of accounts submitted by various department, heads and would present before the king. Mention of accounting involvement in day to day functions of the king is also available. There is a detailed mention in the scriptures regarding maintenance of accounts for the *Saptang* (Seven wings) namely king, minister, state, fort, treasure, military and friends. In addition, serious deliberations used to take place regarding appointment of various heads, servants etc., their duties and qualifications whoa were involved in accounting process. All department heads used to present current financial status, income and expenditure etc. related with their department in detail and in summary before the king.

Accounting Concepts and Conventions :

Various examples related with the contemporary accounting concepts and conventions are available in the ancient Indian scriptures. Some details regarding this are as follows :

(A) Concepts :

Some ancient Indian examples related with accounting concepts have been given below:

(1) Separate Entity Concept :

The existence of business unit used to be considered separate from its owner. All accounts of the kingdom are maintained in *Akshapatal*. *Atharveda* mentions the king to be servant of the nation. Thus, the concept of separate entity existed in ancient India.

(2) Matching Concept :

According to Kautilya, while maintaining accounts regarding income & expenditure daily, fortnightly, monthly, quarterly or annually, the accounts should be reconciled on these respective bases so that the results may be known quickly. This instance indicates the adoption the matching concept in ancient India.

(3) Money Measurement Concept :

According to this concept, only such facts are recorded in accounts which can be measured in money form. In ancient India, certain gold coins used to be measure of value of items and accounting used to be conducted on this basis.

(4) Accounting period concept : According to this concept of accounting, the lifetime of a business is distributed in smaller durations for which respective accounting cycles are completed. This period is normally of one year. During ancient times, the accounting year used to be concluded on *Poornima* (Full Moon Day) of *Ashad* month. Accounts used to be reconciled regarding income, expenditure and savings for quick results on daily, fortnightly, monthly, quarterly and annual basis.

(B) Accounting Conventions :

Certain accounting conventions in modern accounting world have also been found in the ancient Indian scriptures :

- 1. Convention of Full disclosure :** According to this convention, at the end to the accounting period, all accounting information must be fully disclosed. In ancient India, there was a tradition of declaring accounting information to common public so that they may listen and become aware about the system of the kingdom.
- 2. Convention of Consistency :** According to Kautilya, *Sannidhata* should have proper knowledge of income and expenditure of last one hundred years so that he can inform the king regarding income & expenditure quickly and properly. This gives an evidence of adoption of convention of consistency in ancient India.

Other branches of Accounting

The ancient Indian scriptures contain brief information about various other specialized branches of accounting. Many of such branches may be related with modern accounting terminology. Names of some such branches are as follows :

- (i) Responsibility Accounting
- (ii) Farm Accounting
- (iii) Fund Accounting
- (iv) Animal Husbandry and Dairy Accounting
- (v) Horticulture Accounting
- (vi) Fisheries Accounting
- (vii) Human Resource Accounting
- (viii) False Accounting
- (ix) Government Accounting
- (x) Public Interest Accounting
- (xi) Estate Accounting
- (xii) Uniform Accounting
- (xiii) Macro Accounting
- (xiv) Social Accounting

In addition, ancient Indian accounting components used to include such other accounting thoughts names of which may be presented as follows :

- (i) Horse Accounting
- (ii) Forest Accounting
- (iii) Stores Accounting
- (iv) Village Accounting
- (v) City Accounting
- (vi) Military Accounting
- (vii) Elephant Accounting etc.

Eternal Accounting

Ancient Indian scriptures have mentions about eternal world beyond the world of Earth. According to this, a person used to enjoy the fruits of his good deeds and also sustains punishment and tortures because of bad deeds in the eternal world. Eternal accounts of deeds of persons are maintained on the basis of which he would receive reward or punishments. Thus, the ancient Indian thought contained the concept of eternal accounting.

Mentions are found that in the beginning of the universe. Lord Brahma ji assigned the task of providing results of good or bad deeds of living beings to Yamraj. Yamraj then demanded an assistant who is equipped

with qualities of intelligence, expertise in accounting work etc. Brahma ji then meditated one thousand years for finding such a talented person. As a result of this meditation, a man appeared before Brahma ji who was exceptionally intelligent, great expert in accounting, having pen, ink bottle and writing pad in his hand. Brahma ji then named him as Chitra Gupta. Since then, this is believed that Chitra Gupta used to make accounts of good and bad deeds in eternal world and the living beings used to enjoy the fruits of their deeds according to such accounts. Ancient Indian scriptures mentioned about the worlds on Earth and the eternal world having the effect of information related to the deeds, income, expenditure of person. This is believed that charity nullifies bad deeds of the person. In addition, it is believed that martyrdom attained during the war receives same reward as received from conducting Yagna. Similarly, the person who is kind towards the poor and ailing ones receives reward both in earthly world and in eternal world.

Such accounting thoughts contained in ancient Indian scriptures are contemporary to ensure balanced social behaviour and pave the way for ethical society.

Note : The material covered in this chapter is based on the research work 1997 conducted by Dr. C.L. Salvi under the supervision of Prof. G. Soral, Mohanlal Sukhadia University, Udaipur.

Summary :

The ancient Indian knowledge has been applauded all over the world. Ample knowledge regarding accounting was available in ancient India also which is preserved in the scriptures now.

The ever largest epic or *Shashtra* created by brahma may be considered as most ancient book of accountancy. In ancient India, the chief accounts officer used to be designated as *Akshyapatlamadhyaksh* and his complete working system and organization structure is available in the scriptures.

Detailed information related with technical terminology related with accounting such as wealth, income, expenses, savings are available in the scriptures. various branches of accounting in the modern world or also those which are not normally known, are covered in the ancient scriptures.

Examples of various concepts and conventions of accounting are available in ancient scriptures. The ancient Indian concept of eternal accounting has its contemporary relevance to balance social behavior.

Glossary :

Ancient Indian Accounting

Scriptures

Eternal

Concepts

Conventions

Very Short answer type questions :

1. Which can be considered as the most ancient accounting book in the world ?

2. How was the accounts officer known in the ancient India ?
3. Name any two ancient Indian scriptures.
4. What is the meaning of “*Nityotpadik Vyay*” ?
5. Who is considered to be eternal accountant according to ancient Indian thought ?

Short answer type questions :

1. Enumerate various ancient Indian scriptures ?
2. What do you know about ancient Indian accounts officer ?
3. What is the belief regarding the most ancient accounting books creation ?
4. Name such branches of accounting according to ancient Indian thought which are still in vogue ?
5. What evidence is available regarding the existence of convention of full disclosure accounting in ancient India ?

Essay Type Questions :

1. Mention various types of incomes according to ancient Indian Scriptures.
2. Mention various types of expenses according to ancient Indian scriptures.
3. Present the ancient Indian examples of Accounting concepts.
4. Present ancient Indian examples of Accounting conventions.
5. Write a note on ancient Indian thought regarding eternal accounting.