

Accountancy in Ancient India

It is impossible to separate accountancy as a discipline from social, economic and historical contexts and conceptualise it as a set of neutral and technical tools. The challenges already existed in form of primary sources, material lacunae and translation. Primary sources are scattered and widely dispersed. We have to access these sources through the expertise of the ancient historians. Then there are gaps in them, as only few have survived and a fewer have with intactness. The complexity of research becomes more complex, as surviving resources are damaged too in many cases. Then, we are forced to make assumptions. Therefore it is not possible to make a choice from the list of those resources. We are then left with the only choice to study all resources that are available. Sources like R̥gveda (circa 1500 BC), Vedic Saṃhitās (1500-1000 BC), Upaniṣadas (1000-500 BC) Manusmṛti (200 BC-200 AD), Pāṇini (5th Century BC), Vālmīki Rāmāyaṇa (C. 400-300 BC), Arthaśāstra (4th century BC), Jātakas (2nd Century BC) and Qur'ān (633-653 AD) provide significant insight into the accounting practices in those days and, therefore, help in tracing the process of their evolution in ancient India.

Ancient India

India through its 9000 years of civilizations has contributed to the evolution of accounting system in many ways. Ever since Mohen-jo-daro and Harappa have been discovered, more than 500 seals have been exposed with fine representations of animal figures and not-yet-deciphered pictorial writings. Trade between Mesopotamia (modern Iraq) and Harappa is evident with the finding of the seals.

Tokens: Beginning of Accounting



Accounts of Distribution Courtesy: British Museum

The Mesopotamians devised two main systems of storage. The first involved piercing the tokens

with small holes, stringing them on a piece of cord and attaching the ends of the string to a solid lump of clay, called a bulla, and the second method was storing tokens inside a hollow clay envelope, called bulla envelope, marked by a seal.

This system was superseded around 3500-3200 BC by the counting tablets of the sexagesimal, i.e. relating to sixtieths, giving birth to the actual recording in writing and counting system, and the beginning of pictographic writing around 3300-3200 BC.

Chitragupta: Accountant from Mythology

According to Hindu mythology, when life forms die, their souls first go to Yama, the God of Death, who decides on the fate of the souls with the help of ten judges. Chitragupta reads out the account of their deeds, so that Yama could allocate next life or grant *mokṣa*, i.e. freedom from the cycle of birth and death, to them. Chitragupta is believed to keep meticulous, complete and accurate records of the actions of all life forms from birth to death.



(Contributed by Editorial Board Secretariat of the ICAI with inputs from some committees and departments of the ICAI. Comments can be sent to eboard@icai.in)

Tracing the Roots

According to the Dharmasūtras (Manuals of Hindu Conduct), women, children, students, learned brāhmaṇas and ascetics should not be taxed in any form. Jātakas refer to the collection of tax by kings.

First Coins

Niṣka is the earliest reference about coins, as referred to in Ṛgveda (circa 1500 BC). Silver *niṣka* has also been mentioned in Ṛgveda. Coins were introduced and used in trade in India, China and Asia-Minor in 6th century BC. First coins were issued by the Greek living in Lydia (modern western Turkey).



World's First Coin

Courtesy: British Museum

The earliest coin (circa 6th century BC) of Indian subcontinent was found near Mathura. It was rectangular having seven punch marks and no inscriptions. Being an indigenous product of India, it was different from their contemporaries in Greece or western Turkey.

Earliest References

Taxation was theoretically justified as a return for the protection granted by the king. Manu was assured by his prospective subject that they would give Manu a share of their crops and herds as cost of protection. Before the dawn of Mauryan times, tax-collectors were appointed over groups of villages. The basic tax used to be that on land, usually called *bhāg* (share), paid usually in kind. Tax was also levied on shops and necessary industrial equipments like looms, potter's wheels and oil presses.

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form. Jātakas refer to the collection of tax by kings. Nāradaśmṛti has references to lending of money at interest, sureties, pledges, documents, witnesses, oaths, and also detailed provision on partnership. Pāṇinī (4th-5th century BC), the eminent grammarian from Takṣaṣilā, has mentioned *Śatamāna*, *Niṣkas*, *sana*, *vimastikā*, and *kārṣāpaṇa* that were used in financial transactions in his Aṣṭādhyāyī. Vālmiki (circa 400 BC), the poet harbinger in Saṃskṛt literature, in his Rāmāyaṇa referred to *āya* (income), *vyaya* (expenditure) and *koṣa* (treasure). Mahābhārata by Veda Vyāsa also has references to accounts.

From Kingdoms of the South

The kingdoms of the South like Rāṣṭrakūṭas, Cholas, Cheras, Pallavas and Paṇḍyās had great maritime trade with the help of natural harbours. There existed *Temple Economy*, as temples coordinated and carried out all the functions of economy including grants of land and loans. All records of royal treasury were kept on copper plates and stones. Cholas had a large land revenue department for maintenance of accounts. The plates of Bobbili of Chandavarman, Ningondi of Prabhanjana Varma, and Talcher of Kulastambha have references about the registration of the amount payable for the village.

From Arthaśāstra and Other Treatises

In Arthaśāstra, written around 4th century BC by Viṣṇugupta, also known as Kauṭilya or Chāṇakya, three chapters provide an encompassing account on accounting, and deal with some vital concepts in accounting including expenditure and profit, checks and balances, and audit practices. It was mainly an account of politics, economics and finance in India from a king's perspective. He was also from Takṣaṣilā like Panini and Charak. It has fifteen parts, i.e. books, with one hundred and fifty chapters.

Arthaśāstra identifies revenue centres for accounting and accounting heads. Revenue has been classified into three categories: recurring current revenue, non-recurring past revenue received and

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Tracing the Roots

another non-recurring revenue called accidental revenue. The testimony of Megasthenese corroborated by the Arthaśāstra shows that prices were regulated by market officials during Mauryan times. Merchants paid small road tolls. Essential goods such as grains, oil and cheap textiles were taxed.

From Manusmṛti

Manusmṛti, written during 200 BC to 200 AD, mentions taxes that were payable to the king. Traders were supposed to calculate their taxes after considering costs, sales, distance, i.e. freight, cost of protection and procurement, and sustenance charges in connection with the deals. According to the *varṇa* system, vaiśyas were directed to get involved in agriculture, trade and banking in society as their special means of livelihood, i.e. *vṛttis*, an essential technical training that was for their usefulness in society. They controlled many of the economic activities of society. They were the capitalist and moneyed member of society, and were the backbone of the economic organism of society. They were required to nourish people of other sections. They possessed high positions among the counsels of the king.



Tax Receipt (124 BC)

Courtesy: Schøyen Collection

Arthaśāstra and Islāmic Accountancy

Both Arthaśāstra and Risālah refer to accounting period. Arthaśāstra identifies a year, a month, a fortnight and a day as accounting periods facilitating intra-year comparisons. The beginning of the year is the first day of *Śrāwana* month of the Hindu calendar. *Risālah* calls this 12-month period as *al-hawl*, as *zakāt* was payable only on assets held for more than a period of an *al-hawl*. ■

ICAI News

Series of live webcasts on SA 700 (Revised), SA 701, SA 705 (Revised), SA 706 (Revised)

Dear Members,

As you are aware that ICAI has issued new/revised Standards on Auditing (SAs) on auditor reporting i.e. SA 700 (Revised), SA 701, SA 705 (Revised), SA 706 (Revised). These standards are applicable for audits of financial statements for periods beginning on or after April 1, 2018 (i.e. for audits of financial year 2018-19 &

onwards). The Auditing and Assurance Standards Board (AASB) of ICAI has also issued Implementation Guides on these standards.

For the benefit of the members, AASB is going to **organise series of live webcasts on these standards**. The details of these webcasts will be announced soon on ICAI website.

For your ready reference, given below are the links on ICAI website where the text and Implementation Guides of these standards are available and can be downloaded:

S. N.	Document	Link on ICAI website
1	Text of SA 700 (Revised), "Forming an Opinion and Reporting on Financial Statements"	https://resource.cdn.icai.org/44094aasb33841-sa700.pdf
2	Text of SA 701, "Communicating Key Audit Matters in the Independent Auditor's Report"	https://resource.cdn.icai.org/44095aasb33841-sa701.pdf
3	Text of SA 705 (Revised), "Modification to the Opinion in the Independent Auditor's Report"	https://resource.cdn.icai.org/44096aasb33841-sa705.pdf
4	Text of SA 706 (Revised), "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report"	https://resource.cdn.icai.org/44097aasb33841-sa706.pdf
5	Implementation Guide to SA 701, "Communicating Key Audit Matters in the Independent Auditor's Report"	https://resource.cdn.icai.org/48820aasb-icai-igsa701.pdf
6	Implementation Guide on Reporting Standards (Revised SA 700, Revised SA 705, and Revised SA 706)	https://resource.cdn.icai.org/50035aasb39630.pdf

Chairman, Auditing and Assurance Standards Board ■