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## The Existence of Accounting on Local Trade Activity in the Majapahit Kingdom (1293 AD -1478 AD)

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### Abstract

This research discusses the accounting history of Majapahit kingdom in Indonesia by interpreting the existence accounting at local trading activity. Qualitative research by integrating archaeological approach is used to determine the existence of accounting. The results show that accounting is the process of social, economic and cultural to regulate the activities on *pken* (market). Accounting activity could be seen in the price of goods using the concept of *tuna sitik bathi sanak* (loss of money to get relatives). King's role and market activities show that the existence of accounting can create a harmonious relationship.

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### 1. Introduction

Current accounting role can no longer be seen from the side of numbers calculation and recording. Gerdin, Messner, and Mouritsen (2014) stated that accounting practices are focused only on calculation dimension will lose another dimension that can provide a more comprehensive understanding of accounting. On other hand, dimensions are not just a single accounting, phenomenon of culture; economic system, political system and particular social system are local. These have important portion to create accounting (Fleischman & Radcliffe, 2005; Napier, 2006). In other words,

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accounting practices are no longer dominated by technical, but susceptible to influence of social, cultural and political control, as well as economic power.

Breadth of accounting role scope affects on accounting variation. Accounting is not only in business organizations, but also includes broader community organizations. Research of Hooper and Kearin (2008) prove that accounting is in social sphere of Maori clan, even the accounting existence can be seen in its role in religious activities in England Church (Richard, 1988). This is understandable because accounting is a flexible product to follow the needs of accounting environment there and put into practice (Napier, 2006).

Examining the accounting existence in past not only ensure the accounting has been practiced on a limited period. It finds out how an event or accounting practices at a particular time has meaning for individuals, organizations and society. Carnegie and Napier (2012) revealed that history provides information and an appreciation to contemporary accounting thought and practice by bringing together the strengths of past, present and future. Accounting existence can be seen from human activities undertaken and history framework provides an evaluation the effect of accounting for individuals, organizations and communities, not only the past but today and prospects for future.

Choosing kingdom as a research site is possible based on values richness in traveling community and is indispensable for today. Sukoharsono and Lutfillah (2008) study the Singosari Kingdom to find that accounting is not just a simple calculation, but it deals with a complex phenomenon to affects individuals, organizations and social life. Ezzamel (2005) study on role of accounting practices in construction of temple in ancient kingdom of Egypt stated that accounting part of sanctity that is not only related to economic institutions, but also spiritual. This point can be explained as free accounting value, influenced and influencing cultural values of society. Armed with these thoughts, it can be said that accounting stays every pulse of life, ranging from past, current and future, including in period of Majapahit kingdom.

Majapahit kingdom is the biggest kingdom in Indonesia which stands approximately two and a half centuries (1293-1525). Civilization progress occurred during the days affects on establishment of kingdom including the accounting system. Majapahit kingdom advancement in civilization is described in Book of Kakawin Nagarakrtagama. Majapahit have a constitutional system that is highly organized, has uniqueness in socio-political life, religion, culture, customs and literature. Under these conditions shows that accounting existed for long time ago.

The concept of meeting between the accounting world and natural splendor of Majapahit Kingdom can be reflected on role of accounting discipline in social aspects of culture, politics, and economics. Overview of accounting interactions is visible from commercial activities to involve Majapahit community in active local trade transactions. Tracing the accounting existence of local trade activity in Majapahit Kingdom period can be used as supplementary material to gain meaning as the basis for development of accounting in Indonesia. The purpose of this research is to examine and interpret the accounting existence in Indonesia the Majapahit Kingdom. The dimensions used are seeing accounting in trading activity which cannot be separated from the social, cultural, economic, and political. This study is consistent with previous description that accounting is not only limited to business affairs, but also deals with a very broad social affairs.

## **2. The Existence of Accounting in Various World Hemisphere**

Research growth in accounting history has been more focused on profit-oriented organization, while the distinction market between non-profit and religious organizations is always ignored (Kuasirikun & Constable, 2010). In addition, accounting discussion is more concern to private companies with method of double entry (Prieto, Maté, & Tua, 2006). (Miller & Napier, 1993) states that there is no essence or core of accounting and there is no general principle to bridge on how the accounting should appear from the outside and behind the visible. Accounting existence may change from time to time and exceed beyond calculation.

The accounting development and accountability was occurred in Italy union Jesus of XVI-XVII century. Accounting was developed and refined based on absolute ideology from Roman Catholic doctrine during the Counter-Reformation. Accounting does not become a tool to measure and allocate economic resources to facilitate the establishment of a hierarchy, but it is understood as the result of complex political and compromise among the various powers (theological, religious, political, institutional, and social) as the beginning of modern era (Quattrone, 2004). Management accounting development in Portugal can be seen at integration of cost and financial accounting system in double entry bookkeeping framework at Silk Factory Company (SFC) between 1745 to 1747 (Carvalho, Rodrigues,

& Craig, 2007). Accounting in China continues to changes based on dynasty (Auyeung, 2002). Starting from the Zhou dynasty (1100-771 BC) which uses *Sanzhufu* accounting (method to balance three pillars), it is almost the same as the singlet entry bookkeeping.

Accounting in Indonesia history is exposed in Singosari kingdom period (1222-1292). Lutfillah, Sukoharsono, and Djamhuri (2007) describe the accounting at Singosari kingdom period is seen accounting role in social life of society, market, letters, language, numbers and tax calculation mechanism. Subsequent research conducted by Budiasih, Sukoharsono, Rosidi, and Mulawarman (2012), They studied accounting existence in Singhamandawa Kingdom in Bali (989-1011). The results showed that accounting practices had been applied at that period. It consists of five accounting reports, namely: agriculture, tax, trade, assets and gifts. The accounting report is called Udayana accounting.

Indonesia accounting track record for activity tax of Ancient Mataram (VII-XI century AD) was described in the research of Lutfillah and Sukoharsono (2013). They provide the interpretation that records and tax reporting activity will be undertaken by kingdom for the value of *sepi ing pamrih* (devoid of self-interest), *Rame Gawe Ing* (work hard). Research on accounting activities in ancient Javanese has established in Sima decision (Lutfillah, 2014). The research concludes that determination of Sima accounting practices has means of blessing and peace life to build prosperity, self-purity as servants of covenant with the Creator. Based on discussion of accounting existence in various parts of world, it can be concluded that accounting phenomenon not only be understood within scope limited of enterprise. State and religious institutions can associate with accounting, where accounting shape also cannot be universalized.

### 3. Research Methods

This study is a qualitative research with aims to explore the problem and understand naturally the complex issues at field without statistics as an analysis tool (Creswell, 2013). Additional research methods use the history disciplines of archaeological approach. Archeology is associated with past legacy with visual nature with aim to reveal the past of human life through the relic study. Research sites are the Majapahit Kingdom. Trowulan Museum in Mojokerto has been considered as a heritage site of Majapahit as a starting point in search relics of Majapahit kingdom.

This study uses artifact and textual data. Artifacts data are Majapahit heritage building as temples and infrastructure, inscriptions, and currency. Textual data are text inscriptions, literature and travel records from foreign news. Data analysis is performed by interpreting the relics material of Majapahit Kingdom, namely (1) identifying the data context that has meaning to accounting existence of local trade activities in Majapahit Kingdom, (2) process to recognize similarities and differences of events and objects material of Majapahit kingdom, (3) alignment between of data material has been interpreted by accounting science (4) interpreting and determining the value behind local trading activities with historical imagination. According to Tuchman (2009, p. 414), the historical imagination is certain impressions to give clues to researchers to find the value of accounting existence at local trading activity in Majapahit kingdom period based on interpretation of past data.

### 4. Results and Discussion

#### 4.1 Pken: Local Trade of Majapahit Kingdom

Majapahit Kingdom has a proud history with civilization fame and also a shiny legacy to Indonesia. The Kingdom was pioneered by Raden Wijaya who control almost the entire archipelago until XV century and has a life span of about 185 years heyday (1293 AD -1478 AD) (Adji, 2013, hlm.12). Power and greatness of Majapahit was extend to Southeast Asia to makes equivalent friendship (*Mitra Satata*) (Djafar, 2012, p. 52).

The accounting existence at local trading activity can be seen with Majapahit kingdom identifies and purchase transactions are happening in market. The emergence of markets cannot be separated from the needs of local and regional economic activity. In tablets, market is called the *pkan* or *pken* (Rahardjo, 2011, p. 288). Market locations are usually chosen in a strategic place as at edge of river or road side. This strategic place selection facilitates the sellers and buyers to choose land or water channels. The physical shape of market is open field and permanent or semi-permanent Building (Nastiti, 2003, p. 123).

Market in Majapahit Kingdom has an important role for ruler (king) and people. King set up the system and market mechanisms to maintain and protect the security of its people in trading activity. King put the officials in market with job titles of *mapkan*, *mangraksa pasar*, *tuha dagang*, and *hulu waras*, (Boechari, 2014, p. 38). These terms indicates that market in Majapahit Kingdom had organized control.

Market mechanisms in Majapahit Kingdom follow the calendar system of five days a week (*pancawara*). One cycle market turnover is termed *spasar*. The classification is based cosmology adopted at that time, namely *legi*, *Paing*, *Pon*, *Wage* and *Kliwon* (Nastiti, 2003, p. 55). Cycle calculation also relates with village arrangement system called *panatur desa*. Application of *pancawara* concept in settlement system of *panatur desa* is market day rotation at particular village.

Nastiti (2003) provides an overview *kliwon* market as a wholesale market in main village. That day traders get greater income than the other. For other day division as *wage* days, market was held in village north. *Legi* market was conducted on east, *Pahing* market is held in south, and *pon* market is held in west (Sumadio, Puspongoro, & Notosusanto, 2008, p. 244). *Spasar* is the harmony concept of a village with four neighboring villages at four winds direction. A sense of harmony among villagers also extends to other villages that have location and distance apart. The concept of harmony is also related to water flow to rice fields and village security. This condition creates community among the neighboring villages (Wuryanto, 1981).

#### 4.2 Trade Commodity: Value Manifestation of Material and Non Material

Commodities can be regarded as a marker for social transactions market. Agricultural products such as rice are the main commodities traded market in Majapahit kingdom era. As an illustration, (Rahardjo, 2011) stated many rice consumption, it mentions the necessary 57 bag (sack) rice in framework of freedom zoning ceremony (*sima*). Other commodities are fruits. As mentioned in inscription, fruit sellers are people who sell the fruit by bringing at their shoulder. The fruits sold are pineapple, sugar cane, and various kinds of Java fruits as papaya, coconut, and banana (Groeneveldt, 2009, p. 23). Other food need is crops (such as potatoes, beans and squash), livestock (such as poultry, and fish) and craftsmen product (such as items made of metal and fabrics). Description of other commodities sold in market can be seen from the excerpts of Turuyan inscriptions as follows (Nastiti, 2003):

...yāpwan pinikul dagaṅnya kadyāṅga niṅ mabasana masayan maṅwari makaṅapur manuṅjal  
makapas oṅkudu wsi tembaga kansa timah buyah padat.

The meaning is:

*If carried at shoulder the merchandise are clothing, copper items, leaves for wrapping, lime, cotton, items from iron, copper and bronze, tin, solid salt.*

Commodity exchange at market between buyers and sellers is done by interaction through the bidding process. Usually sellers and buyers already know each other. Buyers and sellers meet to communicate directly to influence goods pricing. The concept of *tuna sitik bathi sanak* (loss of money, but to get relative) still applies in market transactions. A trader sometimes does not get a lot of money profit (*sitik*), but they other profit (*bathi*) in form of fraternal relations (relatives). The concept of market price at Majapahit Kingdom not only considers the money advantages, but also benefits in form of social relations of kinship.

#### 4.3 Kepeng Currency: Payment Tool and Market

Money is symbolic tool to exchange of goods in Majapahit period. Groeneveldt (1960, p. 52) states currency used in market transactions in Majapahit period is *kepeng*. Majapahit inscriptions explain currency from gold and silver in Java have size from largest to smallest in abbreviated form. Gold currency unit from largest to smallest are marked with abbreviation of *su* (*suwarna*), *ma* (*massa*), *ku* (*kupang*). The currency value is  $1 \text{ suwarna} = 16 \text{ masa} = 64 \text{ kupang}$ , where  $1 \text{ suwarna}$  is equivalent to 0,035 grams gold. Silver currency use *kati*, *dharana*, *massa*, and *kupang* (Pinardi & Mambo, 1997, p. 186). Gold and silver currency was assessed from the weight (intrinsic value). All trade, especially items with big value is paid by gold or silver with a determined weight.

At Majapahit period, gold and silver currency is seldom used to buy daily needs. Copper, tin and brass is often used for this need. Brass currency can be identified as local money of Majapahit and kepeng China. This currency is derived from a many Chinese who come to Majapahit areas and settled in long term. Kepeng China is used in Majapahit area. It is reinforced by findings of various types of terracotta money box in Trowulan area. It can be regarded as a sign that saving tradition has been known at Majapahit era. In addition, Trowulan Museum has a collection of Majapahit local currency is called the gobog and silver money.

#### 4.4 Tax for All Traded Goods

One income source of Kingdom comes from taxes. Tax is levied on crops and trading activities. Tax imposition for trade has consequences for king as ruler to manage the trade and provides facilities for better trade. The facilities are marketplace and transportation. Tax provisions of traded goods are seen in a Katiden inscription (1317M) in respect of taxes crops such as rice. Supervisor takes a tenth of gold trade from the 2.2 *pikul* of rice (one *pikul* same with seventy five kilograms). Karang Bogem inscription explains that fish was included as merchandise and pond owner must pay the tax. Pond of 3.5 acres is taxed 1000 fish (Groeneveldt, 2009, p. 24). Other provisions in animal trade must limit the amount of business (Dwijanto, 1997). For example, 30 buffalo, 40 oxen and 40 ducks is measured with the container. The rest must pay tax to kingdom. Taxable merchandise listed in Turyyan inscription as follows (Nastiti, 2003):

*Īna bras gula bsar kasumba saprakāra niñ doal pinikul kalima bantal ri satuhān pikulpikullanannya.*

This means:

*All sold item of oil, rice, sugar, dye and all kinds of goods has limit of five yoke each one year.*

Ruler (king) in Majapahit very strict to implement the market institutions. People are allowed to complain directly if there are difficulties and problems; king also oversees officers who commit irregularities market policies. Dwijanto (1997) tells the events of officers who did not submit tax market to *nayaka* (central tax officials). Then the king calls the officers named Wasana Dinamwan to inquire about the unpaid tax into state treasury. Official explains the tax money is used to entertain a tax collector who asks for more. Once known violated, then the tax officers is punished and demoted. It is shows that the king takes seriously the market to facilitate economic transactions in Majapahit. The king did not only accept the tax, but also fulfill the right of market traders who pay taxes.

Taxation for traded goods becomes security guarantee for traders from royal officials. In addition, taxes can create economic stability of kingdom which will also affect on social and political stability. Tax collection activity creates social fabric between kingdoms with taxpayer on an ongoing basis. Tax payment to kingdom show people loyalty who can confirm the royalty to government power. Restrictive trade policies for taxed items have the intention to prevent the trader accumulation to sell items ate free tax area.

#### 4.5 Accounting Existence at Local Trading Activity in Majapahit Era

Interaction support between individuals was occurred in Majapahit trading activity. It can produce a wide array of social and cultural practices. Social and cultural practices guide the birth of social sciences diversity with various contexts, one of them is accounting. Hooper and Kearin (2008) explain that accounting is not only a special role in economic field, but in social and community. Moreover, accounting is not the monopoly of economic related to technical, but it relates to generate policy ideas, knowledge and social management practices.

The harmony value is harmony with all aspects of life that involves physical and psychological aspects without pressure and coercion in their social interactions. This embodiment can be seen from the consciousness of each market participants in carrying out its role in social life. King as ruler provides policies for implementation process of goods exchange. One of them is officers who manage the market. This is a responsibility which carried by king to his people and most of all is God who has bestowed the prosperity. *Spasar* day decision is an attempt to bridge the needs of people which is far from the market. This condition creates a harmonious society. In addition, commodities that are

traded come to pricing tuna concept of *tuna sitik bathi sanak* (loss of money, but to get relatives). In tax policy, King not only received the tax, but also fulfills the rights to market traders who pay taxes.

## 5. Conclusions and Limitations Research

The existence of accounting at a local trading activity in Majapahit kingdom clearly is illustrated in market. With market, it can be said that the region has a security in transaction. In addition, market is used as a control tool to determine the economic conditions of society. Market can shows types of crops traded and success of harvest. The accounting existence relates to local trade activities in Majapahit period and creates harmony in market value.

This study has major limitations of main data usage. Not many of Majapahit Kingdom legacies (1293 AD -1478 AD) which can be used as a reference to describe the life at that era. Most data comes from incomplete inscription due to age. So that meaning of accounting existence at a local trading activity in Majapahit Kingdom era is the result of researcher interpretation.

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