THE GENESIS OF ACCOUNTING IN INDONESIA: THE DUTCH COLONIALISM IN THE EARLY 17TH CENTURY

Eko G. Sukoharsono
Accounting Lecturer
Malangkucecwara College of Economics, Indonesia

Michael J.R. Gaffikin
Professor of Accountancy
The University of Wollongong, Australia

Abstract

The concern of this paper is historical: it is an inquiry into aspects of the emergence of accounting in Indonesia. Although the earliest forms and use of money can be traced back to the Moslem (the 7th century) and even the Hindu (the 4th century) periods in Indonesia, little evidence has been found to indicate the early development of record-keeping. It is argued that the early establishment of the Dutch East Indies Company (1609), undoubtedly, is a starting point in the adoption of modern techniques of bookkeeping and that its development has been heavily moulded by the political, social, and economic penetration of Dutch colonialism in Indonesia.

Keywords: Indonesian Accounting History, Foucauldian Perspective, Archaeology of Knowledge, Dutch East Indies Company.

Introduction

Although the study of the early history of accounting has recently attracted considerable attention, research into the emergence of non-Western accounting, especially in Indonesia, has been sadly neglected. This is perhaps due to the fact that, most interest in accounting history has been heavily concentrated on Western accounting development. The importance of history of the rise of accounting in Indonesia will not only provide a means of clarifying modes of understanding of early basic thinking, but also will open up a possible new direction for further research. Thus, the primary intention in this paper is to arouse curiosity in the early periods of the emergence of accounting in Indonesia.

The early history of accounting in Indonesia is veiled in mystery. From the early periods of the Hindu traders in Indonesia (about the fourth century), some form of bookkeeping existed. However, due to the lack of suitable writing materials and the use of a standard monetary system in commercial activities, little progress can be made in tracing the earliest development of accounting. However, from an examination of early years of the VOC *(Verenigde Oostindische Compagnie* = the Dutch East Indies Company) in Indonesia, in the beginning of the seventeenth century, some clues can be gained as to the rise of accounting in terms of double-entry bookkeeping [see Sukoharsono and Gaffikin (forthcoming)].

The Historical Perspective and Meaning

The word "history" is used with various meanings. Some writers apply it to the entire past of humanity, others to the relatively small part of the past that preserved in records of some kind, and still others to the writings of historians. Most historians, it would seem, think of history as the record of the life of humans in civilized society. In other words, they believe that "pre-history" began with the rise of writing from about 8,000 BC - 3,000 BC in Middle East (Mattessich, 1987, p.1). That, of course, is a very broad way of looking at history.

This paper is concerned with a particular way of looking at the emergence of accounting in Indonesia - by making an intelligent inquiry into some specific events and problems. Such inquiry has been in terms of some features of the view of history taken by Michel Foucault, who welded philosophy and history and developed a dazzling critique of modern civilization.

Over some decades, Foucault worked on what can be called a series of histories of the emergence of the human sciences[1]. However, this paper is expressed in terms of a Foucauldian *archaeology* of bodies of knowledge and relations of power. For Foucault, archaeology is directed to a way of doing historical analysis of systems of thought.

> Archaeology ... [is] to define not the thoughts, representations, images, themes, preoccupations that are concealed or revealed in discourses; but those discourses themselves, those discourses as practices obeying certain rules ... it does not treat discourse as "document" ... but as a "monument".
>
> Archaeology ... is to define discourses in their specificity; to show in what way the set of rules that they put into operation is irreducible to any other ...
>
> Archaeology ... defines types of rules for discursive practices that run through individual *oeuvre*, sometimes govern them entirely, and dominate them to such an extent that nothing eludes them; but which sometimes , too, govern only part of it (Foucault, [1972, pp. 138-139])

Within the complex epistemological formation of the archaeology of knowledge, Foucault revealed that the major concern of archaeological analyses is a discussion of an alternative mode of investigation into discursive practices. Archaeology, for him, is beyond the history of ideas and should be differentiated. For him, the history of ideas is an ill-defined and imprecise discipline in which the central concern is a linear form of history. Foucault's archaeological analysis represents "abandonment of the history of ideas a systematic rejection of its postulates and procedures, an attempt to practice a quite different history of what men have said" (Foucault, 1972, p.138). For him, archaeology, unlike the history of ideas, foregrounds illinearities, discontinuities, gaps, ruptures of history. Yet, it is not to say that repetitive and uninterrupted forms are neglected in the historical analysis of thought. Foucault also considered that

> ... to show how continuous is formed in accordance with the same conditions and the same rules as dispersion; and how it enters - neither more and less than differences, inventions, innovations - the field of discursive practices (Foucault, [1972, pp.1974-1975]).

As a methodological study, the archaeology of knowledge constitutes a way to articulate a more coherent and comprehensive account of transformations in the field of historical knowledge. It focuses on legitimated forms of contemporary discourse, and the real historical conditions which have led to the social emergence of sciences (cf., Loft [1986] and Hopwood [1987]). Similarly, Miller and O'Leary [1987, p.238] see that this approach is concerned with the functions and features of discourse in the sociological aspects of society. Thus, discourse is central to Foucault's method and to the historical requirement of historical research.

Historical inquiry, employing Foucault's archaeological perspective, begins with "documents," collections of statements that we have received from our ancestors.

> ... history is ... to define within the documentary material itself unities, totalities, series, relations.
>
> ... history is the work expanded on material documentation (books, texts, accounts, registers, acts, buildings, institutions, laws, techniques, objects, customs, etc.) that exists, in every time and place, in every society, either in a spontaneous or in a consciously organized form (Foucault, [1972, p.7]).

To argue on *documents*, Foucault considered

> ... let us say that history, in its traditional form, undertook to 'memorize' the *monuments* of the past, transform them into *documents*, and lend speech to those traces which, in themselves, are often not verbal, ... in our time history is that which transforms *documents* into *monuments* (Foucault,[1972, p.7])

The above statements imply that documents or collections of statements can be seen as clues to the objects of a historical discourse transforming the meanings of beliefs, thoughts, desires, and feelings of those who produced them (cf., Gutting [1989]). In so doing, the objective linguistic data of statements or documents are used to reconstruct the inner life of subjects. Foucault also suggests that in many fundamental cases the explanation for linguistic data is that statements are subject to a further set of rules to which speakers unwittingly conform to such a set of statements and belong to what he calls a discursive formation.

Foucault regards a *discursive formation* as involving four basic elements: the *objects* - what its statements are about, the kinds of cognitive status and authority they have (what Foucault calls their *enunciative modality*), the *concepts* in terms of which they are formulated, and the *themes strategies* (theoretical new points) they develop. Generally, Foucault acknowledges the fact that discourse is an empirical phenomenon, situated in a field of complex social forces and their relations. For him, the four basic elements of the discursive formation cannot be delimited from one to another.

With respect of the work of Foucault, there is, however, the obvious question as to why we should talk about the emergence of accounting in terms of Foucault's archaeological analysis. In any case, we are well aware that Foucault does not directly address his work to accounting or for that matter economic processes. It is through the very difference of Foucault's work to our field of study that we see and analyze something useful: it enables us to understand the early emergence of accounting in Indonesia as a social and organizational practice[2]. Clearly, we believe that through employing Foucault's archaeological analysis some reasons behind the early emergence of accounting in Indonesia can be brought to light.

Political, Social, and Economic Evolution: The Dutch Colonialism Power

The interdependence between an increasingly complex socioeconomic environment and the need for a record system (accounting) is obvious. To understand the emergence and development of accounting in Indonesia which took place during the early colonialism, it will be useful to look at the political, social, and economic transition of Indonesia which is reflected in the arrival and development of the *Verenigde Oostindische Compagnie* (VOC or Dutch East Indies Company). This is related to what Foucault regards to the archaeology of knowledge that analyzes and describes:

> the domain of existence and functioning of a discursive practice ... to discover that whole domain of *institutions, economic processes,* and *social relations* on which a discursive formation can be articulated ... to show how the autonomy of discourse and its specificity ... and to uncover ... the particular level in which history can give place to define types of discourse which have their own type of historicity, and which are related to a whole set of various historicities (Foucault [1972, pp.164-165], *emphasis added*).

From this point of view, this analysis offers a foundation for understanding the early emergence of accounting in Indonesia.

The Dutch Political and Social Penetration

In the early seventeenth century, there was a great expansion in Dutch commerce (Furnivall, 1967). The Dutch sent their ships to all parts of the world, one of their destinations being the East Indies (the Indonesian archipelago), where they believed there existed a source of untold wealth (e.g., spices, gold, silver, wood, and cotton). April 2nd, 1595 was being marked as the beginning of the Dutch Asiatic Shipping. A number of fleets were equipped and despatched from The Netherlands to Java (Indonesia).

> ... Cornelis de Houtman, who had been two years in Lisbon spying out the latest information, ... [was] in the following year despatched ... with three ships [the Mauritus, the Hollandia, and the Amsterdam] and a yacht [Duifje] on an expedition to the East. He returned in 1597 after reaching Java ... (Furnivall, 1967, p.21).

Furnivall also indicated that the effect of the return of the Houtman[3] venture to the East was considerable. In the following years, ten companies had been formed to facilitate the need for trading speculation in the East. Competition among the Dutch traders who wished to visit the East was not long in coming. Fourteen fleets and sixty-five ships were sent out to Java, each with different command. It can be argued here that in the early development of Dutch shipping to Indonesia, little co-ordination and organization among the Dutch traders existed. The only co-ordination that did existed was within a company, whereas inter-company, they competed among each other. The Netherlands government considered this unco-ordonated competitiveness as an undesirable development of Dutch traders (Bruijn, et al, 1987, p.5).

In 1601, The Netherlands urged a definite regulation of the eastern commerce, including rules for the Indonesian archipelago. The point of the regulation was that the Netherlands had made an attempt to persuade the Dutch traders into collaboration in trading shipping to the East (Bruijn, et al, 1987, p.5). It comes to the fact that the Dutch State General in Holland passed the law by which the Dutch traders were formed into *a single corporation* in 1602. This law was destined to form the basis of trade and government of Dutch traders in the East Indies. The single corporation was called *Verenigde Oostindische Compagnie* (VOC) or the Dutch East Indies Company. The importance of the law of 1602 is that it was not only incorporated the Dutch traders who were trading to the East Indies, but also gave them, and to their successors through various renewals, a monopoly of economic and political authority, especially in the Indonesia archipelago.

In the early years of the VOC's existence in Indonesia, little change can be observed and managed. The starting point from which the Dutch controlled the Indonesian archipelago, especially Java, was 1609, when the Dutch company established a centre of operations in Banten (West Java). The appointment of this official centre made it necessary for the Dutch to choose a political capital and, for economic reasons, this centre of operations brought considerable advantages to the company. It enabled the Dutch to collect cargoes and dispatch ships promptly to The Netherlands and to the other islands in the Indonesian archipelago (Day, 1966, pp.42-44). The Dutch also established a military base for operations against their enemies and to control the indigenous Indonesian residents; the reason being that the Dutch believed *war* and *trade* could not be separated. Using military force, the Dutch could maintain the monopoly trading systems against their competitors and enforce discipline among their servants and agents to negotiate trading treaties with native rulers and to drive off foreign rivals with a strong hand.

The establishment of the VOC in Indonesia also enabled the Dutch to penetrate and subsequently control political and economic activities in the Indonesian archipelago. The earliest and most important consequence of its establishment was a period of political and social instability in Indonesia. The Dutch took power and control from the traditional native authorities which were organized under a system of kingdoms. They removed the power from the traditional rulers and injected the Dutch colonial system. Thus, during the establishment and expansion of the VOC in Indonesia, the dynamics inherent in the traditional system no longer existed even though the indigenous rulers, as far as they did not oppose to the Dutch system, were allowed to remain.

Dutch political, economic, and social power remained for a considerable time. There is clear evidence that the commercial interests of the VOC in Indonesia was the major motivation for this power, especially after it had founded the city of Banten [1609] and then later established Batavia (Jakarta) in 1619 (Leirissa, 1978, pp.189-190). Schrieke (1966, p.49), a Dutch social historian, pointed out that in 1619, there was great dissatisfaction by the VOC, working in the Indies (including the Indonesian archipelago), that there was more powerful system of colonialism created by the English before the sixteenth century. In fact, the Dutch conquered territories in the Indonesian archipelago and interfered drastically with colonial systems to obtain their desired needs. Consequently, a treaty was signed in Europe, in which the English and the Dutch were to work together in consultation in order to avoid driving up trade prices and avoid obstructing each other in their trading pursuits.

Economic Influences: Under the Dutch Colonialism in the Seventeenth Century

Although the modern economic history of Indonesia can be traced back to the early colonialism of the Dutch, the economic life of the mainland began much earlier. As early as the beginning of the Buddhist Kingdom of Sriwijaya (the early seventh century), trading voyages from West to East Asia and vice versa took place. They were made by Persians and Arabs in the West and in the East by Chinese. The Persians and Arabs used to make long voyages to China by transshipping in the ports of Sriwijaya (Indonesia). The Chinese were also reputed to have made long voyages westwards passing the Indonesian archipelago. Soon, the Chinese traders began to terminate their voyages at the ports of Sriwijaya, where they found sufficient markets for their needs.

This is the trading environment into which the Dutch came and which was influenced by their coming, such as the need for a new system of record-keeping. From an economic stand-point, the interest of the Dutch who came to anchor their ships in Indonesia was that they were aware of the opportunities to obtain the desired spices, woods, gold, and copper. However, when the Dutch first set foot ashore in Banten (West Java), they found an international market and a large number of merchants from many different nations;

> There came [to Banten] such a multitude of Javanese and other nations as Turks, Chinese, Bengali, Arabs, Persians, Gujarati, and others that one could hardly move [in trading activities] (Leur, 1967, p.3).

Leur's description depicts a situation of active trading. Many goods had been displayed to attract buyers. The Chinese displayed their sorts of silk, gold, silver, and porcelains, whereas the Javanese brought chickens, eggs, ducks, woods, fruits and Catton.

From their first encounters the Dutch were concerned with establishing a trading monopoly. The monopoly form was a condition which the Dutch wished to have free of competition from indigenous Indonesians and foreign traders[4].

However, the General Director in Holland was not yet able to formulate an Asian policy; the conditions in Indonesia at that time were too complex for them (Furnivall, 1967). The Indonesian natives were managed and controlled by the monarchical policy in each region. Initially the Dutch accepted and followed the native rulers, as had the foreign traders who came before them (Portuguese, British, Arabs, Persians, and Gujarati). The Dutch Company at first was only permitted to sell spices to the Chinese and not to other nations.

Subsequently, in 1619, the Dutch company under the Governor General of Jan Pieterzoon Coen began to formulate an Asian policy. Under his command, the Dutch Company office was moved to be centred in Batavia (Jakarta). This was after the company soldiers captured the harbour Jayakarta (Batavia) on 30 March 1619. Coen's policy maintained that the company must follow the Asian trading policy rules and commanded all other traders to follow this policy. Coen emphasized the inter-Asian trade and its close relationship to the systems of the Indonesian natives. The idea was that goods produced in Asia for the Asian market should be the principal commercial aim of the Dutch Company. For the Dutch company, the profit resulting from this trade would be used to finance many trading posts scattered in the spice-producing islands of Indonesia (e.g., Maluku, Ternate, Tidore, Sumatra, and Java).

After the Dutch Company was established and centred in Batavia in 1619, it began to reinforce its monopoly of trading activities. Most of the spice-producing areas surrounding the Indonesian archipelago were totally controlled by the Dutch Company. The Indonesian native traders were forced to sell their spices and other products only to the company and at a relatively low prices. The Dutch military, at that time, was used to enforce the monopoly system on the Indonesians. No one could deny the monopoly system unless they were prepared to go to war against the Dutch.

This monopoly system of the Dutch economic policy placed great pressure on the Indonesian native governments. In the Mataram Kingdom (1677), the King was required to supply four thousand measures of rice annually to the company at a price that was well below the market price. In Banten the Sultan was forced to accept an agreement that all the pepper of the Sultan's producing areas should be sold to the company at a certain price that was, once again, lower than the international price (cf., Day, 1966). In the other Indonesian native areas, each native government (kingdom) had to set aside for the company a certain amount of pepper, cotton yarn, rice, or the like that the King must get from his people and give to the company at a certain price. The system spread rapidly to be applied around the Indonesian archipelago producing spices.

The Early Use of Money

Money is fundamental to accounting. Not only does it facilitate exchange it is invariably the major, if not the only, unit of account: it constitutes the basic requisites of accounting recording and measurement. As Littleton (1933) has claimed, money is the basic reason for the emergence of record-keeping and is one of the most significant contributors to the development of double-entry book-keeping.

The Origin of Money

Although the written history of early trading activities in the Indonesian archipelago starts in the earliest periods of the ancient Mediterranean world (Meilink-Roelofsz, 1962), little evidence of the use of money has been found. The available evidence of trading activities in the ancient times indicates the use of a barter system. Schrieke (1966, pp.42-43) has argued that barter trade had been used by the Indonesian natives for carrying out their trading activities until the coming of the Chinese traders.

From the very earliest times trade between people from many distinct nations continued side by side with migration. The first use of money by trading migrants to Indonesia arrived about the fourth century A.D., when the Hindus from India arrived to share trading goods in Java. Meilink-Roelofsz (1962) has suggested that at that time, there was a busy trading traffic in the seas around Indonesia. The social organizations of many distinct nations offered the possibilities of an array of commercial trading forms to emerge: sales, share-cropping, wages, debt relationships and rent. The use of money was a necessary requirement to the conduct of these commercial activities.

However, even though there is evidence of the earliest use of money in trading transactions in the Indonesian archipelago around 400 AD, there is little evidence of a standard of value in currency having been adopted. Every region had money different in materials and measurements. Leur (1967, pp.136-137) has claimed that there was a wide variation in the use of money materials, weights and measures around the Indonesian regions in the early economic (particularly financial) systems. Each region had a different kind of money (mostly coin). Money had been used only for limited economic transactions between people from the same region. People from different areas still maintained the barter system in economic activities. However, as pointed out by Laanen (1980, p.13), there is evidence that with the arrival of the Hindus, the ruler's coin-stamp was accepted as a guarantee for the coinage material that was made of tin. Record of coin in the Indonesian Hindus era has been found to date back to the seventh century. In addition, not only were coins made from tin, it seems that silver coins also existed.

With the arrival of Moslem traders in about the seventh century (1 Hijrah) there was an expansion in coin development in Indonesia especially in the coastal regions on the trade routes (cf., Tjandrasasmita, 1978). In this time, the Moslem Period, Moslems (Arabs, Persians, and Indians) had intensive relations with the Indonesian natives as well as the Chinese and other Southeast Asian countries. Trading traffic between the eastern and western parts of Asia flourished mainly due to the rise and development of three powerful dynasties: from Western Asia, the Caliphate of Ummayah (660-749 AD); from Southeast Asia, the Sriwijaya kingdom (7-14th century); and from Eastern Asia, the Chinese T'ang dynasty (618-907 AD). It is largely the Moslem traders from Western Asia who recorded that they found different kinds of money material used in each coastal region of the Indonesian archipelago (see Exhibit 1).

EXHIBIT 1

Money Material Used in Each Coastal Region of the Indonesian Archipelago Approx. the 7th to the 9th Century

Region	*Money Material Used*
Banten (West Java)	Silver and copper
Sumenep (Madura)	Where dies were struck on coins already in use
Cirebon (West Java)	Tin small change known as *picis*
Aceh (Sumatra)	Where the rulers frequently combined in exercising their prerogative of the mint
Palembang (Sumatra)	Tin
Jambi (Sumatra)	Tin, known here, as in Palembang as *picis*
Banka (Sumatra)	Tin
Pontianak (Kalimantan)	Copper and tin
Mampawa	Tin
Banjarmasin (Kalimantan)	Copper
Sulawesi	Gold and lead

The earliest known forms of money to be used as exchange for trade was about 400 AD, in the Hindu period in Indonesia. However, in this period, the influence of Hindu trading settlements on the coast did not to any great extent affect the hinterland. The exchange of goods or trade at village level *(Desa)* was an exception and such as there was took the form of barter. It was recognized that the self-sufficient nature of the village community meant that there was very little commerce associated with the outside world. They served their basic needs from their own characteristic pattern of *gotong royong* (mutual assistance).

In the early Moslem period (ca. the seventh - eighth century), the use of money spread around the Indonesian coastal regions. Later, in approximately the 12th century, the rapid development of Moslem trade in Indonesia led to a great extension of the use of money not only in the coastal regions, but also in the hinterland. It is believed that besides trade, money was also used to pay taxes in the Moslem period. As stated by Laanen [1980], apart from the *Kraton* (Courts) and the centres of kingdom where the bureaucratic seats of government were located, coins were in some cases used as an exchange in the *Desa or Kepatihan*. In addition, some of taxes levied by the *Kraton* rulers had to be paid in the form of cash.. The required funds were generally borrowed from money-lenders in exchange for agricultural products. Based on the *Kraton* rulers, money, especially coins, began to be used as a standard of levied taxes and commercial activities in Indonesia.

The Development of Currency System: Under the Dutch Colonialism

When the Dutch company was established in Java [1609], it is important to note that the primary concern was to implement a monopoly over the Indonesian economy and political system. The first concern of the Dutch policy was to inject a monetary trading system using a standard medium of exchange. They saw that a standard medium of exchange would force the Indonesian natives to comply with Dutch economic policy. They also found that at that time no standard money was used for trading activities by other nations coming to Indonesia. Money trade had been used with many kinds of material, weights and measures. Every nation and the Indonesian coastal regions brought a different kind of money in trading activities. The Spanish used *"Piastra Fuerte"* as a current trade coin. The Portuguese brought their own coin called *"Pataca"* or *"Pardas de Reales"*. The English, Arabs, Persians, as well as the Indonesian natives had also distinct kinds of coin. Because of the different types of money used by traders, the Dutch tried to campaign for the use of the Dutch coin called *rials* (made of silver and gold)[5]. It was not long before the Dutch gold coin was the most *valuable* medium of exchange and the silver was the most *important* one: the Dutch silver coin dominated everyday trade in the Indonesian coastal regions.

There was an increase in the money exported from Holland to Southeast Asia, especially to Batavia (Jakarta). As recorded by Bruijn et. al. (1987, p.187), the summary of the export of currency by the Dutch company 1602-1794 was as shown in Exhibit 2.

EXHIBIT 2
The Export of Currency by the Dutch Company 1602-1794

1602-10	fl 5,207,429	1700-10	fl 39,275,000
1610-20	10,185,550	1710-20	38,827,000
1620-30	12,360,000	1720-30	66,029,949
1630-40	8,500,000	1730-40	40,123,508
1640-50	9,200,000	1740-50	38,275,000
1650-60	8,400,000	1750-60	58,958,396
1660-70	12,100,000	1760-70	53,541,830
1670-80	11,295,000	1770-80	48,317,130
1680-90	19,720,000	1780-90	47,895,900
1690-1700	28,605,000	1790-94	16,972,021

This indicates that the increase in the demand for the Dutch coin for exchange in trading activities surrounding the Indonesian archipelago. More importantly, the use of the Dutch money system was not only a convenience in conducting economic transactions, but it also allowed the accumulation of wealth in liquid assets in the treasuries of the Indonesian kingdoms, the temples, and individuals.

The substantial increase in the use of the Dutch currency system led to complexities in the economic sector and an increased role of the Dutch company (VOC) in the public affairs of the Indonesian natives and of the central office in Holland. It can be argued here that this role was as a response to the needs created by the political and economic evolution of the Dutch policy. As a consequence, the continuous accumulation of the wealth in the company created problems in financial administration and managing wealth. These problems, of course, required the development of record-keeping of finance to deal with the proper management of company revenues and expenditures.

The Genesis of Bookkeeping in Indonesia

Even though commercial activities in Indonesia rapidly spread during the Hindu and Moslem period, no precise date can be given to the emergence of bookkeeping, and perhaps, no one knows. However, records of assets owned by the wealthy kingdoms in Indonesia have been found dating back to these ancient times - at about the beginning of the Hindus period (ca. 400 AD). These records were in many cases merely lists of assets for which no monetary values were given. The record keeping was merely an end in itself, an inventory.

The earliest evidence of a simple technique of bookkeeping in Indonesia dates back to the end of the sixteenth century when the four Amsterdam ships of the first Dutch enterprise came to anchor in Banten (in 1596). There are records of the remaining assets after a long and unlucky passage around the Cape of Good Hope and northeast across the Indian Ocean on 22 June 1596 (Leur, 1967, p.3). They brought their capital that was fl.290,000 for the voyage to Banten. This capital had been collected from two main groups of people in Amsterdam (Holland). The first group was the initiators who were in charge of the enterprise called *bewindhebbers* (Directors). The second group was called *participanten* (Shareholders) who only invested their capital. However, little evidence has been found of a detailed explanation of the capital in terms of a record-keeping system. The only description was that

> ... on the return of the ships, the whole enterprise was to be liquidated and shareholders would be entitled to their original deposit plus a proportionate part of the profit. ... it was agreed that the invested sums [fl. 290,000] were not to be paid back but used for a second *schipvaart* [voyage]. ... the directors were to receive one percent of the goods brought back" (Brakel, 1908 cited by Bruijn et. al., 1987, p.3).

This indicates that three main ideas of a simple accounting system were used to determine the position of enterprise. These were the joint-venture system, profit-sharing, and the labor system.

As the commercial activities of the Dutch company in Indonesia increased, they began to provide a fertile environment for record-keeping development. The record system was primarily needed to provide for (1) proper planning of revenues and expenditures and managing of a plan, (2) the establishment of.accountability for those with whom the company resources were entrusted, and (3) a report to the members of the company on the proper management of using funds. One example from early in the establishment of the Dutch company, where a simple planning of expenditures and a simple record-keeping system were used is as indicated in Exhibit 3 (adapted from Bruijn et.al., 1987, pp. 210-222 originally published by Heren 17 on 25-11-1636, VOC 11; 12-12-1695).

EXHIBIT 3

Summary of a Simple Record-keeping in the Early Dutch Voyage to Batavia (in the end of the 16th century)

Trade Goods:	
17 pieces *bourattai* (mixed wool and silk)	
30 pieces serge in various colors	
400 hats, plain and common	
28 hats, gentleman's and beaver	
10 pieces strong serge-like cloth	
10 pieces *drogetten* (woollen cloth woven in patterns)	
Writing materials:	
34 reams of paper of various sizes	
10 quills of the best kind	
100 penknives	
100 whetstones	
For Churches and Schools:	
6 folio bibles	
25 psalmbooks	
Provisions:	
54 casks Spanish wine	
6 1/2 casks Rhine wine	
10 casks French wine	
4 1/2 casks wine vinegar	
103 barrels Brunwick mum	
8 barrels Dutch butter	
20 barrels malt beer	
96 barrels meat	
103 barrels pork	
12 half *amen* olive oil	
544.000 doits	fl. 4.250.00
2 pieces gold and silver cloth	4.433.90
4 pieces various cloth	2.894.15.80
12 pieces cambric cloth	511.18.80
12 pieces crown-rash (a better quality)	254.13
20 pieces rash (coarse woolen cloth)	1.928.17
4 pieces serge-like cloth	114.90
13 pieces plain cloth with mohair wool	2.009.16
1356 pounds amber	22.024.20
4 balances (diverse)	304.11
12 pairs of brass compasses	37.10
50 pieces gold and silver lace	323.19.80
5 cases	134.90
49.126 pounds lead (assorted)	5.518.05.80
sundry equipage goods	29.035.16.80
sundry artilery goods	5.670.14
sundry armoury goods	898.15
sundry printed books and trifles	11.300.00
sundry medicaments	7.464.05
sundry trade requirements	2.402.17.80
sundry provisions	15.800.02.80
sundry iron, nails and tools	13.101.03.80
	fl. 130.414.09

EXHIBIT 4

Summary of Seafaring Personnel and Military's Salary Budget in the End of the 16th century

Rank/ seafarers:	***Monthly pay***
Opperkoopman - Senior merchant	fl. 80 - 100
Koopman - Merchant	40 - 60
Onderkoopman - Junior Merchant	36 - 40
Boekhouder - Writer, book-keeper	18 - 24
Assistant - Clerk	14 - 24
Schipper (retourschip) - Master	fl. 70 - 80
Schipper (jacht or fluit) - Master	60 - 66
Opperstuurman - First mate	48 - 50
Onderstuurman - Second mate	32 - 36
Derdestuurman - Third mate	26
Hoogbootsman - Boatswain	22 - 26
Hoogbootsmansmaat - Boatswain's mate	14
Schieman - Boatswain's mate	20 - 24
Schiemansmaat - Boatswain's mate	14
Bottlier - Steward	20 - 24
Bottliersmaat - Steward's mate	14
Constapel - Master gunner	20 - 24
Kok - cook	20 - 24
Koksmaat - Galley boy	14
Kwartiermeester - Quartermaster	14
Opperzeilmaker - Sailmaker	18 - 20
Onderzeilmaker - Sailmaker's mate	14 - 15
Opperkuiper - Cooper	16 - 17
Onderkuiper - Cooper's mate	12 - 14
Scheepskorporaal - Ship's corporal	14 - 16
Oppertimmerman - Ship's carpenter	fl. 38 - 48
Ondertimmerman - Carpenter's mate	22 - 48
Trompetter - Trumpeter, Bugler	20 - 24
Provoost - Provost, Master-at-arms	14 - 15
Opperbarbier - Barber-surgeon	fl. 32 - 50
Onderbarbier - Second Barber-surgeon	24 - 28
Derde Barbier - Barber-surgeon's mate	14 - 18
Predikant - Chaplain	fl. 80 - 100
Ziekentrooster - Sick-vistor	30 - 36
Bosschieter - Seaman	fl. 11 - 12
Bootsgezel, Matroos - Ordinary seaman	7 - 11
Hooploper - Apprentice seaman	7
Jongens (under 17 years old) - Ship's boy	4 - 6
Rank/ Military:	
Kapitein - Captain	fl. 80
Luitenant - Lieutenant	50 - 60
Vaandrig - Ensign	36 - 40
Sergeant - Sergeant	20
Korporaal - Corporal	14
Landspassaat - Lance-corporal	12
Adelborst - Cadet, Midshipman	10
Soldaat - Private Soldier	9
Rekruut - Raw recruit	7 - 8
Tamboer - Drummer	6 - 10

One of the most interesting features of these records is the fact that the Dutch had already introduced a single entry of early bookkeeping system in Indonesia. From the example of the report system, we can see that it was primarily to show the responsibility of management in controlling financial matters. A simple budget system had been used for managing expenditures concerning personnel and military salary. Evidently, the purpose of the budget system was to plan and control the future salary of all seafaring and military personnel.

Early Double-Entry Bookkeeping Introduced

Again, as has been mentioned in the preceding discussion, the important question that may be asked here is when did double-entry bookkeeping emerge in Indonesia? No definite answer to this question can be given, but some possible clues may be found by considering the period after the establishment of the Dutch company in Banten [1609] and Batavia [1619].

One of the most fascinating documents tracing the earliest emergence of double-entry bookkeeping in Indonesia is the changing policy of the Dutch government in Holland regarding military operations, administration and financial matters in September 1609. This new policy appointed a Governor-General to take supreme authority over all company settlements and possessions in Indonesia. The first Governor-General was Pieter Both who had previously served as commander of a fleet of one of the *Voorcompagnieen*. He established a general accounting office in Banten (Leur, 1967, p.181). Primarily, this office was to provide financial information to the Governor-General to assist in managing the company activities. At that time, double-entry bookkeeping was used heterogeneously by the office to serve and record the financial activities of the company[6].

> ... it took three or four years to collect all books [financial books]. Accounts were kept of the Dutch activities, chamber by chamber, and the financial result was set up in annual balance sheets comprising all the six chambers. The general account of the Asiatic establishments was kept at Batavia (Glamann, 1981, p.244).

This was an indication that types of balance sheet were used to report assets at a certain date, but they were not what is understood by the term balance sheet (or double-entry bookkeeping) today. At that time, there was no capital account nor any effective profit-and-loss account. The profit-and-loss account was made very simple and there was no auxiliary account to which losses and profit were consistently transferred from the various trading accounts. The balance sheet form emerged from the early establishment of the general accounting office at Banten (West Java), and a published balance sheet has just been found on the basis of *"de generale boeken"* in Batavia, October 1621 (Glamann, 1981, p.245). The example form of a balance sheet can be seen as follows:

EXHIBIT 5

Balance Batavia, October 1621

Debit					**Credit**
Ongelden 7)	**7.3**	**mill fl**	**Winsten 7)**	**3.8**	**mill fl**
Arrears, etc	**0.2**	**- -**	**Goods Captured**	**2.0**	**- -**
Effects	**5.2**	**- -**	**Various receipts**	**0.2**	**- -**
			Balance:	**6.7**	**- -**
	12.7	**mill fl.**		**12.7**	**mill fl**

This balance sheet is typical of the balance sheets used at Batavia in 1621. At the time, the terms *Debit* and *Credit* were already known. These terms, perhaps, were brought by the Dutch general bookkeepers from The Netherlands where the development of double-entry bookkeeping was well established. *Debit* is derived from the Latin *"debitor"* and Middle French *"debiteur"*; its modern equivalent in English is *debtor*. Accordingly, the heading of the left side of the balance using T-account form reads: *"debit"*. The basic meaning of this term refers to someone who owes a debt. *Credit* is also in use today with its meaning unchanged, that is, one who gives credit in commercial matters and, therefore, one to whom money is due. It is opposed to *"debtor"*. Accordingly, the right side of the balance reads: *"credit"*, meaning one to whom money or other assets is due.

At the time, there was also an adapted form of factorage bookkeeping, especially the form of the journals, ledgers, and balance sheets, but it is not what we understand by double entry bookkeeping today. As with terms the *debit* and *credit* referred to above, it was understood that the credit side of an account consisted of money, merchandise, foodstuffs, debts outstanding to the company and various receipts, whereas the debit side was the expenditures for garrisons, ships, administration expenses, and outstanding debts of the company (cf., Leur, 1967, and Glamann, 1981). However, a capital and fixed properties account (e.g., buildings, ships, and other equipments) still did not exist and were only to be recorded in the balance after 1689. Similarly, a profit-and-loss account was not reported either. The only accounting for profit or loss was by comparing between the total account of the receipts of sales (called *retouren-generaal account*) to Europe (especially to Holland) and the total cost of equipment (*equipagie-generaal*), after which the difference was made out as profit or loss (Glamann [1981, p.45]).

Summary and Conclusion

A historical explanation has been attempted to show a particular way of looking at the genesis of accounting in Indonesia. Using a Foucauldian archaeological perspective, the interconnection between a complexity of the socioeconomic environment and the need for a record system in the early years of the Dutch company establishment (in the early 17th century) can be seen as a basis of the foundation for understanding the emergence of accounting in Indonesia.

This paper has also presented the evolution of the early use of money in Indonesia from its beginnings until the 17th century. Early attempts in the use of money in Indonesian commercial activities can be traced back to as early as the Hindus and Moslem periods (about the 4th and 7th century). This particular concern is due to the fact that monetary system is a basic requisite of accounting records and measurement.

Under the Dutch monetary system (1609), it is apparent that Dutch coined money was accepted widely as a standard of commercial exchange in the Indonesian archipelago. This development led to the emergence of record-keeping techniques.

Notes:

1). M. Foucaul's work on historical concerns include *Madness and Civilization* [1967], *The Order of Things* [1970], *The Archaeology of Knowledge* [1972], The Birth of the Clinic [1973], *Discipline and Punish* [1977], *The History of Sexuality* [1981].

2). A number of recent studies in the accounting field in terms of historical processes employing a Foucauldian perspective can be seen in much greater depth in Burchell at. al. [1980, 1985], Hoskin and Macve [1986, 1988], Loft [1986], Hopwood [1987], Miller and O'Leary [1987], Walsh and Stewart [1988], Arrington and Francis [1989], Hopper and Macintosh [1990], and Williams [1992].

3). Cornelis de Houtman, the commander of the first Dutch traders, came to anchor their ships in Banten (Java) (Walshe, 1968). He has been reputed to have a capability in well managing voyage to the East.

4). Trading monopoly has been the concern of the Dutch policy to protect their domination from others (Indigenous Indonesian and foreign traders). To implement the monopoly systems, the Dutch used war. Furnivall [1967, p.23] indicated that the meaning of monopoly by the Dutch was war, and "war gave a new reason for monopoly, because the cost of armaments had to be met from profit." Coen who was one of the founders of the Dutch Empire in the East also said that "you cannott have trade without war, or war without trade." (p.23).

5). The *Rials* of the Dutch coin were also called the *rials of eight*. This was based on the foundation of the Dutch company in 1602 by the Heeren XVII who established the rule for the equipments that the Chambers should exclusively send *rials of eight*, and if they could not be provided, then, as an alternative, *gold* (Glamann, 1981, p.51).

6). When the Dutch Company was founded in 1602, the Charter required that the company should provide an account every ten years (decential account); however, the system was not obeyed until the end of 1621. In 1623, the State General in Holland established a quadrennial account of financial matters published (Leur, 1966, p.231).

7). As represented in Exhibit 6, the interpretation of the balance sheet of Batavia, October 1621 is the fact that *Ongelden* is an account for all the expenditures which had been spent in the form of wages, administration expenses, fortification, transportation expenses. *Winsten* is an account for the Dutch company's receipts in relation with commercial activity.

References:

Arington, C.E., and J.R. Francis, "Letting the Chat Out of the Bag: Deconstruction, Previlege, and Accounting Research," *Accounting, Organizations and Society,* Vo.14, No.1/2, 1989, pp.1-28.

Aveling, H., *The Development of Indonesian Society: From the Coming of Islam to the Present Day,* Queensland: University of Queensland Press, St. Lucia, 1979.

Bruijn, J.R., F.S. Gaastra, and I. Schoffer, *Dutch-Asiatic Shipping in the 17th and 18th Centuries,* Vol.1, The Hague, Martinus Nijhoff, 1987.

Burchell, S., C. Clubb, A.G. Howood, "Accounting in Its Social Context: Towards a History of Value Added in the UK," *Accounting, Organizations and Society,* Vol.10, No.4, 1985, pp.381-413.

Burchell, S., C. Clubb, A.G. Howood, J. Hughes, and J. Nahapiet, "The Roles of Accounting in Organizations and Society," *Accounting, Organizations and Society,* 1980, pp.5-27.

Day, C., *The Dutch in Java,* London: Oxford University Press, 1966.

Foucault, M., *Madness and Civilization,* Tavistock, 1967.

Foucault, M., *The Order of Things,* Tavistock, 1970.

Foucault, M., *The Archaeology of Knowledge,* Tavistock, 1972.

Foucault, M., *The Birth of the Clinic,* Tavistock, 1973.

Foucault, M., *Discipline and Punish: The Birth of the Prison,* Tavistock, 1979.

Foucault, M., *The History of Sexuality,* Allen Lane, 1981.

Furnivall, J.S., *Netherlands India: A Study of Plural Economy,* London: Cambridge University Press, 1967.

Glamann, K., *Dutch-Asiatic Trade 1620-1740,* 2nd.Ed., Den Haag: Uitgeverij Martinus Nijhoff, 1981.

Gutting, G., *Michel Foucault's Archaeology of Scientific Reason,* Cambridge University Press, New York, 1989.

Hopper, T., and N.B. Macintosh, "Management Accounting as a Discipinary Practice: Theory, Case Analysis, and Implications," *Paper Presented for Submission at the Third Interdisciplinary Perspectives on Accounting Conference,* Manchester, UK, July 1991.

Hopwood, A.G., "The Archaeology of Accounting Systems," *Accounting, Organizations and Society,* Vol.12, No.3, 1987, pp.207-234.

Hoskin, K.W., and R.H. Macve, "The Genesis of Accountability: The West Point Connections," *Accounting, Organizations and Society,* Vol.13, No.1, 1988, pp.37-73.

Hoskin, K.W., and R.H. Macve, "Accounting and the Examination: A Genealogy of Disciplinary Power," *Accounting, Organizations and Society,* Vol.11, No.2, 1986, pp.105-136.

Laanen, Van J.T.M., *Changing Economy in Indonesia: Money and Banking 1816-1940,* Vol.6, (eds) P.J. van Dooren et.al., Amsterdam: Royal Tropical Institute, 1980.

Leirissa, R.Z., "The Dutch Trading Monopolies", *Dynamics of Indonesian History,* (eds) H. Soebadio and C.A.M. Sarvaes, Amsterdam: North-Holland Publishing Company, 1978, pp.189-206.

Lemert, C.C., and Gillan, G., *Michel Foucault: Social Theory as Trangression,* New York: Columbia University Press, 1982.

Leur, van J.C., *Indonesian Trade and Society,* The Hague: N.V. Uitgeverij W. van Hoeve, 1955.

Littleton, A.C., *Accounting Evolution to 1900,* New York: American Institute Publishing Company, 1933.

Loft, A., "Towards a Critical Understanding of Accounting: The Case of Cost Accounting in the UK 1914-1925," *Accounting, Organizations and Society,* Vol.11, No.2, 1986, pp.137-169.

Mansvelt, W.M.F., *Changing Economy in Indonesia: Indonesia's Export Crops 1816-1940,* Vol.1, (eds) P. Creutzberg, Amsterdam: Royal Tropical Institute, 1975.

Mansvelt, W.M.F., *Changing Economy in Indonesia: Public Finance 1816-1940,* Vol.2, (eds) P. Creutzberg, Amsterdam: Royal Tropical Institute, 1976.

Mattessich, R., "Prehistoric Accounting and the Problem of Presentation: Recent Archaeological Evidence of the Middle-East form 8000 B.C. to 3000 B.C.," *The Accounting Historian Journal,* Fall 1987.

Meilink-Roelofsz, M.A.P., *Asian Trade and European Influence: In the Indonesian Archipelago Between 1500 and about 1630,* Netherlands: Martinus Nijhoff, the Hague, 1962.

Miller, P., and T. O'Leary, "Accounting and the Construction of Governable Person," *Accounting, Organizations and Society,* Vol.12, No.3, 1987, pp.235-265.

Money, J.W.B., *Java or How to Manage a Colony,* London: Oxford University Press, 1984.

Schrieke, B., *Indonesian Sociological Studies,* The Hague: W. van Hoeve Publishers Ltd., 1966.

Sukoharsono, EG., and MJR. Gaffikin, Power and Knowledge in Accounting: Some Analyses and Thoughts on Social, Political, and Economic Forces in Accounting and Profession in Indonesia 1800 - 1950s *(Forthcoming).*

Tjandrasasmita, U., "The Introduction of Islam and the Growth of Moslem Coastal Cities in the Indonesian Archipelago," *Dynamics of Indonesian History,* (eds) H. Soebadio and C.A.M. Sarvaes, Amsterdam: North-Holland Publishing Company, 1978, pp.141-160.

Walsh, E., and R.E. Stewart, "Management Accounting in the Making: Two Case Studies," *Paper Presented at the Second Interdisciplinary Perspectives on Accounting Conference,* Manchester, 1988.

Walshe, R.D., *The Student's Guide to World History 1789-1965,* Sydney: Martindale Press, 1968.

Williams, R.B., "Income Tax - Discipline or Revenue," *Unpublished Working Paper at the University of Wollongong,* 1992.