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APPRAISING ACCOUNTING AND BUSINESS CONCEPTS IN KAUTILYA'S ARTHAŚĀASTRA

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Abstract¹

Kautilya's Arthaśāstra is a fourth century B.C. Sanskrit classic on public administration and management. A. K. Bhattacharya (in Modern Accounting Concepts in Kautilya's Arthaśāstra, 1988) gives a detailed analysis of these concepts in relation to their modern usage. How can we assess whether the meaning we may assign to Kautilya's words proximate their modern implications? William Halo, on the basis of his analysis of accounts kept on cuneiform tablets suggests that elements of double entry bookkeeping appeared in 22nd century B.C. Basu and Waymire (2006) propose evidence from Mesopotamia on co-evolution of accounting with human brain, language and law. The co-evolution theory suggests that material well-being and socio-political structures of a society should correlate with the accounting, business and economic concepts necessary to support such structures. This paper is an attempt to use such approach to make a comparative appraisal of Kautilya's concepts and modern usage.

Key Words: Kautilya's Arthaśāstra, accounting, fourth century B.C.

Accounting and Governance in Kautilya's Arthaśāstra

Kautilya, the advisor and mentor of King Chandragupta Maurya wrote the Arthaśāstra, a Sanskrit treatise on material welfare, administration and political strategy at the end of the fourth century BC. Mauryan empire came to encompass almost the entire Indian subcontinent, from present day Afghanistan in the west to near Myanmar in the east, from Kashmir in the north to Karnataka in the south (see Figure 1).

Accounting, Commerce, and Trade

In three of its chapters (Book 2, Chapter 6, 7, and 8), Kautilya defines, refers to, and uses several important concepts of business, accounting, and auditing that are of interest to modern accountants. The simplified English translation of Chapters 6, 7 and 8 in the final section of this paper is based on Kangle and Rangarajan's work.

Mauryan Economy

Under the influence of Kautilya, a highly centralized and hierarchical government was organized to promote agriculture, production and mining; to regulate tax collection, trade

¹ This article is based on the PowerPoint presentation at the Twelfth World Congress of Accounting Historians at Istanbul, Turkey, on July 20-24, 2008. We have relied substantively on translations by Shamasastri (1915), Kangle (1960, 1963) and Rangarajan (1992), as well as the interpretive essays of Kangle (1965), Choudhury (1982), Bhattacharya (1989), and Mattessich (1992). Our reliance on these sources is so extensive that it is difficult for us to give them appropriate credit in individual instances. Any deviations are our responsibility. The numbering (x.y.z) refers to Kangle (1960, 1963) using x for book number, y for chapter number, and z for sentence or *shloka*.

and commerce; and to maintain vital statistics, welfare of foreigners, and public places including markets and temples. The empire was divided into provinces, districts, and villages governed by centrally appointed officials. The state got its revenue directly from the peasants with no intermediaries, in contrast to the practice of later feudal ages. In addition to the farmlands the state also owned mines, warehouses and shipyards. Craftsmen were organized into guilds called *shrenis*. Pasture land, forests and mines all belonged to the state although the state could lease the grassland. State officials were responsible for building water tanks and canals and planting fruit orchards.

Mauryan State

According to Arthaśāstra, economic wealth is the cornerstone of a successful state. Ensuring that the resources are adequate, safe and available requires measurement and control achieved by clear exposition of concepts and principles of accounting and control. It is the first and foremost obligation of the ruler to deliver stability and order so that commerce, trade and industry can flourish and the population can be protected from anti-social elements like deceitful traders or robbers and the effects of natural disasters like drought or flood. Careful specification of accounting principles and rules, in addition to the requirement of integrity—reinforced by a system of penalties and incentives—in individuals holding responsible positions are keys to maintaining the treasury.

Arthaśāstra gives reasons for the importance of adequate resources. Money begets money. An agricultural society is subject to the vagaries of nature—floods and drought are calamities that happen with great frequency in the subcontinent of South Asia. The genius of Kautilya lies in recognizing the centrality of material well being for human welfare, and then pursuing it to its logical conclusions.

Trade and Commerce

Arthaśāstra lists agriculture, cattle rearing, forests, mines, factories and trade as generator of resources. Director of the Marketplace has the responsibility to protect the consumers from irresponsible actions of the traders. He heads an agency that may be called the Federal Trade Commission or Consumer Protection Agency in today's parlance. The Chief Controller of State Trading is responsible for trading in goods over which the state has a monopoly and commodities produced from state owned lands or commodities that are received in to the Treasury. He should ensure that goods (whether produced on state lands or imported from other countries) are sold so as to favor the subjects and avoid making big profits that would be injurious to the subjects. (2.16.6)

Chief Controller would be responsible for the prompt collection of sales proceeds and proper accounting of the balance by sales officers. Schedule of duty on incoming goods by various categories is listed in the Arthaśāstra. The Director of Trade fixes the price of indigenous goods so as to permit the traders to make a profit of 5 percent over their full cost including purchase price and selling costs (4.2.28-30). A profit of 10 percent is permitted on sale of imported goods. Stockpiling of a commodity or goods in order to raise the price above that fixed by the state is prohibited and heavy penalties are imposed for exceeding the fixed price.

Foreign Trade

The Chief Controller has many responsibilities quite similar to that discharged by the present day ministries of commerce. Kautilya recommends that foreign trade should be encouraged through dispensation of special discounts such as exemption from taxes in order to enable foreign traders to make a profit. Kautilya, a proponent of free trade, says that

foreign trade is desirable for the supply of goods that may not be available indigenously. Trade is an important source of revenue for the Treasury. If there is no profit to the Treasury, it may still be worthwhile to engage in such trade because there may be benefits for exporting certain goods—there may be a glut due to overproduction, or there may be other objectives²—and there may be benefits for importing certain goods due to their unavailability or shortage in the local market.

Knowledge of demand for different products, various ports abroad and their regulations and restrictions, custom duties, etc., are necessary to plan foreign trade. Kautilya recognizes that there may be certain conditions when trade may be beneficial even if it does not make a profit for the Treasury. Evading tariff duties is an age-old practice that deprives the realm of resources. Traders bringing in goods have the temptation to understate the quantity or the price. Vigilant officers and high penalties can prevent such behaviors to some extent.

Accounting and Control

Arthaśāstra's description of accounting concepts in many cases parallels their modern accounting use. There is evidence of periodic budgets for revenues and expenditures, fixed and variable costs, manufacturing accounts, non-financial information, and according to Mattessich, of work-in-process and finished goods inventories. Distinctions are made in (the degree of detail in) accounting for high and low valued goods. Arthaśāstra suggests separation of the superintendent of accounts in location and hierarchy from the executive authority. Limitations of the king in disciplining his officers is also recognized in the recommendation that the projects which are important sources of revenue should be supervised by officers who the king would not mind penalizing (i.e., are dispensable) (2.7.4).

Arthaśāstra uses a lunar calendar with adjustment for compatibility with the solar calendar. Arthaśāstra recognizes the principle of materiality by recommending that minor offenses should be tolerated (2.7.41). Mattessich (1992) draws attention to the interesting idea in Arthaśāstra of profit arising from increase in price of merchandise at the time of sale and suggests that it "manifests an awareness of general or specific price changes but also refers explicitly to potential profits accruing from those changes. In modern parlance one would speak of fictitious holding gains" (pp.137-138).

Arthaśāstra suggests that good financial reports must be prepared for the arrangement of subject matter, connection or relevance, completeness, sweetness, exaltedness and lucidity (2.10. 6 – 12). It recognizes the centrality of treasury to the state and recommends that it be the first concern of the king.

Audit and Review

The records-cum-audit office maintains comprehensive records from each department as well as ongoing projects, informs the work officers of various departments and undertakings about the specified dates when they must submit the accounts and balances for audit (2.7. 3-5), and ensures the integrity of the records and information provided by the work officers of the operating departments and their accounts officers. It must check each entry of receipt for the time, place, amount, source, name of recorder, and recipient, and similarly the expense and balance entries must be checked. (2.7.31-33). All such appointments are made by a royal order.

² What could these other objectives be? One cannot help thinking of a parallel with the modern concept of dumping in international trade.

Arthaśāstra sets out a framework based on clear definition of accounting concepts, and uniform standards but recognizes that the framework is not sufficient to prevent wrongdoing. The proper implementation of rules by the responsible officers who are above favoritism or vindictiveness creates faith in the system. Officers should be carefully selected for their knowledge, expertise and character, given the importance of the treasury (2.7.10). Even when people are carefully selected, their actions should be constantly reviewed, departments should have many heads, and they should not be given permanent tenure (2.9.31). It defines penalties and fines for preventing various kinds of wrongdoing that shortchange the treasury. Finally, Arthaśāstra suggests an intelligence network to watch over the activities of the departments (2.7.9) and ascertain whether officials are living beyond their means (2.9.12). It lists forty ways in which government officers can be derelict in their duties which cause the depletion of the treasury (2.8.4 – 18).

Whistleblowers

Kautilya made explicit provision for whistleblowers (informers) and their protection and rewards to secretly bring the actions to defraud the treasury to the attention of the king (2.8.29). Whistleblowers were guaranteed protection against reprisals by the officers, were to be rewarded with a part of the amount involved if the matter were proved, and punished for false accusations or for failure to appear to prove the charges (2.8.29-32).

Rules vs. Discretion

Although in many places Kautilya refers to fixed prices, compensation and fines fixed in terms of money or as multiples of the relevant amounts, he emphatically disagrees with his predecessors by asserting the ultimate dominance of judgment and discretion as a better guide than fixed rules. The debate between fixed rules and discretion has a long history in jurisprudence, economics management and accounting. Fixed rules have the advantage of clarity, fairness, and openness. On the other hand, no set of fixed rules can anticipate all circumstances, and their application can lead to patently unfair outcomes in specific circumstances. In his ambivalence between specific rules for determining fines, and leaving it to the discretion and judgment so the fine will be appropriate to the guilt of the offender, Kautilya reflects the same problem.

Governance

Kautilya discusses the problems of governance extensively and provides his prescriptions to address these problems. He addresses the issues pertaining to the king (1.19), his ministers (1.15), and the civil servants (1.11, 2.9 and elsewhere). The King should set high standards, and consult with appropriate number of his advisors before taking action. After the ruler has secured the allegiance of his own people and leaders, and reached an understanding with those in enemy territories, he should devote his attention to planning new undertakings (1.15.1).

The number of cabinet members consulted should be determined by the nature of the project. There cannot be any ironclad rules and the desirable number of advisors depends on the time, place, and nature of the issue to be decided (1.15. 33-41). For any undertaking, the ruler should deliberate on the availability of the necessary financial, human and physical resources, time and space. He should also deliberate on the implications of failure as well as success of the undertaking. Arthaśāstra suggests a highly centralized government for efficient and effective administration with no intermediaries between the farmers and the central administration. It describes the duties and responsibilities of the Directors of thirty five departments and in many instances he lays down their 'mission' statements.

Kautilya suggests that state servants should be recruited from far and wide in the kingdom. The work of the Directors and officials should be subject to periodic review. It emphasizes the importance of harmonious teams but also warns against excessive fraternizing because it can subvert the administration and cause financial losses to the state (2.9.5 – 6). All three faults in revenue collection--not collecting funds that are due, harsh exploitation, and not managing the expenses—should be avoided. The ruler should receive accurate and complete progress reports on income and expenses in order to make good decisions and policy (2.9.19).

Public Works and Policy

It is incumbent on the ruler to create wealth. Arthaśāstra envisages the creation of both the private and public sectors. Arthaśāstra describes the means of enriching the treasury. Prosperousness of economic activities, cherishing of customs that improve division of labor while minimizing conflict, luxuriance of crops, abundance of commodities, maintenance of law and order, reduction in exemptions and cash presents are mentioned (2.8.3). The ruler should cause irrigation works, canals, tanks, reservoirs to be built. If communities pool their resources to build such irrigation works, the king should help them with road access, land, tools and the like.

Royal permission would be necessary for mining; burdensome and expensive mines would be leased or let on a part-share basis to individuals, while the lighter mines would be run directly by the department of mines. Thus from the mines the ruler should collect the price, the share, the surcharge, the monopoly tax, penalty, duty, compensation, fine, inspection fee, and manufacturing charges as well as the twelve kinds of metals and commodities made from them.

Arthaśāstra recognizes the difference between short term and long term benefits. Improvement of productivity of land requires costly inputs. Exemptions and tax waivers would mean lower taxes in the short run but can provide incentives that would benefit the individual farmers as well as the Treasury in the long run. Kautilya differs from the prevailing puritanical wisdom and states that the indulgences by the common masses renews their will to work hard (makes them more productive) whereas kings who are given to pleasures, become arbitrary, seize the property and productive lands of the subjects and encourage similar destructive behavior by their courtiers (8.4.22).

Regulation of Monopoly and Competition

Arthaśāstra provides some interesting views on competition and monopoly. The looting of goods by robbers and the illegal charge of higher duties by officials create disincentive for trade and are harmful but the complicity of traders colluding to fix prices cause far bigger losses and is a greater cause of concern because it cannot be easily detected and proved and because the losses to the treasury may be far greater.

The traders are required to declare the quantity, and price of goods at the custom gates and are then required to sell the goods to those who bid for them. In case of competition among purchasers, the increase in price (beyond the permitted profit margin) together with the duty shall go to the king (2.21. 7-9). The purpose of this provision may be to prevent evasion of custom duty through under-invoicing.

Concluding Remarks

Although most of what Kautilya wrote was intended for public administration, a great deal of his analysis and suggestions are directly applicable to private enterprises as well. He mentions many character flaws of men, anger, lust, failure to act, and fear among them.

Interestingly, Kautilya includes regard for the other world, and fondness for auspicious days and constellations (9.4.25) as one of these flaws. The objective slips away from the foolish person who continually consults the stars before deciding what to do (9.4.26).

Simplified English Translation of Arthaśāstra, Book 2, Chapters 6, 7, and 8³

Arthaśāstra 2.6.1-27

1. The administrator should organize the main sources of revenue, namely, the fort, the country, mines, irrigation works, forests, herds and trade routes.
2. The source of income called fort consists of the following--custom duties; fines; fees relating to standardization of weights and measures; fines collected by the city superintendent; charges and fees collected by the mint master for examination of coins, and the superintendent of passports; income derived from products of state activity such as alcohol used for religious rites, animal slaughter, and yarn; income derived from sale of products from state owned stores such as oil, ghee and sugar; profits from the working of state gold-smithy, and establishment of the market place; income from the department to regulate prostitution and gambling; house tax or ground rent; tax on professions and crafts; fees levied for the management of temples; taxes collected at the gates from traders within the state or on goods imported from outside.
3. The source of income called country consists of the following--income from crown lands, share of agricultural produce from private lands; occasional levies; taxes paid in cash; traders; fines collected by river guards for unauthorized crossing of rivers; rent from state owned ferries and ships; port dues; pastures; road tax; and revenue from land survey operations.
4. The source of income called mines consists of gold, silver, diamonds, gems, pearls, corals, conch-shells, metals, salt and ores derived from the earth, rocks and liquids.
5. The source of income called irrigation works consists of income deriving from flower gardens, fruit orchards, vegetable gardens, wet crop fields and tuberous plants.
6. The source of income called forests consists of income from enclosures for beasts, deer parks, forest products, and elephant forests.
7. The source of income called herds consists of income from cows and buffaloes, goats, sheep, donkeys, camels, horses and mules.
8. The source of income called trade routes consists of income from land routes and water routes.
9. This is the total corpus of income.
10. The categories under which income is classified consist of the following--price, share, surcharge imposed by treasury on transactions in order to make up for the shortfall resulting from measuring or weighing; monopoly tax that guarantees that the technical production has been supervised by the state; fixed tax paid collectively by the village; manufacturing charge and penalties and fines imposed for violations of state regulations.

³ Substantially based on English translations by Shamasastri (1915), Kangle (1960), and Rangarajan (1992). We are responsible for any deviations from these translations. Mattessich (1992) suggests that the term Receipts should be used instead of Income in some contexts which makes more sense in modern usage -- receipts is also the term used by Shamasastri. Kangle uses the term income. We do not include information on alternative interpretations of the text.

11. The corpus of expenditure consists of the following expenses—the worship of gods and ancestors and charitable causes; gifts given for receiving benedictions; maintenance of the royal palace and the kitchen; the employment of envoys; maintenance of the armory and warehouses for forest produce, output of factories and workmen; maintenance of foot soldiers, horses, chariots and elephants; herds of cattle; enclosures for beasts, deer, birds and wild animals, and warehouses for storage of fuel and straw.

12. For purposes of account keeping and budgeting the following time divisions are used—the commencement and end of the Kings regnal year; the month, the fortnight and the day. There are three quarters, the rainy season, winter and summer-- in each the 3rd and 7th fortnight have 14 days and the rest have 15 days, and a separate intercalary month (added to keep the calendar year concurrent with solar years).

13. Karaniyam siddham sesham aaya vyayau nivi cha. Items in accounting are the revenue estimate, accrued revenue, outstanding revenue, income, expenses and balance.(Kangle) Mattessich translates this to mean One must pay attention to work in progress, work completed, part of work in hand, receipts, expenditures and net balance.

14. Karaniyam implies the following-- the situation or the place (for which the budget is made K); the sphere of activity, the corpus of income, receipts, the total of all items of revenue and the grand total, this is Arthaśāstra 2.6.1-27(K).

15. Siddham implies the following --Deliveries into the treasury, what is taken by the king and the expenses of the city as paid in, what is carried forward from the preceding year, what is released by a decree and what is ordered by word of mouth, as not to be remitted, this is accrued revenue (K).

16. Sesham (outstanding revenue in K) The receipts from a partially completed undertaking (are not immediately available; they will become available only when the undertaking is completed.) the fines, taxes which have yet to be recovered, that what has been withheld by force and what has been used by officers and what remains to be recovered, this is outstanding revenue. It does not contain goods of high value or if it does, they are few.

17. Receipts may be current, last balance and accidental or received from unexpected sources.

18. What is due day after day is termed current revenue. [Vartaman] current income consists of receipts due and paid in the same year. (Rangarajan)

19. What has been brought forward from the preceding year, what is in the hands of others, and what has been transferred from the sphere of activity of one director to another is termed last balance. Paryushita (Kangle and Shamsatry) Mattessich -deferred revenue Rangarajan calls it Transferred income. Rangarajan says the third category is miscellaneous income. This is of three kinds as described in 20 21 and 22.

20. Recovery of dues and debts that had been written of; fines paid by state employees; extra income from some surcharges; compensation collected for loss or damage; gifts to the king; confiscated property of a person involved in a revolt; intestate property; and treasure trove-- these are termed accidental receipts. Mattessich calls these extraordinary items or revenues from non-operational sources.

21. Balance due to disbanding the army or from undertakings that are given up due to illness or epidemics etc are returns from expenditures. Rangarajan- The following deductions from anticipated expenditure are to be treated as income: savings due to

demobilization of a part of the army, works abandoned before completion due to illness and epidemics and economies made in actual investment as against the planned budget.

22. The profit due to rise in price of merchandise at the time of sale, profit due to the use of different weights and measures in making a sale is termed Vyaji or surcharge, and the increase in price because of competition from buyers, this is also income.

23. Nityo nityotpadikyō laabho laabhotpadik iti vyayah Rangarajan- Expenditures are to be shown under four headings: budgeted day to day expenditure; unbudgeted day-to-day expenditure; foreseen periodic expenditure (fortnightly, monthly or annual) and unforeseen periodic expenditure. K -There are four categories of expenditures: current or daily expenditure; that which arises out of current or daily expenditure, lump some payments at fixed intervals of time, and that arising out of such lump some payments.

24. What is spent on a daily basis is current expenditure. Expenditures incurred from payments to officers laborers etc at fixed intervals such as fortnightly, monthly or yearly are termed *laabha*.

25. Those expenditures arising out of these two, namely current expenditure and expenditure at fixed intervals are also expenditures.

26. Rangarajan Net revenue is to be calculated after deducting expenditures from income taking into account the actuals as well as deferred amounts. K:- What is left over after calculation of receipts and expenditure from the entire total of revenue sources is the balance received and carried forward.

27. Thus the wise administrator should fix the revenue and show an increase in income and decrease in expenditure and should work to remedy the reverse of these.

Arthaśāstra 2.7.1-41

Accounts in the Records-and-Audit Office

1. The superintendent should cause the Records Office to be built facing the east or the north, with separate halls as a place for record books.

2. The Superintendent should ensure that the following information is entered in the record books:

- a) listing of all the departments, the activities or sections under each department, and the total income from all the activities of each department;
- b) in connection with factories the information must record-- the increase or loss of weight or volume to raw materials in the manufacturing process, additional expenses due to extensions to the factory or other such reasons, surcharge, place of employment or work, wages and salaries, and the number of workers;
- c) in connection with jewels, articles of high value and low value and forest produce, the information must record-- the price, the quality, the weight, the measure the height, the depth and the specifications of the containers as applicable;
- d) laws, transactions such as agreements or contracts between parties, customs and norms and established edicts pertaining to marriage, inheritance etc in various regions, villages, castes, families, and craft guilds and corporations;

- e) the receipt of favors, lands, use, exemptions, food and wages by those who serve the king;
 - f) the receipt of jewels and land and special allowances and payments for remedial measures against sudden calamities granted by the king his queens and sons;
 - g) and grants and receipts from allies and enemies in connection with peace and war.
3. On the basis of the records, the superintendent should provide in writing the revenue estimate, accrued revenue, outstanding revenue, income and expenditures, balance, the time for officers to come and present the accounts for various spheres of activity, and the rules and norms for all departments.
 4. And over works of the highest, the average and the lowest kinds he should appoint a superintendent of that class, but over projects that are important sources of revenue, he should appoint officers who the king would not mind penalizing in case they fail to fulfill their responsibility of bringing in revenue through ignorance or negligence.
 5. In case the responsibilities are not carried out by the concerned official, the loss and liability would fall on his co-receivers of the state revenue, the guarantors, those living on his work, his sons, brothers, wives, daughters, and servants (the one later in the list becomes liable if the earlier one fails to compensate).
 6. Three hundred and fifty four days and nights constitute the official year for completing the various undertakings of the year.
 7. He should fix the end of the year to be on the full moon day in Aasadh whether the work is spread over the full year or part of it.
 8. He should provide the intercalary month with a separate bureau. The yearly accounts had twelve sections, one for each month; accounts for the intercalary month were to be kept separately.
 9. He should have the activity of the departments watched by informers.
 10. The officer, if not conversant with the activity, customs and fixed rules causes loss of revenue through ignorance; if unable to endure the rigors of energetic activity, through laziness; if addicted to the pleasures of the senses, music and the like through laxity and negligence, if afraid of an outcry among subjects or of an unrighteous or harmful act through fear; if inclined to show favor to those who work with him or have worked with him through love; if inclined to do his acquaintances harm through anger; or because of reliance on learning or wealth or the support of royal connections through arrogance; or by fraudulently substituting a difference in weight, measure, assessment or counting through greed.
 11. According to the followers of Manu, among these causes of loss of revenue, the fine imposed should be equal to the loss of revenue, increased by one fold in each succeeding case in the order these failings are listed above.
 12. According to the followers of Parashar, in all cases the fine imposed should be eight times the loss caused.
 13. Ten times, say the followers of Brahaspati.
 14. Twenty times say the followers of Usanas.
 15. But according to Kautilya, the fine should be in conformity with the offence.
 16. The accounts should be brought in on the full moon day of Asadha.

17. When the account officers come with their sealed account books and works officers bring actual balances in sealed containers, he should impose restrictions so that the two sets of officers are not allowed to converse among themselves.
18. After hearing the totals of income, expenditure and balance, he should cause the balance to be taken away to the treasury.
19. And he should make the superintendent pay eightfold whatever may increase the balance over the total of income as shown on the page in the account books, or whatever decrease in balance the officer may have caused by inflating the expenditures.
20. In the reverse case, i.e. when the actual balance is greater than what is shown in the account book or when expenses are shown to be less than those actually incurred, the officer shall keep it.
21. Officers who do not show up at the scheduled time or who do not bring the account books and balances, the fine shall be one-tenth of the amount due.
22. And if, when the works officer presents himself, the accounts officer is not ready for audit, the lowest fine shall be imposed.
23. In the reverse case, the fine for the works officer shall be double. (the fine is double because he has the actual nivi with him and yet has failed to appear with it.)
24. The superior offices should render the accounts in full in accordance with their activity without contradicting themselves.
25. The officer whose statements do not tally with those of others or one who speaks falsely shall pay the highest fine.
26. He should wait for one month for the day-to day accounts.
27. After the month, the accounts officer shall pay a fine of 200 panas, which would increase by the same amount for each succeeding month that he is in default.
28. When a work officer does not bring in a small part of the monthly balance as arrived at in the account book, he should wait for five days.
29. If the works officer brings in the day to day accounts after that period preceded by he delivery of the balance into the treasury, he should investigate the case to see if the delay was justified with reference to laws, transactions, customs and fixed rules and by totaling up and looking at the work carried out through inference and with the help of informers.
30. And he should check the accounts for each day, group of five days, fortnight, month, four months and year.
31. He should check the income with reference to the period, place, time, head of income, source, amounts brought forward, quantity, the payer, the person for whom the payment is to be made, the recorder and the receiver.
32. He should check the expenditure with reference to the period, place, time, head of expenditure, gain, occasion, the product given, its use and quantity, the person who orders, the person who takes out, the person who delivers and the receiver.
33. He should check the balance with reference to the period, the place, time, head, amount brought forward, the article, its characteristics, the quantity, the vessel it is deposited in and the person guarding it.

34. If in a state undertaking (as distinguished from the work of collecting taxes, fines etc from subjects that are described above) the accounts officer is not ready for audit, or disregards an order, or changes the income and expenditure in a way which differs from the written order, the lowest standard penalty shall be imposed.

35. If one writes down an item in the accounts without any order or in a wrong order or in an illegible manner, or twice over, the fine is twelve *pana*.

36. If one writes down the balance in any of the ways described in 2.7.35, the fine is double that, i.e. twenty four *panas*.

37. If one swallows it, the fine is eight fold of 12 *panas*.

38. If one destroys it, the fine is one-fifth of the total amount and restitution of what is lost.

39. In case of a false statement, the punishment is that for theft.

40. If one admits that a false statement had been made earlier, the fine is double; so also if an item was forgotten and brought in later.

41. The king should put up with a minor offence and should be content even when the revenue is small; and he should honor with favors the officer who confers great benefit on the state.

Arthaśāstra 2.8.1-32

Recovery of Revenue Misappropriated by State Employees

1. All undertakings are dependent first on the treasury.

2. Therefore his first concern should be the treasury.

3. The treasury can be increased in the following ways—prosperity and productivity of various departmental activities; maintenance and continuation of established norms and practices; suppression of theft; keeping a strict control on employees; high yield of crops; abundance of commodities; protection from natural disasters; reduction in tax exemptions and cash gifts.

4. The treasury is depleted by obstruction, lending, trading, concealment, causing loss, causing loss, use, interchange and misappropriation.

5. Failure to carry out a project, failure to realize its successful outcome or failure to deliver it to the treasury, constitutes “obstruction”.

6. For causing obstruction, the penalty is one-tenth the amount that would have been delivered to the treasury.

7. Unauthorized lending of goods from the treasury at interest is “lending”.

8. Unauthorized trading in state commodities is “trading”.

9. For such unauthorized lending and trading the penalty is half the loss suffered by the state.

10. If an officer shows a later date than the one on which income was received or shows expenditure as having incurred at an earlier date (thus using the money for personal benefit for a period) that is “concealment”.

11. For concealment, the fine is one-fifth of the loss suffered by the state.
12. If an officer collects less than the fixed amount of revenue, or causes an increase in the sanctioned expenditure, that is called "causing loss".
13. For causing loss, the penalty is four times the loss to the state.
14. The unauthorized use of the King's goods by oneself or allowing it by others is "use".
15. The punishment for the use of jewels is execution, the middle level of penalty for use of articles of high value, restitution of the goods and penalty of an amount equal to the value of the goods for the use of articles of small value and forest produce.
16. The appropriation of the king's goods by substituting other goods is "interchange".
17. The penalty for interchange is the same as that for use of the King's goods.
18. If an officer does not deliver the income that has accrued, or does not pay the expenses put down in writing, or denies the balance, that is called "misappropriation".
19. For misappropriation the penalty is twelve times the loss caused to the state.
20. There are forty ways in which officers can embezzle from the state.
21. These various methods of embezzlement are: Revenue accrued on a given date is realized later (for a consideration); revenue not due until later is realized earlier (by force in order to compensate for above); revenue due is not collected (for a consideration); revenue not due is made to be paid (and misappropriated); revenue not paid is shown as paid (for a consideration); revenue paid is shown as not paid (and misappropriated); small amount of revenue paid is made out as paid in full; though paid in full only a small amount is shown as received; revenue paid in one kind is shown as of lower value; revenue paid by one is shown as having been paid by another; what is to be paid is not paid; what is not to be paid is paid (to a favorite); payment is not made in time; payment due on a given date is delayed; small payment made is shown as a large amount; large payment is misrepresented as a small one; small payment is shown as a large amount; payment due to one person is paid to another (for a consideration); payment made in one kind (of a lower value) is misrepresented as being of another kind (of higher value); what is delivered into the treasury is made out as not delivered; what is not delivered is made out as delivered; that for which the price has been paid is not delivered; concentration of goods is made out as dispersal or dispersal is made out as concentration; an object of high value is changed for one of low value, or one of low value for one of high value; the price is raised; or the price is reduced; there are discrepancies in months in a year; discrepancies of days in a month; discrepancy of source; discrepancy of head of income; discrepancy of number of workmen; discrepancy in measurement of work; discrepancy in totaling; discrepancy in quality; discrepancy in price; discrepancy in weighing; discrepancy in measuring; and discrepancy in containers for goods.
22. In all such cases he should interrogate individually the subordinate officer, the store keeper, the recorder, the receiver, the person who pays, the person who causes the payment to be made, the advisor and the help-mate.
23. In case of a false statement made by a person, the penalty shall be the same as for the officer concerned.
24. He should issue a proclamation in the specific sphere of activity, "those wronged by such and such officer should communicate it to me".

25. To those who communicate, he should cause payment to be made in accordance with the injury suffered.

26. In cases where there are many accusations made against an officer and the officer has denied all charges, if he is found guilty in a single case, he will be held liable for all.

27. In case of partial admission he shall stand trial in all cases.

28. In case of misappropriation of a large amount of money, if proved guilty with respect to even a small part of it, he shall be liable for all.

29. An informer, to whom a guarantee is given against reprisal by the officer, should receive one-sixth part of the amount involved if the matter is proved, and one twelfth part if he happens to be a state servant.

30. If in an accusation concerning a large amount, only a small portion is proved, the informer shall receive a share of what is proved.

31. In case it is not proved, the informer shall receive corporal or monetary punishment and no favor shall be shown to him.

32. If when the charge is being proved, the informer, at the instigation of the accused officer, were to throw up the case or to make himself scarce, he shall be condemned to death.

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