

Traditional Market Accounting: Management or Financial Accounting?

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ABSTRACT

The purpose of this study is to explore the area of accounting in traditional market. There are two areas of accounting: management and financial accounting. Some of traditional market traders have prepared financial notes, whereas some of them do not. Their financial notes usually consist of receivables, payables, customer orders, inventories, sales and cost price, and salary expenses. The purpose of these financial notes is usually for decision making. It is very rare for the traditional market traders to prepare financial notes for external users, such as vendors, creditors, and customers. This is because their transactions with vendors, creditors, and customers are very simple. This study used interpretive paradigm. Data was collected using in-depth interview and direct interaction with four informants from three traditional markets. Data is analyzed by organizing them, breaking them into manageable units, coding them, synthesizing them, and searching for patterns. Based on the analysis, this study found that the accounting area of traditional market activities is management accounting rather than financial accounting.

1. Introduction

Accounting is generally assumed that it only exists in big companies because the existence of the accounting itself is represented in the financial statements. On the other hand in traditional market, it could be said that there are no financial statement prepared by the traditional market traders. In fact, all transactions in traditional market involve financial aspect, which means that accounting is necessary. Indeed, accounting is revealed in most aspects in everyday life (Hopwood, 1994).

Accounting activities in traditional market are embedded in the trading transactions between traders and buyers and also between traders and their suppliers. The accounting transactions among them tend to be individual and simple. Therefore, the actors in the traditional market (suppliers, traders, buyers) are reluctant to prepare financial statement to record the financial transactions. Some of the traditional market's actors may prepare financial notes especially for traders and suppliers, but their notes are very simple.

Several studies related to individual accounting have been done by some researchers. Piorkowsky (2000) studied about household accounting in Germany. He stated that accounting and bookkeeping have been used as an instrument of household and personal financial management. Furthermore, Froud, Haslam, Johal, and Williams (2000) explain how and why the household and personal activities should and could be an object of analysis for a new social accounting. They acknowledged that household activities have been neglected in accounting. Jacobs and Kemp (2002) also explored accounting presence and absence in the daily life of three Bangladesh small traders. They wanted to investigate why the traders do/do not do accounting. They found that the presence of accounting of the three small traders is influenced by key social and state institutions and it is also because of literacy.

Based on those previous studies, this article wants to focus in accounting that exists in traditional market activities. Wiyarni (2013) found that accounting exists or is present in traditional market. Her study was focused on financial accounting in traditional market. The existence of accounting in the traditional market is caused by the financial information needed, but not caused by institutionalization or literacy. She found that traditional market traders were preparing financial statements in a very simple form. Their financial reporting is very different from the use of accounting as general (Balance Sheet, Income Statement). Besides the simple financial statement, not all information like assets, liabilities and equity were there. The content of financial statement in traditional market traders usually consists of sales price, purchase price, profit and loss. Based on

Wiyarni's (2013) finding, this study aims to further find out what area of accounting which seems to be in traditional market.

There are two areas in accounting: financial accounting and management accounting (Warren, Reeve, and Duchac, 2013). Management accounting provides financial information to internal users and has the objective to give relevant and timely information for managers and employees for decision making. On the other hand, financial accounting provides financial information to external users and aims to give relevant and timely information for external user decision making, such as investors, creditors, customers, and the government. The output of financial accounting is financial statement that consists of Income Statement, Statement of Changes in Equity, Statement of Financial Position, and Statement of Cash Flows. Based on these areas of accounting and also based on Wiyarni's finding (2013), this study seeks to explore which accounting area more practicable in traditional market whether it is financial accounting or management accounting.

2. Accounting Research in Everyday Life

Accounting has been seen as a universal need that can contribute to the functioning of a wide range of organizations and socio-economic processes (Hopwood, 1994). Moreover, Hopwood (1994) stated that the accounting significance has to be created, shaped, sustained and managed. In order to accomplish the accounting knowledge, we should involve cultural and social practices. Some everyday practices that have contribution in creating the accounting conception can be found in architecture, art, culinary, and ceremonial activities.

In fact, everyday life activities are not free from accounting's influence (Jeacle 2008). Based on Jeacle's research (2008), the daily rituals of eating and drinking are a central component of everyday life and, therefore, are worthy of accounting research attention. Jeacle (2008) studied about accounting and the annual general meeting in the Edinburgh University Tea Club in order to have a further understanding of how accounting operates within everyday life. The purpose of Jeacle's (2008) research is also to investigate the role of the annual general meeting (AGM) as an accountability mechanism. Jeacle (2003b) previously conducted research for investigating the role of accounting in standard house construction. The research found that disseminating the cost of materials and labor on all components of house construction, inherently acted as norms or standards of cost behavior. Other research about everyday life conducted by Jeacle are accounting and the construction of taste (Jeacle 2005) and accounting and the construction of standard body (Jeacle 2003a). Walker (1998) also conducted research about accounting for everyday life. His research is about how to secure your husband's esteem.

In accounting and the construction of taste (Jeacle 2005), furniture and room arrangement can reveal the taste. The dissemination of taste to the community was reflected in the form of pattern books comprising easily replicated designs of household furniture. These books also contained detailed standard labor costs for every furniture design. Jeacle (2003a) examined an accounting innovation introduced by the department store management in early twentieth century. Jeacle's research was motivated by two reasons. First, it was because in the early twenty first century Western society were commonly portrayed as a consumer society. Second, it was because accounting research had been neglected to explore the possible role of accounting technique in the complicated linkages between consumption, body size, and individualism. Therefore, the research had untied the workings of garment modification overhead allocations and the linkages between such accounting innovation and the creation of the statistical standard body size.

Other research about everyday life was also conducted by Walker (1998). The focus of the research is to explore the ways accounting could reflect and reinforce the contemporary structures of masculine domination. The study revealed that the apparent pervasiveness of accounting in everyday life is not purely a present-day phenomenon but is potentially a feature of the rationalization and calculative technologies associated with industrialism. The research reported that the ordered separation of financial (and accounting) responsibilities in middle class marriage reflected the husband's legal status as the controller and the wife's position as the manager of income in housekeeping.

Most studies in everyday life accounting as described above tend to reflect a management accounting. The area of management accounting was analyzed, such as raw material and labor cost allocation (Jeacle 2003b), factory overhead cost allocation in garment company (Jeacle 2003a), accountability mechanism (Jeacle 2008), and responsibility accounting (Walker 1998).

The characteristic of transactions done by traditional market traders tend to be very simple and they need not to be recorded. The notes of the traditional market traders are made to avoid conflict (Wiyarni, Triyuwono, Ludigdo and Djamhuri, 2013) rather than to give information to external users (customers, creditors, and government). For this reason, this study seeks to investigate the accounting focus of traditional market traders, whether it is financial accounting or management accounting.

3. Research Method

Activities in traditional market are different from those in modern retail. Modern retail lacks direct interaction between traders and buyers, whereas in traditional market, there are mutual interaction between traders and buyers through social process. Therefore, the research approach that can be used for observing the activities in traditional market is naturalistic approach. Some aspects of the social world cannot be researched

by “scientific” methods (Tomkins and Groves, 1983). Moreover, Tomkins and Groves (1983) stated that naturalistic approaches have been developed for studying social processes where the outcomes are resulted from human intentions, interpretations and meanings.

The purpose of this study is to understand more deeply about the accounting practice among traditional market traders, therefore it used interpretive paradigm. In interpretive paradigm, the reality consists of people's subjective experiences of the external world; therefore, the research may adopt an inter-subjective epistemology and the ontological belief that reality is socially constructed. Walsham (1995) argues that in the interpretive tradition there are no ‘correct’ or ‘incorrect’ theories. Instead, they should be judged according to how ‘interesting’ they are to the researcher as well as those involved in the same areas.

Data were collected by direct observation and informal interviews with four informants in three traditional markets. The four informants are Nyamik (chicken trader in Blimbing Traditional Market), Sulis (clothes trader in Blimbing Traditional Market), Keni (store owner in Bantur Traditional Market), and Juli (chicken trader in Gedangan Traditional Market). Data were analyzed by organizing them, breaking them into manageable units, coding them, synthesizing them, and searching for some emerging patterns. The aim of this analysis is to discover the focus or the area of traditional market accounting. Categorization helps the researcher make comparisons and contrasts between the patterns, also to reflect on certain patterns (financial or management accounting).

4. Result and Discussion

Based on in-depth interviews and direct interactions with the informants, this study found that the accounting used by traditional market traders tends to be management accounting. Four informants of this study did not prepare their financial notes for the external users such as their suppliers or customers. Instead, they prepared the financial notes in order to make decision. Some decisions they made were about sales price, customer orders, level of inventory, the amount of capital needs, hiring employees to whom they give a credit sales. Below are the interview excerpts with the four informants.

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| Researcher | : “Do you write financial notes to your vendors or customers?” |
| Nyamik | : “No, I don't prepare notes for vendor, but I always write a small note about the customer order”. |
| Researcher | : “Why do you write the customer order?” |
| Nyamik | : “I have to write what they have ordered because if I make mistakes in writing their order, they will be angry and maybe they will never get back to me. |

Juli who was also a chicken trader in Gedangan Traditional Market gave a similar answer to Nyamik's. Moreover, Juli gave an additional explanation that she writes notes such as how many kilos of chicken that she should prepare for a certain day. It is because the people in Gedangan Traditional Market have a tradition to do some ceremonies on a particular day on which they need to buy more chicken. Preparing the amount of chicken also means to organize how much capital/money she should prepare.

Similar questions were raised to Sulis (the clothes trader in Blimbing Traditional Market) and Keni (the store owner in Bantur Traditional Market) to find out whether they prepare some financial notes and what kind of notes they prepared. Sulis reported that she did not write notes because all of her buyers always purchased in cash. She was only focused on choosing best-selling clothes and which one with low turnover. Keni was the opposite of Sulis. Keni wrote some financial notes about her receivable to customers and payable to vendors. In her point of view, writing notes are very important, for example to her case that she also serves the people who have a wedding party. Those people usually take some goods they need for the party from Keni's store and when the party finished, they paid to Keni. Notes to vendors are also important for Keni because she sells many kinds of goods, therefore she has many vendors. Some transactions with vendors were done in credit and some in cash, therefore writing notes are crucial. Besides, in Idul Fitri, Keni usually gave parcels to her customers and her vendors. The value of the parcels usually depended on how big their transactions they made to Keni, therefore the notes were also used to decide what kind of parcels to give to the vendors and the customers.

Another important question is about what kind of decisions that the traders made from the notes. Sulis did not answer this question because she did not write notes. Nyamik said that the notes were used to fulfill the order accurately to customers, and also to make decision for the customers who purchased in credit - whether she would give the customer credit sales or not. Juli gave the same answer as Nyamik's. Keni said that the purposes for making notes were to decide the sales price, to evaluate the inventory, and also to make the financial schedule. Sales price decision was very important for Keni because some customers (especially for the party) they not only paid in cash, but they also paid using some goods that they got from the guests of the party.

Based on the interviews and the direct interactions with informants, this study concludes that not all traditional market traders prepare financial notes. This is because the transactions in the traditional market are not too complicated. By doing this, they can be less burdened and it possibly creates less conflict. Most buyers or customers in traditional market have a close relationship with traders, therefore they trust each other. Some traders prepare the financial notes, but the purpose of notes is for their decision making and not for the external

users' interest. For this reason, this study argues that accounting in traditional market tends to be management accounting rather than financial accounting.

This finding is relevant with research in accounting for everyday life conducted by previous researchers (e.g. Jacobs and Kemp 2002; Jeacle, 2003a, 2003b, 2005, 2008; Walker 1998). The results of these studies also reported that the accounting tends to be management accounting rather than financial accounting.

5. Conclusion

Recently, accounting has been increasingly seen as a pervasive and highly generalized technology that can contribute to the functioning of a very wide range of organizations and socio-economic processes. In the social transformation, accounting provides a complex and reciprocal relationship with the practices and processes of everyday life. Activities of traditional market traders can be seen as part of their everyday life activities. Therefore, accounting always exists in traditional market, but our concern is in what the area of the traditional market accounting is. This study comes out with the finding that traditional market accounting is management accounting. By understanding the accounting area of traditional market transaction, accounting academy can make a formula about how to calculate cost of goods sold, how to control the receivable and inventory, and many other things related to management accounting that may give benefits to traditional market traders.

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