

**REVOLUTION AND THE ACCOUNTANT:
THE PRACTICE AND PROFESSION OF ACCOUNTING IN
CAMBODIA**

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ABSTRACT

This paper extends the existing literature on accounting and colonialism. The question addressed in this paper is what would happen if the historical and political processes were disrupted to the extent that the development of an accounting practice and profession linked to colonial powers was no longer inevitable. Given the French colonial history it is reasonable to expect that Cambodia would develop a Continental European model of accounting profession influenced by the French. However, in this case there was little evidence of the emergence of a recognisable accounting profession under the French. The Khmer Rouge (KR) interrupted the 'normal' patterns of post-colonial social and professional development. This paper discusses that there was little capacity for accounting to exercise a particular elite role within the post-colonial and Marxist Cambodia as greater part of the Cambodian educated and middle class were killed. Cambodia offers an interesting example of an evolutionary extinction event in the accounting profession which is radically different to the literature on the accounting profession in both developed and developing countries.

Keywords : Accounting Profession, Socialist, Cambodia, Khmer Rouge (KR), KICPAA.

1 INTRODUCTION

It is common to assume that social institutions such as professions develop along normal evolutionary lines. Abbott (1988) presents the evolution of professional groups and professional jurisdictions as a series of small incremental decisions, actions and events and different groups jostle for recognition and status. However, this is not always the case as sometimes there are changes that are so dramatic and so fundamental that institutions cease to exist altogether or when they re-emerge they take new and previously unexpected structures and forms. This paper describes the experience of the Accounting profession in Cambodia. This provides a contrast to the US and UK based studies of accounting profession which appear to neatly fit Abbott's (1998) incrementalist evolution. As part of the study it became clear that few of the local population were trained as accountants under French rule. Therefore there are two questions addressed in this paper. First, why were so few local accountants trained under French colonial rule and second, how has the accounting profession (re)emerged given that the colonial institutions were substantially destroyed under the Khmer Rouge (KR)?

Neu (2000) describes the role of accounting in perpetrating genocide against the Canadian first nations while Funnell (1998) describes the part that accounting played in the service of the Holocaust. Yet little attention has been paid to the idea that professional groups such as accountants could be subject to such a holocaust despite the association between the Jew and the accountant features both in high literature and in anti-Semitic polemic. The case of Cambodia can be seen as both disturbingly common and exceptional. It is common as despite the declarations post World War Two that the genocide of the Jews would never happen again, current history seems to tell of one form of genocide or ethnic cleansing after another. From this perspective Cambodia is just another example. However, Cambodia is also exceptional in that it was not an example of unintended slaughter or ethnic cleansing but was an example of the systematic and intended elimination of the educated and the articulate of Cambodian society – it was class cleansing. Therefore accountants while not being the intended target clearly fitted the target.

However, it would be wrong to understand the Cambodian case as being limited to the question of genocide. Professional institutions in Europe and the UK were clearly a product of existing cultures, institutions and values. It is also clear that institutions in developing, emergent and (post) colonial countries were a product of financial, political and colonial influences. Given that many of the institutions and structures derived from the French colonial influences in Cambodia were destroyed by the Khmer Rouge or undermined by the indirect Chinese government, Cambodia provides an example as close to a blank-slate as is achievable in the real world, to explore how a profession actually emerges in a contemporary setting.

2. THE ACCOUNTING PROFESSION AND COLONIALISM

There has been a strong interest among researchers in the development of the accounting profession although most of their studies have focused on developed countries such as the USA and the UK with long histories of such professional formations. Initially these studies have provided a basic documentation of the emergence of the accounting professions (Garrett, 1961; Institute of Chartered Accountants of England and Wales, 1965). Over time this has evolved into a critical analysis of the forces and interests that impact the development of the accounting profession (e.g. Willmott, 1986; Walker, 1995; and Chua & Poullaos, 1998). The research has also expanded to consider the emergence of the

accounting profession in developing countries (Annisette, 2000; Bakre, 2001; Dyball, 2006; Hao, 1999; Sian, 2006; Uche, 2002; Wallace, 1992; Yapa, 1999, 2006; Yapa and Hao, 2007). Although these studies have reflected similar themes to the studies of the accounting profession in the more developed and established settings it has also been important to note the distinctive aspects of these countries. In particular the development and place of the accounting profession has often been influenced by the presence, the practices and the departure of European colonial powers. This theme is evident in the recent studies of the histories of the accounting profession in many of the Association of South East Asian countries (Craig and Diga, 1996; Dyball et al, 2007; Saudagaran and Diga, 2000; Yapa, 1999, 2003)

These studies tend to present the growth of the accounting profession as the achievement of key professional characteristics, a process of competition for territory with other professional groups or as a process of securing state or other institutional legitimacy. From this perspective both the rise of the accounting professional bodies in the UK, USA and Australia and the emergence of accounting in developing countries appear to be increment and inevitable. The question addressed in this paper is what would happen if these institutions were disrupted to the extent that the development of accounting practices and an accounting profession linked to colonial archetypes were no longer inevitable.

While the central justification and public argument for professional recognition of accountants tends to be couched in terms of public interest, Lee (1996b) argued that the rise of accounting in the United Kingdom and the United States was driven by personal and economic interest where the process was “essentially as economic text with a cover entitled the public interest” (p. 193). The basis of much of this self interest has been the maintenance and transfer of class privilege. The notion of class was central to both the historical emergence of the Scottish accounting profession and the development of the English professional bodies (Walker, 1991, 1995) studies of the development of professional bodies in settler colonies have also highlighted the important place of class, elite and social status (Chua and Poullaos, 1998) while Jacobs (2003) illustrates the ongoing influence of class on contemporary professional associations.

Abbott (1988) maintains that the central basis for a claim to a professional area and the means to defend that area of work against other groups which would encroach is a claim or perceived claim to knowledge. Moore and Cooper (1994) used the term “mystique” to describe the accounting knowledge and the mechanisms which accountants informally established their credentials in the absence of state registration (Macdonald, 1985). In turn Hines (1989) makes the point that it is the claim to possess rather than the actually possession of a body of knowledge that lies at the basis of the social recognition of the profession. However, both actual and perceived knowledge is a product of historical processes and interactions. Once professional status is established or a basis secured these institutions tend to maintain themselves and to garner legitimacy from their historical and ongoing existence.

One of the main explanations for the place of the accounting profession in developing countries has been the presence, the practices and the departure of European colonial powers. In effect the accounting profession is an institutional remnant of colonial structure and influence. Chua and Poullaos (2002) highlight the ongoing influence of British on the emergent Australian professional associations. Annisette (2000, p.655) shows that British accounting bodies still exercise considerable influence as the local Institute of Chartered Accountants of Tobago and Trinidad (ICATT) surrendered control of its knowledge functions to the UK based ACCA in preference to an engagement with the local

universities, thereby reproducing new forms of institutionally based colonialism.

In contrast to the enthusiasm to link to the post-colonial masters described by Annisette (2000) in the African continent many of the post-independence governments were actively involved in reorganising the accountancy profession to 'Africanise' the profession by shifting membership away from the white expatriates towards Africans. Often this was part of a broader localisation project of replacing expatriates with encourage Africans. (Sian 2007; Bakre, 2005, 2006; Uche, 2002). Clearly there is some distinction between these attempts to build up local (and in this case African) membership and the presence or absence of links to professional accounting bodies in the UK and in other ex-colonial powers. However, the growth of professional accounting bodies in developing countries is not restricted to the ex-colonies. In some countries these professional associations have been directly sponsored by the state as part of a wider human resource development programs. For example, the dominant role of the State in the market has severely constrained the growth of the Brunei Institute of Certified Public Accountants (BICPA) (Annisette, 1999; Yapa, 1999). The State was seen as a mode of accessing social and economic opportunities by ethnic and social groups who were previously left without access to the profession (Annisette, 1999; Susela, 1999). In the case of BICPA, ethnic factors prevented the professional association from acquiring State patronage for its members (Yapa, 1999, p.333).

One question which remains relatively unexplored is how influential colonial institutions and elites remain in the formation of post colonial structures. In many ways China would be the classic example of a Marxist revolutionary setting where one would expect relatively little colonial influence (not in the least because it was never really colonised). Therefore, unsurprisingly the re-emergence of the accounting profession in China was largely the work of the Chinese government (Hao, 1999). In addition there was relatively little evidence of local accounting elite as the Chinese CPAs did not proactively organize themselves to become a self-regulated body and any step forward was directed by state regulation (Hao, 1999, p. 293). By way of contrast Dias and Paul (1981, p. 19) suggest that despite revolutions and the destruction of colonial rules and structures most professions in post-colonial states maintain the earlier professional structures because of the role of elite occupational groups within the new state. This paper represents an extension of Dias and Paul's (1981) into a context where both colonial institutions and national elites were substantially undermined by historical events.

Clearly there was little capacity for accounting as a professional group to exercise a particular elite role within the post-colonial and revolutionary Marxist Cambodia as the greater part of the Cambodian educated and middle class who would constitute a post-colonial elite were killed. Therefore the story the accounting profession in Cambodia is utterly exceptional.

A second potential criticism of the colonialist thesis is the limited time frame adopted for the study. The assumption is that accounting is the product of the latest (and most probably British) colonial power. However, the country may have been ruled by many different nations at many different times. The problem is that from a historical perspective the accounting profession is a relatively recent event and therefore may have been inappropriately attributed to the latest colonial power or invader. This issue can only be explored in the context of a nation that had been ruled or colonised by a number of different nations in relatively recent history. Cambodia provides an example of this. This raises the possibility that the establishment of accounting institutions are a particular feature of the British colonial approach rather than of colonialism in general.

3. THEORY AND METHOD

Within this paper we conceptualise the process of professionalisation as a series of interactions between occupational associations and other social institutions, in relation to a particular set of conditions. The interactions involve negotiation, posturing, confrontation, conflict and conciliation; other social institutions include the state, corporations and higher education. This sociology of profession literature highlights how professionalism can be defined (as a social structure) and how occupations professionalise (through what process) (for example, see Vollmer & Mills, 1996; Freidson, 1970; 1988; Turner and Hodge, 1970; Johnson, 1972; Freedman, 1976; Larson, 1977; Collins, 1979; Parkin, 1979; Abbott, 1978; Macdonald, 1995). Authors such as Freidson (1994) highlight the elements or characteristics of professions which highlight the important link between professional status, the power of the state and public or social acceptance. In their study of the formation of the accounting profession within the United States Preston *et al.* (1995, p. 517) argue that by subscribing to political and moral ideals of the day the accounting profession sought to legitimise its activities and have acquired the status and privilege of a profession. Both O’Leary and Boland (1987) and Ramirez (2001) also emphasise the importance of the social standing and social perception of accountants in acquiring professional status. In turn Hoskin and Macve (1986, 1994) highlight the importance of examinational system but as a tool of social perception management and institutional legitimating.

Located within the neo-institutional framework, the historical-institutional perspective reflects the basic position that choices made and structures established when an institution is formed will have an important influence over the institution far into the future (Peters, 2005, p. 71). Therefore rather than change in accounting professional bodies proceeding as a rational choice between different alternatives (Pierson, 2000b) or a process of historical incrementalism there will be a bias towards existing structures and practices which is described as ‘path dependency’ (Pierson, 2000a). From an economic perspective there are real costs in deviation from existing practices and structures because of the scale of investment, the learning effects of knowledge gained over time and coordination effects across organisations and networks (Pierson, 2000a, p. 254).

From a path dependency perspective the progressive development of professional accounting associations in the UK and USA can be understood as a process where historical institutions and practices constitute a built-in bias supporting the growth and ongoing legitimacy of these professional institutions. This is further reinforced by the association with powerful social institutions such as class. The spread of professional accounting bodies to the colonies would be expected to reflect the institutions and practices of the colonial powers. What has not been well explained is how the accounting profession responds to what some call a critical juncture (Collier and Collier, 1991) and others call critical institutional events (Baumgartner and Jones, 1993). Most literature on the accounting profession assumes a gradualist process of uniform growth with relatively manageable elements of success or failure along the path. However, the notion of critical junction imports the possibility of dramatic and radical change rather akin to the notion of punctuated equilibrium from evolutionary biology. Cambodia offers a disturbingly interesting example of an evolutionary extinction event in the case of the accounting profession which is radically different to the existing literature on the evolution of the accounting profession in both developed and developing countries.

The research is based on fieldwork and interviews conducted in Cambodia between 2006 and 2007. The primary research method was a historical analysis of secondary sources. However, given that an evaluation of the changing role of the accounting profession has not featured significantly in most historical analysis of Cambodian history and the Khmer Rouge, interviews were conducted with officials of the KICPAA (Kampuchea Institute of Certified Public Accountants and Auditors), accounting practitioners, former Head of State and academics in Cambodia. In particular an effort was made to identify and interview Khmer Rouge survivors to address the question about the nature of accounting and the accounting profession both before and after the Khmer Rouge period. We acknowledge that the fact that many professionals left the country or were killed means that we are at risk of under-estimating the levels of accounting activity. However, the best and only real source of information are records and interviews with survivors which is what we have used.

Recently Cambodia has secured membership in the World Trade Organization (WTO) and has become an important player in Asia and in trade given its geographic location in the lower Mekong region between Thailand in the west, Viet Nam in the east, and Lao PDR in the north. Yet Cambodia remains one of the world's least developed countries, with an estimated GDP in 2005 of between US\$393 to US\$448 per capita, a population about 11 million, a predominantly rural and agricultural economy, a life expectancy of 59 years and an infant mortality of 96 per thousand births. Cambodia ranks as one of the poorest countries in the world. Within the exception of Jacobs and Kemp (2002) there have been relatively few studies of the role and place of accounting among the poor.

This paper traces the emergence of the accounting profession in Cambodia following a critical juncture. The social, political and war related economic dynamics could be expected to disrupt a path dependent historical development. To achieve its aim, the paper is divided into four parts. Part one explores notions of professionalization and path dependency. Part two traces the origins (using a historical analysis) of the accountancy profession in Cambodia. Part three explains the various development strategies adopted by the Ministry of Economy and Finance (MEF) including IKCPAA. Part four concludes the paper.

4. CAMBODIAN CONTEXT

While Pol Pot¹ and the Khmer Rouge² regime might be the best known conflict in the West, Cambodia has experienced a relatively long period of conflict with its neighbours. In around 1000AD the Khmer Empire ruled much of the region which is now occupied by Thailand and Vietnam. However between the 1600s and 1800s Cambodia declined and both Thailand (Siam) and Vietnam grew in power. During this period much of Cambodia was partitioned with the Angkor region in the West annexed by Thailand and Vietnam encroaching into the Mekong Delta in the North East. Cambodia was first under the protectorate of Thailand and then following invasion under the control of Vietnamese. In effect Cambodia was a buffer state in the conflict between Thailand and Vietnam.

¹ French-educated Saloth Sar (later known as Pol Pot) (middle class leftist) with others (Son Sen, Ieng Sary) organized uprising against the government of King Sihanouk – Cambodia. See “How Pol Pot came to power” by Kiernan, (2004).

² The term “Khmer” generally refers to the dominant ethnic group in Cambodia. “Cambodia” and “Cambodge” are Europeanized spellings of “Kampuchea,” a country with several ethnic groups, including Chinese, Chams (Muslims), Khmers, Malays, and Vietnamese. “Kampuchea,” in turn, is a modernized version of “Kambuja,” the Khmer name first used in the tenth century (Haas, 1991).

In 1863 Norodom invited the French to establish a colonial protectorate over Cambodia in an attempt to escape the rule and conflict of Thailand and Vietnam King. This protectorate granted the French the right to explore and exploit the kingdoms mineral and forest resources (Ross, 1987). However, in 1884 the French authorities forced Norodom to sign a treaty which gave the French control over the administration and finances of Cambodia and imposed changes such as the abolition of slavery and the institution of private land ownership. This treaty and control over Cambodia formed the basis for the French colonial expansion in the region. Subsequently they took control of Vietnam, took Laos and Angkor from Thailand and in 1887 proclaimed the *Union Indochinoise* (French Indochina).

During World War II the defeat of the French by the Germans and the subsequent Vichy government allowed Thailand to reclaim lost territories and Japan to take control of Indochina. By the end of the war the French attempted to regain control of Indochina but were forced to offer partial independence in 1953. This was strengthened in 1954 by the Geneva Conference on Indochina which also led to the withdrawal of the Vietnamese Viet Minh troops. Part of the cost of the troop withdrawal was a policy of neutrality between the communists and the USA. In 1955 Sihanouk abdicated in favour of his father in order to become elected as Prime Minister. He later became head of state taking the title of Prince. During the 1960's Sihanouk tried to keep Cambodia neutral as U.S forces intervened in the war in neighbouring Vietnam. However, in 1970 while he was on a trip abroad he was ousted by a military coup lead by the Prime Minister General Lon Nol³ and supported by the United States. Sihanouk settled in China and urged his followers to overthrow the pro-United States government of Lon Nol. Between 1969 and 1973 the Republic of Vietnam and the US forces bombed and briefly invaded Cambodia in an effort to disrupt the communist forces of the Viet Kong and the Khmer Insurgents (KI [Khmer Rouge]). By 1973, half a million tons bombs had killed over 100 000 peasants and devastated the Cambodian country side (Kiernan, 1985). However, the bombing tended to increase rather than decrease support for the Khmer Rouge forces and further undermine the Lon Nol government. In 1975 the Khmer Rouge backed by the Chinese and led by Pol Pot reached the capital Phnom Penh and took power. They evacuated the cities and sent the population to work on farms, discarding western notions and targeting professions such as doctors, lawyers, teachers and any accountants. This was a time of genocide which became known as the killing fields.

In 1978 Vietnam invaded Cambodia to stop the Khmer Rouge incursions across their border and the genocide in Cambodia. Armed conflict between the Khmer Rouge and the Vietnamese forces continued until a peace settlement and a United Nations ceasefire in 1991. In 1991 Prince Sihanouk returned to Cambodia and in 1993 he was restored as King. Sihanouk has now abdicated in favour of his son Sihamoni and Cambodia has a new constitution and a representative parliamentary democracy.

While the notion of periods of history are problematic as the point where there divisions are made are ultimately the subjective judgement of the author. Yet without some form of division and categorisation discussion is difficult if not impossible. Therefore in this paper we adopt the convention of dividing the changes into a number of periods which reflect the

³ In the 1966 national assembly elections, General Lon Nol formed a new government with right wing support. This government lasted till 1967. During 1968 and 1969, the insurgency worsened. Again in August 1969, Gen. Lon Nol formed a new government.

substantive domestic changes and international influences. Existing literature supports the presumption that the colonial power will influence the nature and structure of the accounting profession and therefore it is reasonable to assume that the change of colonial power would lead to changes in the accounting profession.

Therefore the periods of discussion for this paper are pre-colonial period prior to 1863 and the French colonial period between 1863 and 1953. The second period runs from the beginning of post-colonial independence in 1953 to the Coup and the overthrow of the Sihanouk government in 1970. It is reasonable to argue that this was a period of independence. The third reflects the period from the Coup until the takeover by the Khmer Rouge which can be regarded as a period of US influence. The fourth period reflects the time that the Khmer Rouge were in power while the fifth period covers the time that Cambodia had a socialist system following the Vietnamese invasion and until the ceasefire and peace settlement in 1991. The final period runs from 1991 onwards.

3.1 Pre-Colonial and Colonial Accounting

While there is a long an established history of human settlement in the region now called Cambodia between 68-550 AD Cambodia was part of a quasi-feudal trading structure of the Funanese Empire and archaeological excavations show evidence of trade between Cambodia, the Romans, the Persians, the Greek, the Chinese and the Indians. While there is some debate it is generally believed that Funanese were Khmer. While there would have been extensive trading and administrative records from the Funanese unfortunately none of these have survived and eventually Funan became a vassal state and declined, possibly due to the decline of trade routes between China and India and the collapse of the trade routers between China and the Mediterranean associated with the decline of the Roman Empire with what was left of the area declining into many small principalities.

While there might be historical practices of accounting it is clear that these did not continue. However, trading activities did continue and this was dominated by the Chinese who used basic record keeping methods for their trading activities. The growth of Chinese traders led to the serious thinking in numbers which then lead to Cambodia learning the Chinese calculation technique using wooden boards (Interview, No. 28).

The French colonial authorities placed few restrictions on the Chinese and Chinese traders and money lenders developed banking networks and trading links to the whole region. Interviewees generally attributed the emergence of accounting in Cambodia to this Chinese influence (Interviews, Nos. [18] [19] [26]). However, the fact that both the Chinese business and their accounting practices were mainly restricted to the Chinese community and were not widespread among the Khmer would militate against the ongoing influence of these practices.

The first Western accounting system was imported into Cambodia in 19th century by the French to support the colonial rule and the country's legal and accounting system developed along the lines of those in France. The perceived wealth of Cambodia did not materialise and the activity in Indochina was primarily agricultural with the French doing little to transform the village-based economy. However, the Cambodians paid the highest per-capita tax in Indochina and this generated unrest and protest. The French built roads and railways using the labour of poor peasants who could not pay their tax in cash. The cultivation of rubber, rice and corn however the plantations were dominated by foreigners and there was little by way of industry beyond the processing of raw materials for local use and export (Ross, 1987).

On the whole the French did little to develop the local populations and the literacy rate fell with ninety years of colonial rule producing only 144 Khmer *Baccalaureates* (Kiernan, 2004). Those who were educated could provide their children with post secondary education chose to send them to university in France to read arts and science and later proceed to the fields of law, engineering and medicine (Interview, No. 1). Therefore there was little demand for accountants and what accounting there was would be undertaken by French accountants rather than locals. Only a few Cambodians were ever trained to work as accountants in French offices and small trading companies (Interview, No.2). Governed as part of French Indochina any accounting rules would have been an extension of the existing French law and French colonial administration. As one of the interviewees put it:

The accounting profession in Cambodia during French rule is very small because not many Cambodians are able to finish proper college because the education at that time is very strict and not affordable to many Khmer people (Interview, No. 32.)

The Japanese presence during World War II and the post war attempts by the French to regain control of their colonies did little to advance accounting with the exception of the law of 4 April 1942 which applied French legislative accounting practices. The curious element of this was that it was produced by the Vichy French colonial administration under Japanese military occupation of Cambodia. This was clearly not a good time for the development of either economic activity or the formation of an effective accounting profession. Any accounting system or practice within Cambodia under French colonial rule was entirely an application of existing French laws and primarily existed for the use for French companies engaged in the export of raw materials.

3.2 Post Colonial Independence (1953 to 1970)

Following independence all enterprises were required to prepare their financial statements based on the French accounting model. The approach to accounting practice was essentially legal with the Vichy law of 4 April 1942 and a subsequent decree of 12 August 1969. This would seem to fit the general argument that upon independence the ex-colony adopts the accounting practices of the colonial power and therefore constitutes some form of ongoing post colonial influence. The French approach to accounting was the only system and any accountants would have been familiar with it. This illustrates the path-dependency influence that existing institutions have over future choices and shows how path-dependency effectively explains the tendency of post-colonial regimes to retain colonial institutions and practices.

At this stage the development of accounting in Cambodia would seem to fit the argument about the relationship between the colonial powers and the development of accounting practice. Despite the lack of accounting and auditing standards during this period it seems that a number of French-based and a few other international companies that operated in Cambodia produced and returned their financial statements to their parent company. Clearly each of these complied with the appropriate accounting standards for their home-jurisdiction. There was no evidence of the emergence of a recognisable accounting profession.

3.3 Post-Coup Vietnam War Period - US Influence (1970-1975)

During the Vietnam War period the influence of Americans on Cambodia was quite apparent. The historical events indicate that in 1960, Sihanouk received the title of Prince and in 1965, Prince Sihanouk broke off diplomatic relations with the United States in response to U.S. and South-Vietnamese military incursions into the kingdom and growing

U.S. influence in the Cambodian armed forces. However, the diplomatic relations were restored again in 1969. Beginning in 1969, the United States conducted a four-year, sustained, large scale bombing campaign in Cambodia aimed at North Vietnamese troops in the country.

In March 1970, the military forces of pro-American General Lon Nol overthrew the government of Prince Sihanouk in a coup. In 1972, a constitution was adopted, a parliament elected, and Lon Nol became president. However, the country faced major problems not the least the transformation of a 30,000-man army into a national force of more than 200,000 men, and weak (and possibly corrupt) civilian administration. The final straw was the U.S bombing of Cambodia's and the country rapidly degenerated into a civil war Clymer, (2004, p. 151). During this time, Prince Sihanouk fled to Beijing and formed an alliance with the Cambodian communists against the Lon Nol government. Weinberg (1997, p. 163) noted that when the civil war started many of the professionals and elite left the country . . . *doctors, intellectuals, and other professionals (including accountants) left for the safety of France*" (p. 163). Four years later, when the Khmer Rouge moved to take power, hundreds more professional and affluent Cambodians had already left on "spurious missions or seeking medical attention" (Weinberg, 1997). In addition approximately 4,700 Cambodians escaped and were subsequently admitted into the United States (Weinberg, 1997). The civil war culminated in the defeat of Lon Nol in April 1975 by the Communist Party of Kampuchea (Khmer Rouge). Prince Sihanouk returned from Beijing to Phnom Penh only to be placed under house arrest (CRS-Report for Congress, 2007).

Despite the strong US influence in Cambodia during this period there was no evidence of either US style accounting practices or the emergence of US professional accounting associations. It would not be unreasonable to argue that accounting was secondary to military issues during this conflict.

3.4 Khmer Rouge (1975-1978)

During the period of the Khmer Rouge between 1975 and 1979 (known as Democratic of Kampuchea) there were hardly any economic activities other than a barter system with a few countries of the communist bloc. In 1968, the KR launched a national insurgency to overthrow the government. They seized power in April 1975, executed intellectuals and enslaved the population in mass farming collectives. All business activities across the country were abolished and condemned as anti-proletariat and anti-peasants.

During this period, the entire legal system was destroyed and a severe form of economic planning based on centralised system was introduced. Eventually, Cambodia was isolated from the rest of the world and its people were living on substance agriculture. Survivors described the accounting in Cambodia during the KR regime as follows. According to the interview with a senior staff member at the National Bank:

What is accounting? According to the theory I have learned, if there is no money used - there is no accounting..... During Pol Pot's regime no money was used....however, I saw they did a record on how many bags of rice are produced? How many cows or buffalos on the day of work? How many people in each group for the task? etc... and they reported it to the higher authority level. Is that accounting? No ...I suppose it is not....but it is the accounting record kept during that time" (Senior staff member at the National Bank, Interview No. 27)

It is interesting to ask whether this did or did not constitute accounting. Quite clearly there was no formal accounting and no accounting profession. However, the absence of accounting records and financial reporting were really just a product of the 'stage' of the revolution rather than a philosophical rejection of money altogether. We interviewed Khieu Samphan who was formerly the head of the state for the Khmer Rouge regime (and who has been subsequently charged with genocide by the UN-backed war crimes tribunal). He argued that the lack of accounting was a timing issue.

Interestingly ...there was no accounting during my regime, I was in charge of the economy of the country but there was no work in the economic areas to work on because the country's policy was focused mainly on the agriculture... our new revolution regime was so short (exactly... 3 years and 8 months and 20 days) so the Economic Ministry wasn't set up properly and the money was not issued for use. We did plan to use money and we asked China to assist us to produce money but the regime was over so soon. (Interview, No.4)

It would be reasonable to expect that if the KR regime had continued that a form of accounting would have emerged which would have been strongly influenced by the Chinese and Soviets. In fact this describes the situation that emerged following the fall of the KR and socialist Vietnamese rule.

3.5 Vietnamese rule and Socialism - strong Chinese Influences (1979-1991)

After the liberation of the country from Khmer Rouge in 1979 the People's Republic of Kampuchea, was established under the control of their communist neighbour Vietnam and with the presence of Vietnamese troops in Cambodia. The government adopted a socialist planned economy approach and sought to rebuild the social and economic infrastructures that had been destroyed. Under the planned economy approach most economic activities were carried out by the State and in accordance with the predetermined plans. Therefore there was little need for private sector accounting and auditing standards although a limited chart of accounts were pronounced for use by the State economic entities and enterprises in the mid 1980s which reflected basic accounting principles. Any accountants would have been part of the civil service administration.

The Vietnamese control of Cambodia saw the continuation of central planning, and heavy reliance on Soviet aid for consumption and reconstruction of the economy which resulted in Soviet-style record keeping (Interview No. 5). What little record keeping that existed was associated with the central control of the country and the regulation of the rural production. There was no commercial accounting, accounting profession or accounting standards. One of the few accountants who survived this period described the communist era accounting like this:

After the Khmer Rouge regime, we needed help from our neighbours to re-build the country. We imported most of the things from Vietnam including the accounting expertise...Vietnam was a socialist country so our accounting practice, standards and profession was used according to Vietnam's socialist accounting system with all the properties, balance sheet and income statement accounts... all the business transactions of the state were recorded according to government accounting system ...it was the only way to maintain the accounting system in the country – the socialist way of recording accounts. If there were any losses occurred in state enterprise, the government pays for the loss. (Interview, No.28)

With the collapse of the former USSR towards the latter part of the 1980s and the withdrawal of Vietnam troops from Cambodia in 1989 Cambodia undertook limited agrarian reform. Property ownership was introduced in an attempt to transform the planned economy into a limited open market economy resulting in private sector investment and an expansion of business activities. Cambodia embarked on market oriented reforms and the resumption of relations with international bodies following in around 1993 (Leung *et al.*, 2005).

Following the 1993 election the development of a legal framework for accounting and auditing systems by successive Royal Government of Cambodia occurred with remarkable speed. The following section highlights the development of accounting rules and regulations in Cambodia. Initially these reforms were focused on the centrally State-managed and controlled economy but with the progressive liberalisation and privatisation came the development of private sector accounting rules and guidelines.

In 1980 at the beginning of the rebuilding the Cambodian economy the Ministry of Economy and Finance (MEF) was established with Mr. Chan Phin as minister. The MEF had the responsibility for unifying the management of the areas of finance, accounting, taxation and the State budget for the country. Therefore the MEF produced Rules and regulations for the areas of including finance, budget, taxation, and accounting system in order to more effectively control the public sector spending and to aid the effective collection of taxation revenue.

On 13 March 1980, the office of the Council of Ministers had issued their first accounting regulation. This was regulation No. 41-80 KB SS on the disclosure of supporting evidence statements and common *chart of accounts* to be used by accounting/bookkeeping units in all government ministries. By decision No 2359-81 KHV dated 14 December 1981, the requirement to use this common *chart of accounts* to monitor the finances was extended to all state institutions at all levels.

The basis to the chart of accountants approach was the conventional double-entry approach and this was labelled at the time as the system of "matching targeted revenues against targeted expenditures"(Interview No.3).

The objective of establishing full accounting within the public sector was further reinforced by the Council of Ministers decision No 169 SRC dated 7 October 1982 which sought to establish a full public sector accounting system in all state departments and units. The foundation for this announcement has been established by two earlier decisions by MEF. They issued decision No 014 KHV-SRC dated 26 February 1982 that a format in the form of vouchers⁴ for state enterprises and decision No 1412-82 dated 20 September 1982 on the use of *cash accounting* for industrial enterprises⁵. The state owned manufacturing and commercial units also shifted to a more fully-developed accounting system which was called "a regime of setting off revenue against expenditures". While this did involve accounting it also involved a clear policy shift in that the commercial units had to cover their own costs from their revenues and that they would not longer be subsidised by the central budget managed by the MEF.

⁴ Voucher is a document prepared by the finance department to justify the payment and to keep a record of evidence. The payment details, monetary values, dates and supporting evidence such as payment receipts are attached with the voucher for future references and for auditing purposes. The voucher is signed by two authorised persons before the payment is made.

⁵ These are government owned firms or agencies. Their major function was to carry out government activities such as various public services including transportation and warehousing etc.

In 1983, under the leadership of minister Chhay Than, the Department of Accounting was established in the MEF. This Department of Accounting with the cooperation of other institutions in the public sector had issued rules relating to practice of accounting. However these rules were not limited to government entities and started to have a broader applicability. These new accounting rules were:

- (a) Uniform code of accounts for commercial enterprises,
- (b) Uniform code of accounts for industrial enterprises and
- (c) Uniform code of accounts for construction enterprises.

Progressively manufacturing and service industries were no longer understood as an expense centre within the national budget but were expected to clearly recover their own costs under "a system of self financial independence". Over a period of time this system caused some inconsistencies within government entities. In 1987, having noticed the inconsistency amongst the accounting standards and having understood the complexity of organizing all accounts under a *unified code system*, Council of Ministers had issued the decision No 49 SSR dated 11 April 1987 on the Prakas to use the *unified chart of accounts* at the public sector institutions to ensure efficiency and effectiveness in public sector accounting system. Thereafter, the MEF had issued a directive No 004 KHV-PK dated 13 July 1987 on the essences and use guideline of the *chart of accounts* for the public sector institutions. This *unified chart of accounts* comprised of about 66 accounts and 64 sub-accounts. The whole system was divided into 11 groups and another group of non-balanced accounts consisted of 9 accounts as components (Interviews No .4).

In October 1987, the MEF issued two decisions for implementation by local bodies. These were: (a) the decision No 102 SSR-KHV dated 23 October 1987 on the notice of implementation of the *uniform code of accounts* for stocks and warehouse. (b) The decision No 105 SSR-KHV dated 28 July 1987 on the notice of the implementation of the *uniform code of accounts* for fixed assets.

3.6 Independence Restored (1991 onwards)

The progressive liberalisation of Cambodia throughout the late 1980s and the early 1990s represented not only a response to the needs of Cambodia but also a reflection of a broader of Perestroika within the Soviet communist bloc and the shift towards a more open and market type economy. Therefore the growth in accounting regulation while initially within the management of the state and state finances progressively evolved into tools for management of the increasingly commercialised state owned enterprises and then into tools for the management of the newly emergent private commercial enterprises. The explicit change of the Cambodian economy from a planned economy to a market economy took place in 1989 and the 1991 Paris agreement signalled the end of chronic war and internal strife that disturbed the development of Cambodian economy. From this point in time the role of the MEF changed from that of regulating the state to also producing the legal and financial framework for the private sector. To facilitate this change in its mission, the MEF had invited Mr. Chheang Vun as a vice minister to take charge in drafting and preparing a 'new system of accounting'. The objective of this new accounting system was to serve both the need of public and private enterprises in a free-market economy and it was begun in 1993 with the support of the French government through the French National Accounting Council.

Following the general election in 1993, the new government proposed a new constitution which declared a liberal democracy and a multi-party system as the basis of the political regime of Cambodia. In their first term the government presented the alleviation of the poverty in Cambodia as their primary mission. The strategy involved a shift away from the previous isolation and military control and a shift towards integration with the region and the world at large and towards the promotion of economic development and reform. In order to bring about effective economic reform it was necessary to develop the institutions and regulations for a free market economy, administrative reform, legal and judiciary reform and armed forces reform.

As part of the economic reform, the Cambodian Government introduced considerable legislation relating to the law on investment (1994), the Chamber of Commerce law (1995), the commercial Register Law (1995), and the Cambodia Investment Board (1995). The accounting aspects to these changes were converted by the Law on Taxation (1997), public finance, banking system together with accounting and auditing system reform- Audit Law⁶ 2000. In 2002 the National State Assembly of Cambodia approved the Law on Corporate Accounts. This Law is called “Law on corporate accounts, their audit and the accounting profession”. Under the guidance of this law a National Accounting Council (NAC) was established within the MEF. Under Article 7 of the 2002 Act the NAC is established as a consultative body to review and give its opinion on all accounting regulations and laws and to develop the conceptual framework and accounting standards.

To achieve the objectives of economic reform highlighted in the new constitution, the MEF, under the guidance of the Royal Government of Cambodia led by Prime Minister Hun Sen, had considered and selected a *chart of accounts*, as prescribed by Prakas No. 012 PK-RKSHV dated 07 November 1993 on the application of “*the General Accounting Plan or Plan Comptable General*”. This plan governed the accounting system in Cambodia and contained a recommended chart of accounts, list of accounts to be applied, accounting treatment, accounting principles and guidelines for financial statement presentation (Narayan and Godden, 2000). This latest chart of accounts reflects a clear French influence in its structure and classifications of accounting codes. Another development in the field of accounting is the Law on Audit that was passed by the National State Assembly on the 12th of January 2000 and approved by the Senate and was declared to be conformed to the Constitution by the Constitutional Council (The National Audit Authority in Cambodia).

4. THE ACCOUNTING PROFESSION IN CAMBODIA

This section analyses the situation of professional accounting in Cambodia in light of various occasions on which issues arose between the State and the profession during the past decades. The ‘state’ refers to the “authority of hierarchical control, as operationalised by career civil servants for example, is vested in agreed rules and procedures backed up by the state’s monopoly of legitimate coercion” as explained by Puxty *et al.*, in 1987(p.275). Description of the Cambodian context will be included as part of the analysis.

Before 1953, Cambodian legal system was based on French civil code and judges. The political system was considered a French protectorate and the political power was held by the French. During this period the French colonial policy was to exploit the Cambodian natural resources to supply materials for French trading activities. There was no need for an indigenous accounting profession and commercial accounting in Cambodia. The accounting record keeping was performed for basic commercial activities by French accountants rather than locally trained professionals. Under French colonial rule no law defining accounting

⁶ This Law was passed in March , 2000 and established the Auditor-General and an Audit Department.

and auditing system for private enterprises was established. Throughout the period, of the KR and the Vietnamese occupation in Cambodia (1975 to 1989), there was a centrally planning communist regime which had no need for a commercial accounting profession. Therefore an indigenous accounting profession did not evolve in this period either and no accounting or audit rules were established.

4.1 Kampuchea (Cambodian) Institute of Certified Public Accountants and Auditors (KICPAA)

As evidenced in the previous discussion, the accounting profession in Cambodia is very young and inexperienced when compared to most Western countries. However, in mid 1999 with the economic reforms and the ongoing globalisation pressure from the other Asian countries, the MEF formally requested the French Government for assistance in upgrading the Cambodian Accounting standards. The French government agreed to this request and it was decided to conduct a full study on both public and private sector accounting practices. The study was conducted in late 1999 by the French consultant “*Conseil National de la Compagnie Nationale*” and a set of documents was submitted the MEF in March 2000. In 2003, the Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA) were set up under the sponsorship of the MEF. Although the KICPAA was technically a private organisation, it was governed and regulated by the Ministry of Finance (MEF) and KICPAA’s day to day functions were still directly influenced by the state. This is the national accounting body having responsibility in representing its members, promoting and defending the status and the interests of the profession and to participate in the work of the NAC (Narayan and Godden, 2000). Although Cambodia lacks a culture of accounting, there are now seven accounting firms in the country including three of the Big Four largest international accounting firms in the world have offices in Phnom Penh: Ernst & Young International, KPMG and PriceWaterhouseCoopers (*The Cambodia Daily*, 5-6 Sep, 2002). The establishment of new local accounting firms must be approved by the MEF to be able to provide statutory services. Cambodian accountants may form an accounting firm on a partnership basis and this has generally taken a limited liability form. While overseas firms have been permitted a presence the government adopted a policy of maximizing the existing accounting resources among Cambodians before allowing access to experts from overseas or depending on them. Therefore the big international firms are not allowed to do any statutory audit or accounting work under the Cambodian accounting law. However they were permitted to establish a presence and offer consulting services to foreign firms and a few Cambodian clients, set up joint ventures within local firms to perform audits on multinational corporations and Cambodian firms listed overseas, accepting Cambodian accounting firms as their member firms, and apply for a provisional operation licenses to set up operations in Cambodia.

Unlike accounting professional bodies in the Western world the KICPAA remains a government agency and therefore the question remains concerning the independence of the Cambodian accounting profession from the state. As revealed by the interviewees, these government bodies are the real ‘power behind the throne’ and all staff members of the KICPAA are government officers and officials. Another major event in the development of accounting in Cambodia during this period is the enactment of the first *Accounting Law* by the National State Assembly, which is the highest legislative body in Cambodia. The new law expanded the role of the KICPAA and stipulated that accounting professional qualification was obtainable only by examination. It is important to note that the new accounting law contains some adjustments which will have some influence on the state-profession relationship. For example, according to new law an accounting firm may be

organized as a partnership or a corporate body with limited liability. This provision allows the separation of accounting firms from the state.

The KICPAA was not financially independent from Government funding. This was mainly because of the small size of the Institute. At May 2004 the Register of the Institute recorded only 38 members as active and two as retired. Three resident and four distant members were recorded as being inactive. Finally, only 10 of the 15 locally registered firms were active. The number of active KICPAA members is rather unimpressive given the fact that there are over 100 qualified members of the KICPAA. Given the above review it is clear that the emergence of the accounting profession in Cambodia was largely the direct involvement and the direction by the Cambodian government.

With increasing globalization and the liberalization of state-run economy, Cambodia is in the process of privatising many of the State enterprises and listing many of them in the overseas stock exchanges. In addition, there seems to be some discussion on setting up of a securities investors' protection fund in order to protect investors. The fund initiated by the MEF, is mainly intended to give investors some compensation when they suffer from losses brought by misbehaviour or bankruptcy of companies. The continuing economic reforms necessitate a corresponding development in skills and reputation of international accounting firms. However, according to available information, despite the Cambodia's openness to the outside world, it appears that 'Big Four' and other international accounting firms cannot be expected to play a prominent role in the development of Cambodian accountancy profession in the immediate future.

From the above it is clear that political instability and an evolutionary extinction event in the case of the accounting profession which is radically different to the existing literature on the evolution of the accounting profession in both developed and developing countries. This has been a contributory factor to the rather slow pace of the development of the accountancy profession in Cambodia. This has been partly responsible for the unimpressive number of accountants being trained by the KICPAA. The unstable political climate has also made it necessary for some of these accountants to flee the country. It is also unlikely that the current arrangement will lead to any meaningful development in the emergence of an accounting syllabus and local case studies that can be adapted to the social and economic specificities of Cambodia. This is because foreign accountancy bodies have very limited understanding of indigenous accounting terrain. In this respect, coordination between Cambodian universities and the KICPAA is necessary.

5. CONCLUSION

The analysis in this paper has attempted to highlight some of the salient factors that have influenced the emergence of the accounting profession in Cambodia. It shows how the type of state in place (military or democratic), societal expectations and government actions have implicated on the development of the accountancy profession. The story of re-emergence of accounting profession in Cambodia is different to other settler colonies in Asia and Africa. During the KR period and Vietnam occupation in Cambodia there was no commercial accounting and there was only a basic record keeping function under state central planning.

The existing literature on the accounting profession provides an account of the emergence of accounting associations in a context of competition for maintenance and intergenerational transfer of social class and status. This Cambodian case did not fit the story of class status as most of those who would have been considered to be part of the elite in Cambodia were killed under the KR. However, there was evidence of the ongoing role

and influence of the State as previously found in studies of Brunei. In the case of Cambodia the early emergence of accounting regulations was in the context of a centrally planned economy and therefore their regulations were inevitably developed by the organs of the State. Correspondingly the early expertise in accounting was within the commercial enterprises of the state. At this point there was no effective distinction between public and private sector accounting and within Cambodia the re-emergence of accounting was very much driven during the 1980s by what would generally be considered public sector accounting practices and models.

Cambodia, under the KR regime underwent a severe form of central planning, resulting in the destruction of all business and market activities, as well as isolation from the world economy, with its people living on subsistence agriculture. Vietnamese occupation of Cambodia in 1979 saw the continuation of central planning, and heavy reliance on Soviet aid. However, with the imminent collapse of the former USSR towards the latter part of the 1980s and the withdrawal of Vietnamese troops from Cambodia in 1989, it embarked on market-oriented reforms, with the implementation and serious reforms and resumption of relations with international financial institutions in Cambodia in 1993.

The ongoing influence of the State within the privatised and increasingly commercialised Cambodia is still evident in the establishment and operation of a Cambodian professional association and in the management of the Cambodian market for accounting services. In establishing the KICPAA in 2002, the intention of the State was the development and strengthening of accounting skills and expertise in Cambodia. The KICPAA would serve society by providing professionals and the Cambodian State supported this by providing facilities and the development of university-based accounting education. In contrast the Cambodian accounting market is regulated and protected with barriers to the entry of the large international firms. However, these initiatives have yet to achieve their goals. The KICPAA has not provided the qualified accountants required by local institutions over the past.

The second key theme evident from the previous literature was the colonial and post-colonial influence exercised through the presence of accounting associations and institutions. This case shows how complex the situation really is. Under the French colonial rule there was little interest in or attempt to educate locals as accountants or to lay the basis for an accounting association local or colonial. This could also be partly a reflection between the French regulatory as apposed to the English institutional approach towards accounting. However, in this case there was also no effort to legislate any form of accounting rules or structures for Cambodia. Clearly it was felt by the French if there was any need for accounting then the French accounting regulations and laws would be more than enough for anyone. Even if there was any regulation or institution it would clearly have been destroyed under the KR regime and under the subsequent Vietnamese influenced communist/socialist state. Yet when the socialist state moved gently towards a more commercial approach and started producing firstly public sector and then subsequently private sector accounting rules and guidelines they were clearly influenced by the French approach towards accounting regulation based on a common state regulated chart of accounts. When there was the desire to develop a more fully-formed accounting system and establish an accounting association it was the French government and the French accounting regulators what the Cambodian authorities turned. Although Cambodia was clearly post post-colonial, it was the French approach which was selected.

Therefore the story of the emergence, the destruction and the re-emergence of accounting profession in Cambodia is utterly exceptional. Existing literature supports the presumption

that the colonial power will influence the nature and structure of the accounting profession and therefore it is reasonable to assume that the change of colonial power would lead to changes in the accounting profession. For example the British established institutions during their rule in most colonies. After the political independence from Britain these colonies mostly used the same institutional frameworks and continued to follow almost the same system. In contrast, although the French colonised some of the countries in the Southeast Asia (for example, Vietnam and Cambodia), the continuation of the French system was ceased mainly due to less attention was paid by French in setting up of institutional frames in its colonies. In this context Cambodia and Vietnam are classical examples. Perhaps the interesting issue is whether the post post-colonial influence of the French will dissipate and be replaced by the international accounting standards following the closer relationship with international agencies such as the WTO and the closer economic ties with the global trading environment. Does globalisation trump post post-colonialism. The other interesting question is whether the existing barriers against international accounting firms will survive for long or whether these will also be washed away by the flood of international capital.

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Appendix 1 : Cambodia – Brief summary of Political, Legal, and Economic Systems.

Years	Legal system	Political system	Political Power	Economic system
Before 1953	French-based civil code and judiciary	Under French protectorate	Held by the French	Colonial
1953-1970 (The Kingdom of Cambodia)	French-based civil code and judiciary	Constitutional Monarchy	Held by Prince Norodom Sihanouk as prime minister	Market and then nationalized
1970-1975 (The Khmer Republic)	French-based civil code and judiciary	Republic	Held by Lon Nol	Market, war economy
1975-1979 (Democratic Kampuchea)	Legal system destroyed	All previous systems abolished, extreme Maoist agro-communism	Khmer Rouge	Agrarian, centrally planned
1979-1989 (The people's Republic of Kampuchea)	Vietnamese communist model	Communist party, central committee, and local committees	Cambodian People's Party (Vietnamese backed)	Central planning
1989-1993 (The State of Cambodia)	Greater economic rights	Communist party, central committee, and local committees	Cambodian People's Party (Vietnamese backed)	Central planning
1993-present (The Kingdom of Cambodia)	French-based civil code combined with common law in certain sectors	Constitutional Monarchy	Shared between FUNCINPEC* and the Cambodian People's Party	Transition to market economy

* National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia.

Source: ADB, 2001. *Key Governance Issues in Cambodia, Lao PDR, Thailand, and Viet Nam*, [Online], Available at: <URL: [http://www.adb.org/Documents/Books/Key Governance Issues/](http://www.adb.org/Documents/Books/Key_Governance_Issues/)>, Accessed date: August 19, 2003.