

**ACCOUNTING PROFESSIONALISATION AND OCCUPATIONAL
CONTEXT: THE ROLE OF THE PUBLIC ACCOUNTING
PROFESSION IN CHINA**

by

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ABSTRACT

While applied broadly within the setting of accounting and some other occupations, 'profession' is a particularly Western concept with peculiarly British origins. However, the significance of such status and the process by which it is acquired has defied precise explication. Examination of the sociology of the accounting occupation within non-Western locations can contribute to exposing and clarifying these problematic and contingent aspects of occupational stratification, as well as assist in redressing the bias towards English-speaking and European countries within the accounting history literature. Proceeding from these theoretical premises, a historical study of the accounting occupation within China is undertaken. Integrating episodes from this country into the broader historical narrative of the professionalisation of accounting reinforces – often vividly – that accountants' work status is not bound to an innate and predetermined trajectory. Rather, the variety of localised and time-specific variables which constitute the occupational context are shown to exert a dominating influence.

Keywords: accounting history; China; occupational status; public accounting profession; professionalisation.

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INTRODUCTION

In his discussion on professionalisation and professions in history, Siegrist (2002) notes that recent historical research on professionalisation has tended to oscillate between two perspectives. The first of these emphasizes ‘the peculiarities of particular professions or the special features of the professions in a particular historical context’ (Siegrist, 2002: 12154), whereas the second focuses on the general features and tendencies of professionalisation. This paper inclines towards the former perspective, and aligns with Freidson’s (1983: 34) call to study professions ‘as individual empirical cases rather than specimens of some more general, fixed concept’ (see also Johnson, 1980: 367; Johnson, 1982: 208; Child and Fulk, 1982; Shaw, 1987: 778; Abbott, 1988: 84).

While the inceptive studies of professions were dominated by a typological approach which characterised their subjects as sharing a distinctive set of traits, this line of inquiry was eventually subsumed as researchers moved beyond a focus on whether or not various occupational groups were really professions (Abbott, 2002). By the 1970s, a major reinterpretation of the professions – which depicted professionalisation as a largely undifferentiated process of acquiring monopoly power – laid the foundation for a more critical analysis and cast new light on the understanding of these ‘important but peculiar social creatures’ (Abbott, 1988: 3). This broadening of the theory of professions has allowed the field to move beyond its peculiarly British origins and overcome the criticism levied by Johnson (1982: 190) that ‘the historical characteristics of the British professions ... in much of the literature, are regarded as providing a model of the “classical” features of the professions in general’.

However, the effects of a persistent, unacknowledged and seemingly often unconscious beholdenness to the occupational contexture of a single nation – albeit an influential one given the replication of British institutions and culture in colonies throughout the globe – still linger. In particular, the taking for granted of the status of particular occupations has underwritten and perpetuated the notion that professional work is inherently different from that of other occupations. This approach was embedded in the early functionalist literature which viewed professionalisation as the immanent, deserved and desirable accomplishment of certain occupations – with others necessarily excluded (for example, Millerson, 1964; Greenwood, 1957). The later, critical, literature again endowed professional occupations with distinctive qualities but claimed that these were exploited in order to exert monopoly control within markets (for example, Larson, 1977).

In contrast, this paper emphasises that occupational status and the outcomes of professionalisation processes are contingent upon the particular cultural, political and socio-economic setting within which an occupation is constituted. That is, rather than focus on the *occupation*, attention is directed to the *occupational context*. The theoretical rationale for this approach derives from the mundane but sometimes neglected observation that the value and status of work derive from a complex social process rather than inhering innately and exclusively in the nature of particular work tasks.

Accounting is the occupation under consideration and China is the location in which it is scrutinised. The rationales for selecting China are threefold. First, studying the accounting occupation within a non-Western setting enables a comparative analysis to be undertaken which reinforces that the British model of a profession should be thought of as particular – albeit significant and influential – rather than generic.¹ Second, what is currently represented as the ‘history of accounting’ is foremost a history of accounting in English-speaking countries, followed by some consideration of non-English speaking European settings (Parker, 1993; Carmona, 2004). This paper seeks to contribute to redressing this bias by examining the history of an accounting occupation in the world’s most populous nation and integrating it into the broader (international, but British-biased) narrative of the professionalisation of accounting. Third, in the last two decades of the twentieth century, the public accounting occupation in China not only re-emerged, but also developed into a profession, legitimised by a supporting legal and regulatory framework and its own professional association – the Chinese Institute of Certified Public Accountants (CICPA). The CICPA is poised to become one of the world’s largest association of accountants, with rapid expansion during the coming decades. Statistics compiled at the beginning of the century (end of 2001) indicate that the CICPA had an individual membership of 55,500 CPAs and a group membership of more than 4,300 public accounting firms (CICPA *et al.*, 2002). Such phenomenal growth and development – achieved over a relatively short period of time, especially in comparison to most western countries – draws attention to the uniqueness of the Chinese experience. Examination of this experience offers to provide not only a better understanding of the social meaning of professionalisation, but also further illumination of the interplay between accounting and society.

In the next section the theoretical premises which guide this study’s exploration of accounting as a professional occupation are developed further. Before examining the experience of the Chinese accountants in the pre- and post-1978 eras, a review of the background of the accounting occupation in China is provided. Building from this understanding, the unique environment within which Chinese accountants operated is made evident. The main analysis of this paper is contained in the subsequent two sections, after which a discussion of the professionalisation experience of the Chinese accountants is provided. Summarising comments are then presented in the final section of the paper.

THEORETICAL PREMISES

Proceeding from the foundation work of Carr-Saunders and Wilson (1933), the study of ‘the professions’ has passed through a number of phases (Saks, 1983; Willmott, 1986). Developments in the field reflect the constant changing nature of societies, and professions themselves have also been in a state of flux. The globalisation of markets, as well as technological and economic advancement, has transformed many of the professions – though some have retained the same ‘label’ as their medieval counterparts. In his discussion on the current issues facing the sociology of professions, Abbott (2002: 12169) argues that the sociology of professions is once again confronted with the boundary issue of ‘what is a profession?’ and calls attention to the need for a new theoretical approach that ‘can stand the test of major historical change’.

Indeed, in spite of the diverse and sustained inquiry over the years, the points of differentiation between professions and other occupations remain vague. ‘Specialised knowledge’ is offered foremost as a distinguishing trait,² but it remains one of the least studied aspects of professions (West, 1998; 2003: ch. 2), with writers on professions

‘placing the *constitution* of professional knowledge outside the purview of their investigation’ (Goldstein, 1984: 177, emphasis in original). Moreover, rapid technological development has meant that the inability of consumers to comprehend the technical aspects of commodities they acquire is increasingly a general circumstance rather than being confined to the services purveyed by members of a select group of elite occupations (Johnson, 1980: 341).

A second claimed point of differentiation regarding professions is their tendency to seek – and achieve – market control through monopoly power. This was the favoured theme of critical writers on the professions (for example, Johnson, 1972; Larson, 1977; Collins, 1979; Parkin, 1979), but their arguments would seem to be equally applicable to occupational unions generally and the licensing and other restrictive arrangements that often apply, for instance, to plumbers, electricians and other traditional ‘trade’ occupations (Haug and Sussman, 1973).

A further difficulty permeating the sociology of professions literature concerns the idiosyncratic circumstances of particular occupations. Goode (1969) nominated four great professions, being law, medicine, the ministry and university teaching. To this list is often added the military (see, for example, Duman, 1979: 114). Yet among these five occupations some of the most boldly asserted propositions in the sociology of professions literature are contradicted. The work of the ministry or clergy derives more from belief and faith rather than the objective and specialised knowledge that has traditionally been nominated as a distinguishing feature of professions. Further, neither the clergy nor the military can be said to transact their services within a market, and the same might be said – perhaps to a lesser and diminishing extent – of university teaching. Not only is this in stark contrast to the leitmotiv of the critical literature which characterises professions as being driven to ‘constitute and control a market for their services’ (Larson, 1977: xvi, emphasis removed), it is also at variance with the revisionist view of Abbott (1988) which interprets a profession as an occupation that *competes* for workplace jurisdiction.

Reflecting and perpetuating these contradictions, some of the occupations represented as classic examples of professions have been all but excluded from scholarly discourse on the subject. In their seminal work on professions, Carr-Saunders and Wilson (1933: 3) were content to note:

We ... omit the Church and the Army. The former is left out because all those functions related to the ordinary business of life, education among them, which used to fall to the Church, have been taken over by other vocations. ... The Army is omitted, because the service which soldiers are trained to render is one which it is hoped they will never be called upon to perform.

Writing from within an entirely different theoretical framework more than 40 years later, Larson (1977: xvii) noted that the adoption of that framework ‘determines the exclusion of the professions like the military and the clergy, which do not transact their services on the market’. In a subscriptive annotation, Larson (1977: 254) expanded on the problematic nature of these occupations *vis-à-vis* conventional depictions of professions: ‘the authority of the military does not depend on their special expertise, but on their control of the means of coercion. As for the clergy ... their influence, again, depends more on a factor other than theological or doctrinal competence – namely, on the public’s religiosity’.

That some of the occupations described variously as ‘traditional’, ‘learned’ and ‘true’ professions defy, in substantive ways, either or both of the functionalist and critical interpretations of professions draws attention to the problematic nature of

aspects of this literature. In particular, it calls into question any presumption that professions are characterised by a tendency towards attributes or behaviours which inhere exclusively within particular occupations and not others. Rather, in searching for points of differentiation there is perhaps only one that is generally and clearly evident, being that of status. While there are status differentials among occupations that are described commonly as professions, no such occupations are of low status within the broader spectrum of occupational prestige. Speaking from his own experience of eighteenth century Scotland, Adam Smith (1776/1976: 118) provides an interesting insight in relation to the rewards of professions:

We trust our health to the physician; our fortune and sometimes our life and reputation to the lawyer and attorney. Such confidence could not safely be reposed in people of a very mean or low condition. Their reward must be such, therefore, as may give them that rank in the society which so important a trust requires.

Today, Smith's argument regarding the occupational status of professions retains its relevance. To apply the word 'profession' to an occupation is to acknowledge – or claim – elevated occupational status. Any more specific attributions are likely to yield exceptions when applied across the full range of occupations to which the appellation of 'profession' is commonly applied.

This emphasis on a broadly-constituted notion of occupational status invites some rethinking of how professions may be understood and studied. A conventional focus of the sociology of professions literature has been on asking how professions are different from other occupations. Occupational status, however, is a matter of perception and is endowed by the society in which an occupational group is constituted. Accordingly, it is also pertinent to ask why professions are *perceived* as being different from other occupations.

The answer to this question will, of course, derive in part from signals of status that may be found within particular occupations (for example, features such as a formal organisation, a code of ethics, testing of entrants, a royal charter, and so forth). However, a second aspect of the development of occupational status concerns the particular political, social and cultural values which abide within the society in which an occupation is situated. Moreover, an important interplay links these variables, as occupational groups with professional aspirations seek to replicate those values which are associated with enhanced work status. In this way, occupations that become known as professions are those that – through good fortune and successful deliberative actions – impound and reflect predominant political, social and cultural values. The criteria of professionalism, then, are necessarily reflective of the society which elevates the status of particular occupations while denying such an outcome to others.

Duman (1979) alludes to this in his discussion of the creation and diffusion of professional ideology in nineteenth century England. By studying the development of professions 'within the context of the evolution of the larger society' (1979: 114), Duman highlights the interdependencies between the meaning of 'profession' and the predominant social values of Victorian England. Foremost among these was that a professional occupation offered a reconciliation between the need to earn a living and an aspiration to lead a 'gentlemanly life' (see also Elliott, 1972: 21). This manifested in the 'service ideal' which imputed that professionals were motivated to provide a service to society, and that the earning of an income was incidental to this purpose. In this way a particular social value – that having to work for a living was somewhat vulgar – would mean that occupations that could succeed in denying a pecuniary intent would elevate their status. Over time, this social value would be so successfully appropriated

by occupations aspiring to professional status that it would come to be represented as a distinguishing feature of that status:

The difference between industry ... and a profession is, then, simple and unmistakable. The essence of the former is that its only criterion is the financial return which it offers to its shareholders. The essence of the latter, is that, though men enter it for the sake of livelihood, the measure of their success is the service which they perform, not the gains which they amass. They may, as in the case of a successful doctor, grow rich; but the meaning of their profession, both for themselves and for the public is not that they make money but that they make health, or safety, or knowledge, or good government or good law (Tawney, 1920: 94).

Other cultural values operating to stratify occupational prestige in Britain during the nineteenth century and earlier, included a presumption that work traditionally undertaken by women would necessarily be of low status (Crompton, 1987; Atkinson and Delamont, 1990; Witz, 1992), as would all forms of manual work. The occupational history of surgery illustrates vividly the latter case. While enjoying high occupational status today, surgeons lagged behind physicians ('doctors') in elevating the standing of their work and for a time were 'united with ... barbers, who were recognised only as tradesmen and were organised in a craft guild' (Elliott, 1972: 21). This, in spite of surgeon's practical work in setting bones and the like often making a greater contribution to human well-being than the 'intellectual' – but often dubious – remedies dispensed by higher status physicians, particularly prior to the nineteenth century.³

In summary, much of what has been represented about professions generally has often been derived from and perpetuated the occupational status rankings that emerged in Britain up to the close of the nineteenth century – rankings that were governed by and reflected the particular political, social and cultural values of that society. This need to recognise the interdependency between professional occupations and the society in which they are constituted has, at times, been referred to by contributors to the sociology of professions literature. Vollmer and Mills (1966: 46), for example, noted that: 'Professionalisation does not occur in a vacuum. Like other social processes, it cannot be understood without taking into account certain aspects of the larger society in which it takes place'. Indeed, at any historical juncture the emergence of a profession depends, to a large extent, on the perceived importance of an occupational group within the context of the particular society. Its professionalisation process is, as Dingwall (2008: 101) explains, a 'complex story of the conjunction of interests and ideologies', which are necessarily reflective of the environmental conditions within the larger society.

This paper is informed by and seeks to reinforce the characterisation of professionalisation as a contingent and problematic process that has no set script, and which has as its corollary that professional status is not the inevitable and innate preserve of particular occupations. Rather, such status is viewed as being inextricably bound to the particular environmental conditions and values abiding at the time and location an occupational group is constituted. Integrating China into the broader professionalisation narrative provides additional – and often compelling – evidence in support of this perspective. Following from this precept, the next three sections of the paper explore and analyse the occupational context of the accounting profession in China, offering insights to its professionalisation experience as well as its role within Chinese society. The empirical data that informs this study comes from a mix of primary and secondary Chinese archive materials and literature. Research studies on

the Chinese accounting environment written in the English language are also drawn upon for contextual purposes. While this implies a reliance on documentary evidence, this is triangulated and supplemented by selected interviews with indigenous Chinese who are familiar with the development of the public accounting profession and who often played significant roles in its professionalisation process.

THE ACCOUNTING OCCUPATION IN CHINA

In seeking to highlight the importance of occupational context in the stratification of work tasks – and to augment the general narrative describing the professionalisation of accounting – China represents an obvious choice. First, China is a socialist country with a distinctive history, culture and socio-economic setting. Second, in terms of the development of an accounting profession, the experience of the Chinese accountants follows an uneven and distinctive trajectory. From the time of the Warring States (475–221 BC) until the early twentieth century, China operated as a feudal economy. Such a system valued conservatism and stability rather than improvements and change (Guo, 1988).⁴ Commercial activities were not looked upon favourably, as the Chinese traditional culture opposed the idea of *Li* [profit] (Guo, 1988; van Hoepan, 1995). Consequently, merchants and accountants were discriminated against in society, and they were stipulated by laws to be the lowest social class (Gao and Handley-Schachler, 2003). Indeed, one of the classics of Chinese literature, *Lü's Spring and Autumn Annals*,⁵ depicted people who engage in accounting work as shameful and greedy. The way in which accountants earned their living was considered to be little different from that of thieves, and for a long time, this notion remained ingrained in Chinese culture (Guo, 1988: 7). For much of China's long history, then, accountants had limited opportunity to raise their occupational status because of an inherent public scorn for their work.

The occupation of accounting in modern China is divided into two streams. These are salaried accountants and public accountants. While the former engage in the accounting work of enterprises and government departments, the latter have key responsibility for independent auditing in China. Public accountants only emerged in 1918 when the Certified Public Accountant (CPA) system was established for the first time. However, CPAs at the time were given the title 'accountant', and the name 'certified public accountant' was not used.⁶ After the establishment of the People's Republic of China in 1949, the development of the public accounting profession suffered dramatic setbacks. With the implementation of a centrally planned economy, and subsequently the completion of socialist transformation in the mid-1950s, there was no market for the services of CPAs. CPA firms gradually disappeared and the CPA system was abandoned. Public accountants consequently returned to work as salaried accountants, thus blurring the distinction between the two groups – and they suffered similar fates during the *Great Leap Forward* and the *Cultural Revolution*. It was not until 1980 that the CPA system was revived, with some accounting personnel returning once again to practise as public accountants. Such historical conditions explain why, in Chinese society, the notion of 'accounting profession' is often perceived to include both the salaried and the public accountants. This study will, in the main, focus on examining the occupational path travelled by the latter.

CHINESE ACCOUNTANTS IN THE PRE-1978 ERA

When the Chinese Communist party rose to power and established the People's Republic of China (PRC) in 1949, the accounting occupation, being closely associated with merchants, was not looked upon as favourably as the working class and the peasant class within Chinese society. According to one of the interviewees (government official interviewed on 26 January, 2007):

In those days, manual workers took pride in their status within the social strata. We called them 'big brothers'! Nowadays, they become what we understand as blue-collar workers, and their salaries are not as high as the white-collar workers. However, back in that era, the occupational status of manual workers was very high. *Gong, nong, bing, xue, shang*, [workers, peasant farmers, soldiers, scholars, merchants], *shang* [merchants] was ranked last.

During the 1950s, the state 'carried out socialist reform, and relinquished the private sector of the economy' (interview with government official, 18 January 2007). Step-by-step, private means of ownership were transformed into socialist public ownership. This political environment, combined with societal values that championed workers and peasant farmers, meant that accountants' work was perceived to be of much less value than practical work. In particular, there was no role for public accountants – nor a public accounting profession for that matter. Hence, the incremental advances in the recognition and status of public accountants that had been achieved in the years prior to 1949 were rapidly eroded. The national system of recognising and supervising CPAs ended in 1951 (Gao, 1992), and CPA firms gradually disappeared as they lost their social and economic context in an economy characterised by public ownership (Chinese Institute of Certified Public Accountants, 1999; Xu, 1995). However, as the Communist government aimed to establish a highly centralised political system with a centrally planned economy, accountants were required to assist the state in exercising, facilitating and monitoring such central planning and control. Hence, there remained a demand for salaried accountants. While employed to work within various organisations, salaried accountants were re-trained to use accounting systems that closely resembled the Soviet Union model. The supply and demand of these accountants was incorporated into the national plan (Hao, 1999) and was, therefore, firmly under the control of the state. As revealed by one of the interviewees (interviewed on 26 January, 2007), this was an era when the occupational choice of individuals was overseen by the state:

In terms of choosing their career, people did not have much choice. ... In those days, the choice of occupation was mostly determined by an 'allocation' system. For example, you studied in the university. After you graduated, the state would guarantee to have a job allocated to you. That is to say, the state would find you a job. People did not find their own job. So, if you studied commerce and finance, you would probably be allocated to work in the accounting area. If you then liked the job you did, you would continue on until you retired.

Once allocated to an occupation, individuals were also somewhat reluctant to pursue a different career:

When a person chose an occupation, they would, in general, remain in that occupation. ... In those days, it was very hard to change your occupation. Also, from a personal perspective, people did not want to change job. They were content to settle down in their career. It was as if they were 'screwed down' to their job. (Interview with government official, 26 January, 2007)

While such an attitude echoed the traditional Chinese values of conservatism and stability, it also reflected a particular social environment under which the system of pecuniary rewards discouraged career changes:

In terms of income, there was not much difference amongst the various social strata. For example, university graduates earned more or less the same wages. Whatever job they do, their income would not differ that much. (Interview with government official, 26 January, 2007)

Hence, in the pre-1978 era, it was not unusual for individuals to remain in the same occupation throughout their working life, and accountants were no exception.

From 1949 to 1966, the status of accounting work was, in general, very low, and the plight of Chinese accountants further worsened during the *Cultural Revolution* from 1966 to 1976 (Liu and Eddie, 1996; Liu and Turley, 1995; van Hoepan, 1995). During this disruptive period, propaganda (such as movies, drama, and novels) denounced accounting personnel, resulting not only in public prejudice against accounting and accountants, but also the ruin of many of these personnel both physically and mentally (van Hoepan: 363–4).⁷ Similarly, accountants working in academia faced the same fate, as most academics at the time were ‘humiliated and branded as reactionary academic authorities because of their “inappropriate thinking” and “bourgeois attitudes”’ (Watne and Baldwin, 1988: 141). They were often ‘sent to agricultural communes, factories, or the army and assigned manual labor’ so that they could re-develop proper attitudes towards physical labour (ibid.: 141-2). Nevertheless, in the post-1978 era, many of these accountants – who were by then over the age of 60 – went on to become the backbone of the public accounting profession when the latter was re-established in 1980.⁸

TIMES OF CHANGING FORTUNE FOR CHINESE ACCOUNTANTS – THE POST-1978 ERA

The death of Mao Zedong in 1976 and the overthrow of the Gang of Four finally brought the *Cultural Revolution* to an end. This was followed by the rise to power of Deng Xiaoping. Under Deng’s leadership, the Chinese Communist Party began to focus on improving productivity and restructuring the Chinese economy. The government focused its initial phase of economic reforms on the agricultural sector in rural areas, adopting a production responsibility system where work was contracted out to household units, with their remuneration linked to the production levels. This Contract Responsibility System, as it was called, was later expanded into urban areas involving the reform of large industrial state-owned enterprises (SOEs). While this economic development strategy had the effect of raising productivity levels, it also reflected a change in government ideology. Deng (1978) himself clearly spelled out that:

Rewards and penalties, promotions and demotions should be based on work performance. And they should be linked to increases or reductions in material benefits.

Deng (1979) also observed that:

In the early 1960s, China was behind the developed countries, but the gap was not as wide as it is now. Over the past 11 or 12 years, from the end of the 1960s through the 1970s, the gap has widened because other countries have been vigorously developing their economies, science and technology, with the rate of development no longer being

calculated in terms of years, not even in terms of months, but in terms of days.

The drive to realize the *four modernisations*⁹ was thus considered by Deng to be ‘the most significant political task for China’ (Deng, 1979). To Deng, modernisation represented a new ‘revolution’. The aim was to liberate and expand the productive forces, to improve the living standards of the people, and ultimately, to build up a prosperous and powerful nation under socialism (Deng, 1979). The *open door* policy was one aspect of the modernisation program. As Deng (1979) explained:

to realize the *four modernisations*, we must follow the correct foreign policy of opening to the outside world. Although we rely primarily on our own efforts, on our own resources and on our own foundations to realize the four modernisations, it would be impossible for us to achieve this objective without international cooperation. We should make full use of advanced scientific and technological achievements from around the world and also of potential funding from abroad so that we can accelerate the four modernisations.

As part of the *open door* policy, the government introduced the concept of special economic zones (SEZs)¹⁰ in 1979, and encouraged the establishment of Sino-foreign joint ventures, with the aim of reducing the deficiency of capital funds, introducing foreign advanced technology and managerial expertise, upgrading industrial structure, developing and extending international trade, and optimising the export mix (Hao, 1999). Deng (1978) was also of the view that:

In economic policy, I think we should allow some regions and enterprises and some workers and peasants to earn more and enjoy more benefits sooner than others, in accordance with their hard work and greater contributions to society. If the standard of living of some people is raised first, this will inevitably be an impressive example to their ‘neighbours’, and people in other regions and units will want to learn from them. This will help the whole national economy to advance wave upon wave and help the people of all our nationalities to become prosperous in a comparatively short period.

The successes of the SEZs in the 1980s saw their expansion to other cities throughout the 1990s, resulting in a considerable amount of foreign capital flowing into China and the further development of the overall economy.

By opening up the economy to foreign investors, Deng was attempting to combine socialism with a market economy. In defending this policy, Deng (1979) argued that:

Although foreign investment, which belongs to the capitalist economy, occupies a place in our economy, it accounts for only a small portion of it and thus will not change China’s social system. Achievement of common prosperity characterises socialism, which cannot produce an exploiting class. ... It is wrong to maintain that a market economy exists only in capitalist society and that there is only ‘capitalist’ market economy. Why can’t we develop a market economy under socialism? Developing a market economy does not mean practicing capitalism. While maintaining a planned economy as the mainstay of our economic system, we are also introducing a market economy. But it is a socialist market economy.

While the practice of a socialist market economy was only formally incorporated into the Constitution of the People’s Republic of China in 1993, a 1988 amendment to

the Constitution already reflected the evolving state ideology from one that favoured a planned economy based exclusively on socialist public ownership, to one that permitted the private sector of the economy to exist. Indeed, the private sector of the economy was said to complement the socialist public economy (Constitution of the People's Republic of China, 1988, Article 11).

Demand for Public Accountants

China's economy, on the verge of collapse in 1978, achieved a remarkable turnaround under Deng's leadership. While the economic reform process was not always 'smooth or painless' (Hassard *et al.*, 2007: 54), the living standards of the Chinese people improved significantly, with economic growth in terms of gross domestic product (GDP) increasing at an average rate of over 9 per cent per annum from 1978 to 1986 (Hassard *et al.*, 2007). While the dominant sector of the economy remained state-owned, the state gradually approved an increasing number of foreign enterprises, including contractual joint ventures and wholly foreign-owned enterprises. A total of 8,516 foreign invested enterprises were approved by the end of June 1987, with contracts totalling US\$17.176 billion (Eddie, 1988). Foreign investment reached an annual average of just over US\$2 billion during 1979-85, and increased to over US\$6.3 billion in 1985 (Potter, 1995).

The development within the economic realm had far-reaching consequences for the role and importance of both accounting and public auditing. With the adoption of the *open door* policy and the subsequent influx of foreign capital, the important role to be played by public accountants in the verification of financial data was once again recognised by the state. As observed by a government official (interviewed on 18 January 2007), 'foreign enterprises are owned by foreigners, and following international convention, they rely on the services of CPAs ... so CPAs are required because of objective circumstances, and that is a very important reason why, at the time, China had to re-establish its CPA profession.' Similarly, according to another government official (interviewed on 26 January, 2007):

We did not have a CPA profession at the time to meet the needs of foreign investors ... The audit system that we had was basically state audit, because all our own enterprises were state-owned ... With the introduction of foreign enterprises, our foreign investors did not want to be audited by state audit institutions, so we needed to respect their strategic position, and create a better environment to attract their investment. This is why we needed to have certified public accountants.

All in all, the change in political ideologies (and economic policy) under Deng had necessitated the development of a public accounting profession. It had also brought about dramatic changes in the state's attitude towards the occupation of accounting as a whole.

Many important regulations affecting the development of the public accounting profession were promulgated by the Chinese government between 1980 and 1985, with 1980 being a year of particularly significant change. In September of 1980, the Standing Committee of the National People's Congress issued the *Income Tax Law for Sino-Foreign Joint Ventures*. Then, on 14 December, the Ministry of Finance promulgated the *Detailed Rules for Implementation of Income Tax Law for Sino-Foreign Joint Ventures*. For the first time in the history of the accounting profession, it was stipulated that the auditor's report required for a tax return must be signed by a Chinese CPA:

A joint venture enterprise, whether having made a profit or a loss in a taxable year, must submit an income tax return and an accounting statement, together with an audit report prepared by a certified public accountant registered in the People's Republic of China, to the local tax authorities by the stipulated deadline. (Ministry of Finance, 1980a, Article 20)

The legislative requirement reaffirmed the need for public accounting firms to be established. As elaborated by one of the interviewees (interview with government official, 26 January, 2007):

So why is it that our industry [public accounting profession] needs to be re-established? This is actually the requirement of a commodity economy, and of adapting to the needs of opening to the outside and of economic reforms. From 1978, China began its *open door* policy and economic reforms, one of the aims being to attract foreign investment. We have what we called *sanzi* [three types of investment enterprises], such as joint ventures, co-operatives etc. We need to, first of all, deal with the issues about taxation. In accordance with international practice, auditing is required to be done for taxation purposes, and this is required to be carried out by certified public accountants.

The state thus understood the importance of having China's own certified public accountants in order to improve its investment environment and to establish trust and credibility amongst foreign investors.

In fact, this same understanding had been reached within the accounting community and was reflected in their recommendations made at a National Conference organised by the Ministry of Finance (MOF) in November 1980. Concerned for their role to be properly recognised and protected, participants at the Conference proposed that legislation, prescribing the important principles relating to accounting work, needed to be developed immediately. This included provisions for setting up public accounting firms (Ministry of Finance, 1981). Following such recommendations, the MOF promptly issued the *Provisional Regulation Concerning the Establishment of Accounting Consultancy Firms* on 23 December 1980. According to a government official, having this recognition from the MOF was a significant step in driving the re-establishment of the public accounting profession (interviewed on 26 January, 2007).

The promulgation of the *Provisional Regulation* marked the first step in the re-establishment of the public accounting profession. Article 1 of the *Provisional Regulation* stated that an accounting consultancy firm is an independent unit, organised by *certified public accountants* to provide accounting, attestation and consultancy services, and which operates under the supervision of the finance departments of provinces, autonomous regions and municipalities (Ministry of Finance, 1980b). The designation of 'certified public accountant' was referred to for the first time in government regulation since the national system of recognizing and supervising CPAs came to an end in the 1950s.

On 1 January 1981, the Shanghai Certified Public Accountants (then called Shanghai Accounting Consultants) became the first accounting consultancy firm (i.e. public accounting firm)¹¹ to emerge as part of the revival of the certified public accountants system. More public accounting firms were subsequently established in other provinces of China (Xu, 1995; Hao, 1999). However, while the CPA profession re-emerged during this time, a formal association of CPAs was not established until 1988.

Towards the Establishment of a Professional Accounting Association

In 1985, when the *Accounting Law of the People's Republic of China* was enacted by the National People's Congress, the legality of the work of Chinese CPAs was formally established. This further kindled the call, amongst the accounting community, for a set of CPA regulations to be issued. The necessity of such regulations was stated in the Working Report presented by the then Secretary General of the Accounting Society of China (ASC), Yang Jiwan (1985: 19), at the 1985 ASC Annual Meeting:¹²

First of all, other than Tibet, all provinces, municipalities and autonomous regions already have accounting firms, which number 50 in total; and almost 1,000 certified public accountants have also been registered with the Ministry of Finance and the various local finance offices and bureaus. With the pace of opening up to the outside world quickening and the scope of services handled expanding, public accounting firms and certified public accountants will experience further developments. To strengthen the management and supervision of the profession, specific requirements must be laid down in relation to the nature, qualifications, scope of services, functions and regulations of and the disciplinary action to be taken against the certified public accountants.

Yang's report (1985: 19) also revealed a new problem faced by the fledgling accounting profession:

There are presently some accounting consultancy companies or firms, which have been set up privately, soliciting work that should be performed by a certified public accountant. However, the quality of their work varies to such an extent that legislative regulation, formulated in compliance with the requirements of the *Accounting Law*, are required to regulate the management of certified public accountants and the approval of their qualifications, including the authority for approving the establishment of public accounting firms.

Other than local rivalries, potential competition also came from the other end of the spectrum, with experienced and well-established foreign public accounting firms setting up representative offices in China. At the time, these representative offices were mainly concerned with marketing, managing the resources of their clients and monitoring any policy changes emanating from Chinese authorities, such as the Ministry of Finance and the Tax Bureau (interview with practitioner, 29 January 2007). Nonetheless, it was believed that clear legal requirements were required to regulate approval of these firms, their scope of service and their management and supervision (Yang, 1985: 19).

The Working Report presented by Yang was particularly revealing, as it reflected the development of China's public accounting profession in the four years since the issuance of the *Provisional Regulation*. Participants at the meeting concluded that there was an urgent need to improve the status of CPAs and increase their numbers, to strengthen the supervision of their work, as well as to raise their professional standards (Accounting Society of China, 1985).

A discussion paper on the regulation of certified public accountants was presented to the participants at the meeting, and there was also a strong appeal for a national certified public accountants' association to be established (Accounting Society of China, 1985). The rationale for setting up a national body to supervise the work of CPAs and public accounting firms four years after the first accounting firm re-emerged was explained by one of the interviewees (interview with government official, 31 January 2007):

During the period of planned economy, China did not have any certified public accountants. This occupation did not exist. When the state re-established this occupation in 1980, we needed, first of all, organisations, i.e. public accounting firms, to provide services for foreign investors. When these organisations gradually developed, we acquired more knowledge about the industry – how it developed, how many firms were on the market and how it should be managed ... We then needed to establish a kind of self-regulated association to supervise the public accounting firms and the CPAs. That was why the development of an association took place later. In other words, the association was established at a later stage because we needed the public accounting firms first, then the CPAs. When we gradually developed, it became necessary to supervise and coordinate both the public accounting firms and the CPAs. They should also have their own associations. That was why we established the Chinese Institute of Certified Public Accountants.

The move to establish an association for the CPAs and the public accounting firms was, therefore, based on the objective circumstances at the time as well as the practical needs of the industry.

The *Regulations of the People's Republic of China on Certified Public Accountants* (RCPA) was finally promulgated by the state in 1986. The issuance of the RCPA represented another important landmark in the professionalisation process of the public accounting profession in China. Not only was the status of the Chinese CPAs legalised for the first time in the history of the development of the accounting profession, a formal definition for 'certified public accountants' was also included in the RCPA (State Council of the People's Republic of China, 1986):

Certified public accountants are persons approved by the State to offer auditing, accounting attestation and consultancy services. Certified public accountants shall carry out their work independently according to law and shall be protected by law (Article 2).

However, in order to offer their professional services, CPAs were required to work in public accounting firms¹³ (State Council of the People's Republic of China, 1986, Article 3). The RCPA also delegated the authority to CPAs to form their own professional body – the Chinese Institute of Certified Public Accountants (CICPA) (State Council of the People's Republic of China, 1986, Article 5). Furthermore, in seeking to raise the standard of CPAs, academic requirements were set for the first time. Candidates were required to satisfy these requirements before they could apply to sit the professional qualification examination. Article 6 of the RCPA (State Council of the People's Republic of China, 1986) stipulated that:

Chinese citizens who have ardent love for the People's Republic of China; who uphold the socialist system; and who have college or equivalent tertiary qualifications as well as more than three years of practical experience in accounting and auditing, can apply to sit the CPA examination.

Those who have served as senior accountants; those who have served as accounting professors, associate professors, researchers, associate research fellows and with practical accounting experience; also accounting experts who have college or equivalent tertiary qualifications and with more than 20 years of practical experience in financial accounting, can apply to become certified public

accountants. Through passing the evaluations, they can be exempted from examination.

Devotion to the country as well as to the functioning of a socialist system was reinforced and included as essential criteria for qualifying as a CPA.

The introduction of a professional qualification examination reflected the state's desire to ensure greater consistency in the standards of CPAs (Mo *et al.*, 1995) in preparation for the enhanced role they would be expected to play in the country's economic development (State Council of the People's Republic of China, 1986, article 1). However, it can be seen that the state was, at the same time, keen to retain the 'older generation' of accountants who had received their CPA qualifications before 1986 under the MOF's evaluation system.

Establishment of the Chinese Institute of Certified Public Accountants

The reforms brought about by the promulgation of the *RCPA* established a platform for rapid growth in the public accounting profession during the 1990s as China began to transform into a socialist market economy. The granting of legal recognition, as well as the authority to form their own professional body,¹⁴ had empowered the Chinese accountants to work together with the state in facilitating the state's economic-related agenda. Responses to the *RCPA* were very positive, as reflected in accounting discourses at a forum held by the ASC on 21 August 1986 (Accounting Society of China, 1986):

The *Regulations* promulgated by the State Council summarises the experiences of the work of the CPAs in the past few years ... It will no doubt form the basis of how such work will be developed in the future. (Yang Jiwan, ASC Secretary General, p. 2)

The *Regulations* promulgated by the State Council not only accelerates the regulation and rectification of the profession, it also provides the direction and standard for such adjustments. (Zheng Chengqi, Chief Accountant of Tianjin Accounting Firm, p. 3)

CPAs have become an important force in realising the policy of *dui wai kai fang, dui nei gao huo* (opening to the outside and revitalising the economy) in the province of Fujian. The *Regulations* promulgated by the State Council on 3 July are important for bringing into play the role of CPAs, thereby facilitating the change in economic structures as well as the current developments in economic reconstruction. They also symbolise a new stage in the development of the public accounting profession, providing the legal basis to allow CPAs to carry out their work in an independent, objective and fair manner. (Yang Gongqi, Chief Accountant of Fujian Hua Xing Accounting Firm, p. 5)

The promulgation of the *Regulations* pushes our fledgling public accounting profession to a new stage. (Xu Zhengdan, Chief Accountant of Da Hua Accounting Firm, p. 7)

The purpose of the forum was to solicit a response from the chief accountants of public accounting firms on how to implement the *RCPA* and brought into play the role of CPAs. Recommendations such as raising the quality of CPAs through training;

ensuring professional standards through examination and evaluation; and increasing the level of supervision over the public accounting firms, were repeatedly mentioned in the forum and highlighted the problems that were challenging the fledgling accounting profession. References were also constantly made to the eight character policy of *dui wai kai fang, dui nei gao huo* (opening to the outside and revitalising the economy), and to the basic party line of *four modernisations*. More importantly, there was a unanimous view that, with appropriate measures, Chinese CPAs could contribute significantly in the country's push for economic advancement.

The issues raised at the forum were again discussed in a meeting¹⁵ conducted by the MOF on 28 August 1986. Discussion papers on the supervision of accounting firms, as well as on the examination, evaluation and registration of CPAs were tabled at the meeting. While the organisation of a national body for the CPAs was not specifically mentioned at the ASC forum, a discussion paper on this topic was also prepared and presented at the MOF meeting. The outcome of the meeting saw the issuance of two temporary rules by the MOF. *Temporary Rules on the Management of Public Accounting Firms* was issued on 29 October 1986 and *Temporary Rules on the Examination and Evaluation of CPAs* was issued on 12 March 1987. However, no policy was adopted at this time regarding the formation of a national institute of certified public accountants, and the task of setting up such an association was later delegated to the ASC¹⁶ (Zeng, 2006).

The national body of CPAs, known as the Chinese Institute of Certified Public Accountants (CICPA), was eventually established under the jurisdiction of the MOF in November 1988. At the inaugural meeting of the CICPA on 15 November, the then State Councillor and Minister of Finance, and Honorary Chairman of the Accounting Society of China, Wang Bingqian (1988) affirmed the important role of CPAs in the economic activities of society, stating that the establishment of the CICPA was a significant step in the continual development of the CPA system in China. Linking the role of the CPAs with the prevailing ideology of the state and the policy of *dui wai kai fang, dui nei gao huo* (opening to the outside and revitalising the economy), Wang Bingqian (1988: 3) explained to his audience that:

Certified public accountant is both an estimable and valuable occupation. A certified public accountant should have a sense of pride and responsibility, and should strive to bring into play his/her role in the socio-economic activities of society, thereby contributing to the construction of socialist modernisation.

This was, indeed, a powerful message for motivating and mobilising the Chinese CPAs. Apart from Wang Bingqian, many other top officials attended and spoke at the inaugural meeting, reflecting the importance attached to the establishment of the CICPA by its sponsor, the MOF. In his summary speech at the closing ceremony, the first President of the CICPA, Yang Jiwan (1988: 18) reported that:

The care and enthusiastic support of the leading members of the Ministry of Finance has greatly motivated and encouraged all those who participated in this meeting, giving us the confidence and strength to keep pushing ahead with the development of the public accounting profession, as well as the impetus to do our utmost in carrying out the tasks of the CICPA ...

The participants at this meeting unanimously agreed that the establishment of the CICPA is the objective requirement of developing a socialist commodity economy, and of perfecting the

CPA system. It also represents the common wish of all the CPAs in the country. It has important meaning and it is imperative.

The Chinese CPAs, having aligned their ideology with that of the state, were given a social monitoring role. They were to assist the state with the important task of developing a socialist commodity economy.

The establishment of the CICPA in 1988 was a significant step in advancing and promoting the growth of China's own public accounting profession. According to article 2 of its original Charter,¹⁷ the English name of the Institute was to be 'The Chinese Institute of Certified Public Accountants'¹⁸ and it was to operate under the direction of the MOF. Furthermore, the article also stated that the CICPA represented a national social institution, comprising *certified public accountants of the People's Republic of China* (CICPA, 1989b, article 2, *emphasis added*). While the provision of an English name reflected the CPA's role in the *dui wai kai fang* (opening to the outside) policy as well as their dealings with Sino-foreign enterprises, it would appear that the emphasis on the institution comprising China's own CPAs was also intended to instil a sense of nationalism and pride among Chinese public accountants.

In terms of the mission of the CICPA, article 3 of the original Charter stated that the Institute's task was to guide the work of CPAs – in correctly carrying out the legislative requirements of the state; in continuously seeking their own development; in protecting their legitimate rights; in sharing their experiences and in communicating business information; in improving relationships both within the country and overseas; and in promoting the development of the public accounting profession as well as in serving the construction of socialism (CICPA, 1989b, article 3). Of particular interest, however, were the main functions of the CICPA described in the Charter. The role of the CICPA was to serve as a bridge between the state and the CPAs, reflecting the wishes and requirements of the latter on the one hand, and communicating the state's policy and decisions on the other (*ibid*, article 4). In addition, the CICPA's role was to assist the various state agencies in the management of both the CPAs and the public accounting firms (*ibid*, article 4).

DISCUSSION

Accounting work in Western countries – while not traditionally enjoying unqualified prestige – has for many centuries enjoyed recognition at least as a practical necessity. Consider, for example, the following statement from *Italian Bookkeeping*, published in London in 1735:

it is indispensably required of every prudent man to know exactly the computed value and condition of his estate, in order to the well governing of himself in the management of his worldly affairs: for without that knowledge, he cannot make any one step in them with certainty; but must grope blindly in the dark, and by chance sink or swim, which is a hazard no wise man would willingly trust his fortune to (Stephens, 1735, cited in Chambers, 1995: 17).

Accountants in mid-nineteenth century Britain who were intent on professionalising their occupation undertook that task within a social setting that generally viewed accounting as, at least, a necessary and useful task. Moreover, they had the advantage of being clearly on the preferred side of the manual/non-manual work dichotomy that was a prime determinant of occupational prestige. Thus, the early Scottish accountants, who organised into occupational associations from the 1850s, did so within a society that accorded them at least a moderate level of social prestige (Macdonald, 1984, 1987;

Walker 1988: 18-20; Kedsle, 1990: 13). With regards to mid-nineteenth century accountants in England, Walker's (2002) survey – while noting some diversity in their social status – found that relatively few had achieved the characteristics generally associated with the 'professional class'. Nevertheless, they were at least 'predominantly positioned on the margins of the middle class' (Walker, 2002: 377) and thereby had at least a viable platform from which a professionalisation project could be launched. As explored in this study, this was not the case with the Chinese accountants.

Elevation of the occupational prestige of accounting began from a generally lower base in China, owing to how accountants and accounting work were viewed in traditional Chinese society. Key values held in traditional Chinese society condemned accounting to being a low status occupation. Foremost among these was a belief that the writing down and verification of financial records – the essence of an accountant's work – implied an absence of trust. And, as explained by Gao and Handley-Schachler (2003: 44), trustworthiness was one of the five essential virtues in Confucian thought. As a consequence, standard accounting practices in Western countries – maintaining and monitoring records of debtors, inventory systems designed to discourage and detect inventory losses, the preparation of reports of stewardship – were anathema to elements of traditional Chinese society. Not only were such practices considered unnecessary, they were considered *undesirable* – to keep a record of a debt would be taken to imply a suspicion that the debtor would not pay and was not to be trusted. Added to this inherent disdain for keeping accounts, Confucian values also 'condemned any link of profit-making and commercial activities with a nobleman' (Gao and Handley-Schachler, 2003: 49). This necessarily also diminished the occupational prestige of those involved in calculating profits and losses.

After the rise to power of the Communist Party in 1949, accounting practice was subordinated to the dominant socialist ideology and accounting viewed as an occupation that was not dependent on special knowledge and skills. Worse was to come with the *Cultural Revolution*, during which accountants became subjects for persecution, accounting education almost ceased, and accounting practice further regressed due to the contemptuous attitude of the state towards accounting. The extraordinary turnaround of the fortunes of Chinese accountants only came about after the *Cultural Revolution*, when Deng Xiaoping rose to power in the late 1970s. This study reveals that the ascent of Deng brought about a change in the ideology of the state. Not only was there an emphasis on economic development – that later saw a radical restructuring of the economy – there was also a significant change in the system of pecuniary reward, which allowed some Chinese people to earn more, and sooner, than others in accordance with their hard work and contribution to society. From not having any role under a socialist regime and being discriminated against in society in the pre-1978 era, the work and status of public accountants were now formally recognised as important by the state – particularly, in terms of establishing trust and credibility amongst foreign investors. Public accounting was described as an 'estimable and valuable' occupation (Wang Bingqian, 1988: 3). According to van Hoepan (1995), not only did the social status of the accounting profession improve after 1978, but top students at universities were keen to pursue accountancy as a career. From an occupation which had a very low social status over a long period of time in the history of China – and one that suffered further misfortunes during Mao's era – accountants had reversed their plight and gained respect in Chinese society over a relatively short period of time. Such change could be said to be more 'revolutionary' than 'evolutionary', reflecting, also, the dramatic change in Chinese societal values.

The most commonly documented motivations for the organisation of accountants in western societies include the pursuit of monopolistic control and collective social mobility (e.g. Macdonald, 1984 & 1985; Lee, 1996); the protection of jurisdictional boundaries (e.g. Lee, 1995; Walker 1995 & 2004); and the attainment of exclusion and differentiation, particularly, in the face of intra-professional competition (e.g. Richardson, 1987; Bocqueraz, 2001; Carnegie and Edwards, 2001; Walker, 2004). These motivations converge on the self-interests of the professional members, with professional associations functioning as ‘political bodies established and maintained to define, defend and enhance the symbolic and material value of their member’s skills’ (Willmott, 1986: 559). This being the case, accountants themselves were unsurprisingly the ones who played a key role in establishing their own associations. This is, however, in marked contrast to the professional organisation of the Chinese public accountants. The analysis in this study reveals that there was no need for the Chinese public accountants to seek legitimacy for their activities – or to enhance the symbolic value of their skills for that matter – through professional organisation, as their work was already perceived as vital for the purpose of supporting and facilitating the state’s economic agenda. The services provided by CPAs were important to the state, not only in furthering the *dui wai kai fang* (opening to the outside), but also in later facilitating the policy of *dui nei gao huo* (revitalising the economy). It is not surprising, therefore, that the existence of the CPA designation actually preceded the formation of the professional body. Set up nearly eight years after the first public accounting firm re-emerged, the CICPA was initiated by the state to facilitate the supervision and coordination of both CPAs and public accounting firms. In other words, the CICPA was established as part of the state’s overall strategy of bringing into play the role of CPAs to support its plan of economic reconstruction. The organisation of the CICPA was thus driven more by the agenda of the state, rather than by the self-interest of the Chinese CPAs. This study also highlights the particularly close relationship between the state and the CICPA, the latter being sponsored by the MOF and thus being a quasi-government body. In guiding the work of the CPAs and in promoting the development of the public accounting profession as a whole, the CICPA serves to bring the interests of both CPAs and public accounting firms into alignment with the state’s economic agenda.

The importance of the state in determining the outcomes of professionalisation projects was recognised by Johnston (1982: 207-8), with particular reference to the British context:

Professionalisation, where it occurs, is indicative of a particular form of articulation between the state and those occupations which have been of particular significance in the state’s historical formation. ...

In Britain ... the power of the professional colleague association ... was reinforced and sustained by the extension of professional activity throughout the empire during the period of imperial state formation. It was the adoption of this imperial role with its quasi-official functions which allowed a number of professional bodies to assume a degree of authority and independence of action which the professions in many other countries have never attained.

Research studies relating to Commonwealth countries have also highlighted the complex relationship between accounting associations and the state – while benefiting from some government actions, accountants in Commonwealth countries have lost other profession-state battles (for example, Poullaos, 1994; Chua and Poullaos, 1993; Macdonald, 1985). The state has also been an active participant in the

professionalisation activities of a number of European countries (see, for example, Ballas, 1998; Bocqueraz, 2001; Caramanis, 1997; 1999; 2005; De Beelde, 2002; Ramirez, 2001; Rodrigues *et al.*, 2003; Seal *et al.*, 1996), as well as in other parts of the non-English speaking world (see, for example, Sakagami *et al.*, 1999; Uche, 2002; Yapa, 1999). From this study, it would appear that China offers further evidence of the important role of the state in the professionalisation process of accountants. The profession-state relationship is thus an aspect that warrants further investigation, not just for China, but also for other countries with transitional and emerging economies. The important role played by Chinese CPAs in assisting the state to reach its ambitious goal of becoming one of the world's modern economic powers signals a favourable future for the profession in that country.

CONCLUSION

This paper has sought to elucidate the historical condition under which the professionalisation of Chinese public accountants occurred and integrate it into the broader narrative describing the professionalisation of accounting. The study of professions has been dominated by theoretical perspectives derived from a British context and which have proposed and perpetuated notions that professional work is inherently different from that of other occupations. In contrast, the theoretical rationale advanced in this paper contends that *occupational context* is a key driver of differentiation, and that professionalisation is a function of the cultural, political and socio-economic setting within which an occupational group is located. Elevated occupational status – perhaps the only universally evident characteristic of those occupations commonly described as professions – is thereby created through a complex interplay between an occupation and the society in which it is constituted.

The circumstances of the accounting occupation in China highlight this contingent and contextual aspect of professionalisation. Initially retarded by a tradition which viewed accountants and accounting work almost contemptuously, the problematic status of accounting continued to be reinforced by political, economic and cultural factors for much of the twentieth century. Only since the adoption of the *open door* policy in 1978 have accountants in China begun to consolidate a relatively high occupational status of the kind enjoyed by their counterparts in most Western countries. But here, again, the occupational context is distinct. While the British model of professions depicts a complex and sometimes uneasy relationship with the state, the Chinese government has emerged as the most significant force in enabling the rapid professionalisation of the Chinese accounting occupation in the course of the last two decades.

Conventionally, the sociology of professions literature has characterised professions as being inherently different from other occupations and independent of the society in which they are constituted. Indeed, as recounted by Carr-Saunders and Wilson (1933: 497), these elite occupational groups have been credited with *making the society* they inhabit:

Professional associations are stabilizing elements in society. They engender modes of life, habits of thought, and standards of judgement which render them centres of resistance to crude forces which threaten steady and peaceful evolution. But the service which they render in so doing is not sufficiently appreciated. It is largely due to them and to other similar centres of resistance that the older civilizations stand firm. ... The family, the church, the universities, certain associations of intellectuals, and above all the great professions, stand like rocks against which the waves raised by these forces beat in vain.

In contrast, this study sought to draw attention also to how *society makes professions*. Indeed, in a manner quite distinct from many Western countries (and particularly those of the Commonwealth), the determinative and dominating theme of the history of the accounting occupation in China over the recent decades does not centre on the strategies adopted by a self-organised collective of practitioners in pursuit of occupational closure and state-endowed privileges. Rather, the vicissitudes of the accounting occupation in China in recent decades are explained largely by the changing political, social, cultural and economic environment. Most importantly, the actions of the state had been instrumental in the ‘making’ of the Chinese public accounting profession.

Notes

- ¹ This is already evident to some extent from studies set within non-British, western locations (see, for example, Seal *et al.*, 1996; Bocqueraz, 2001; Ramirez, 2001; Ballas, 1998; Caramanis, 1997; 1999; 2005; De Beelde, 2002). As will be discussed in subsequent sections, China – as a unique non-western location – extends the diversity of the professionalisation literature.
- ² For example, Xu and Xu (2003: 130) define a profession as ‘an occupational group that is recognized by the state and the public as having special knowledge and expertise in a particular field’.
- ³ As Collins (1979: 139) remarked: ‘What is striking about the traditionally high status of medicine is the fact that it was based on virtually no valid expertise at all’.
- ⁴ The reference cited here, and several more in the discussion that follows, were published in Chinese. Where translations of Chinese sources have been required, these have been provided by the first named author. This includes interviews conducted in Chinese.
- ⁵ The *Spring and Autumn Annals* is one of the Five Classics of Chinese literature, and is the official chronicle of the State of Lu between 722 BC and 481 BC.
- ⁶ Public accountants at the time were certified by the Ministry of Agriculture and Commerce. As revealed in the archive materials provided by the CICPA, the title ‘accountant’ was used in the first CPA certificate (see CICPA *et al.*, 2002).
- ⁷ Indeed, one of the interviewees revealed that he was jailed during the time of the *Cultural Revolution*. However, the interviewee was reluctant to comment further about his plight or that of his peers.
- ⁸ According to the discussion at one of the seminar series organised by the CICPA in 1989, in a population of around 4,000 CPAs, 80 per cent were over the age of 60. The aging CPA profession was thus a major concern at the time (CICPA, 1989a).
- ⁹ The ‘four modernisations’ refers to modernisation in the area of industry, agriculture, national defence and science and technology.
- ¹⁰ The SEZs were established, initially on an experimental basis, in the early 1980s along the southern coastal region of China. The four experimental zones were Xiamen in Fujian Province, and Shenzhen, Zhuhai, and Shantou in Guangdong Province. In order to attract foreign investment, these zones operated under greater economic autonomy and enjoyed preferential treatments such as lower taxation.
- ¹¹ According to one of the interviewees, CPA firms were referred to as ‘accounting consultancy firms’ when the public accounting profession first re-emerged in the 1980s. This term was superseded when the *Accounting Law of the People’s Republic of China* was promulgated in 1985 and adopted the terminology of ‘public accounting firm’ (Accounting Law, 1985, Article 31).
- ¹² The Accounting Society of China (ASC) is a scholarly body set up in January 1980 for the furtherance of accounting research.

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- ¹³ A 'public accounting firm' is defined in Article 22 of the *RCPA* as an institution approved by the state, established according to law and which independently engages in the provision of professional services by certified public accountants. .
- ¹⁴ The first local institute of Certified Public Accountants in China (the Shanghai Institute of Certified Public Accountants) was formed in April 1987 (Xu, 1997).
- ¹⁵ This meeting was attended by state agents in charge of accounting affairs in the various provinces, autonomous regions and municipalities, as well as the heads of the finance bureaus in the SEZ. Representatives from some public accounting firms were also in attendance (see *Accounting Research* 1986, No.5, p. 8). However, it is not clear how many of these participants were also in attendance at the ASC forum.
- ¹⁶ According to the working report presented at its 1987 Annual Meeting, the ASC had begun conducting research in 1985 on how to establish a CPA system that would accommodate the circumstances facing China (Yang Jiwan, 1987).
- ¹⁷ The first Charter of the CICPA was approved by the MOF on 20 February 1989. This Charter was subsequently revised to reflect the different role expected of the profession by the state. For example, after the state's decision to push for a socialist market economy, the CICPA mission statement was revised to specifically refer to the CICPA's role in serving the socialist market economy.
- ¹⁸ According to the explanation that accompanied the Charter, the use of this name would make it easier for foreigners to understand the nature of the Institute as similar English names were found to be used by public accounting bodies in other countries.

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