An examination of the emergence and development of the Accountancy profession in developing countries: The case of the Kingdom of Thailand 1948 - 2010

A thesis submitted in fulfillment of the requirements for the degree of Doctor of Philosophy

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Declaration

I certify that except where due acknowledgement has been made, the work is that of the author alone; the work has not been submitted previously, in whole or in part, to qualify for any other academic award; the content of the thesis is the result of work which has been carried out since the official commencement date of the approved research program; any editorial work, paid or unpaid, carried out by a third party is acknowledged; and, ethics procedures and guidelines have been followed.

Chaimongkon Pholkeo
February 2013
Acknowledgements

In the completion of this thesis, there are many people who have supported and encouraged me throughout this long journey of my PhD thesis. I would like to take this opportunity to thank all of them and express my extreme gratitude for their contribution and support on this thesis.

I would like to thank my supervisor, Associate Professor Prem Yapa, for giving me an opportunity to pursue my PhD-degree under his supervision in the professionalization project. His excellent assistance, guidance, time, patience, criticism, discussion and all personal support has helped me to find out all difficult situations during my PhD study.

I would also like to acknowledge my funding support from the Rajamangala University of Technology Thanyaburi with their financial support up until the completion of this long journey of my thesis. This opportunity helped contribute in increasing my research skills at RMIT University.

Also, to my parents and my family who have never failed to support. Their care and understanding have always strengthened and encouraged me to complete this thesis.

Finally, I would like to give special thanks to my academic editor, Jennifer Leslie who proofread my thesis, the guidance of RMIT as well as those who I have not mentioned here. I am grateful for all the support and encouragement.
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## Abbreviations

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<tr>
<td>AAPA</td>
<td>The American Association of Public Accountants</td>
</tr>
<tr>
<td>AASCB</td>
<td>the Association to Advance Collegiate Schools of Business</td>
</tr>
<tr>
<td>ACCA</td>
<td>The Association of Chartered Certified Accountants</td>
</tr>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>AFA</td>
<td>The ASEAN Federation of Accountants</td>
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<td>AFC</td>
<td>Asian Financial Crisis</td>
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<tr>
<td>AICPA</td>
<td>The American Institute of Certified Public Accountants</td>
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<td>ASC</td>
<td>Accounting Standards Committee</td>
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<tr>
<td>ASEAN</td>
<td>The Association of South East Asian Nations</td>
</tr>
<tr>
<td>AuSC</td>
<td>Accounting Standards Committee</td>
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<tr>
<td>BIBF</td>
<td>Bangkok International Banking Facilities</td>
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<tr>
<td>BICPA</td>
<td>The Brunei Darussalam Institute of Certified Public Accountants</td>
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<tr>
<td>BOT</td>
<td>Bank of Thailand</td>
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<tr>
<td>BSAP</td>
<td>Board of Supervision of Auditing Practice</td>
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<td>BSE</td>
<td>Bangkok Stock Exchange Co., Ltd</td>
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<tr>
<td>CACA</td>
<td>The Chinese Association of Certified Auditors</td>
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<tr>
<td>CAPA</td>
<td>Confederation of Asian and Pacific Accountants</td>
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<tr>
<td>CICPA</td>
<td>The Chinese Institute of Certified Public Accountants</td>
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<tr>
<td>CIMA</td>
<td>Chartered Institute of Management Accountants</td>
</tr>
<tr>
<td>CIPFA</td>
<td>Chartered Institute of Public Finance and Accountancy</td>
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<tr>
<td>CNCC</td>
<td>The Compagnie Nationale des Commissaires aux Comptes</td>
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<tr>
<td>CPA</td>
<td>Certified Public Accountant</td>
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<tr>
<td>CPD</td>
<td>Continuing Professional Development</td>
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<td>CPTA</td>
<td>Certified Public Tax Accountants</td>
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<td>CSA</td>
<td>The Chinese Society of Accountants</td>
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<td>DBD</td>
<td>Development of Business Department</td>
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<td>EU</td>
<td>The European Union</td>
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<td>FAP</td>
<td>The Federation of Accounting Professions</td>
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<td>FIDF</td>
<td>The Financial Institution Development Fund</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>IAB</td>
<td>The Indian Accountancy Board</td>
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IAI  The Indonesian Institute of Accounting
IAS  International Accounting Standards
ICAAT The Institute of Certified Accountants and Auditors of Thailand
ICAEW Institute of Chartered Accountants in England and Wales
ICAI Institute of Chartered Accountants in Ireland
ICAI The Institute of Chartered Accountants of India
ICAN The Institute of Chartered Accountants of Nigeria
ICAS Institute of Chartered Accountants of Scotland
ICASL The Institute of Chartered Accountants of Sri Lanka
IES International Education Standards
IFAC International Federation of Accountants
IFRS International Financial Reporting Standards
IMF International Monetary Fund
IOSCO International Organization of Securities Commissions
ITA The Institute of Thai Accountants
MNCs Multinational Corporations
MOC The Ministry of Commerce
MOE The Ministry of Education
MOF The Ministry of Finance
NAFTA The North American Free Trade Agreement
NEC The National Economic Council
NEDP National Economic Development Plan
NESDB The National Economic and Social Development Board
NESDP The National Economic and Social Development Plan
OCAP The Oversight Committee on Accounting Professions
OCS Office of the Council of State of Thailand
OEC The Ordre des Experts-Comptables
OHEC The Office of the Higher Education Commission
OVEC The Office of Vocational Education Commission
PAD The People’s Alliance for Democracy
PICPA The Philippines Institute of Certified Public Accountants
RD Revenue Department
SARS Severe Acute Respiratory Syndrome
<table>
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<th>Acronym</th>
<th>Full Form</th>
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<tr>
<td>SEC</td>
<td>Securities and Exchange Commission of Thailand</td>
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<td>SET</td>
<td>Stock Exchange of Thailand</td>
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<td>SMOs</td>
<td>Statements of Memberships Obligations</td>
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<td>SOEs</td>
<td>State Owned Enterprises</td>
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<td>SOP</td>
<td>Sociology of the Professions</td>
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<td>SOX</td>
<td>Sarbanes-Oxley Act of 2002</td>
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<tr>
<td>TAS</td>
<td>Thai Accounting Standards</td>
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<td>TQF</td>
<td>Thai Qualifications Framework for Higher Education</td>
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<tr>
<td>UDD</td>
<td>The United Front for Democracy against Dictatorship</td>
</tr>
<tr>
<td>WB</td>
<td>The World Bank</td>
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<td>WTO</td>
<td>The World Trade Organization</td>
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Abstract

This is an empirical investigation into the development of the accounting profession in Thailand between 1948 and 2010 during the period of economic transition. The accounting professional associations - the Institute of Certified Accountants and Auditors of Thailand (ICAAT) and the Federation of Accounting Professions (FAP) are utilized as case studies. The theoretical framework is drawn from the sociology of the profession and is concerned with the state-market-community nexus in the emergence and development of the accounting profession. Whilst the studies of Puxty et al. (1987), Seal et al. (1996), and Hao (1999) have placed strong emphasis on analysis of the regulation of financial statements and practitioners, this study focuses on the regulation aspect; in particular ICAAT, Auditor Act 1962, Accounting Act 2000 and the Accountancy Profession Act 2004 and FAP regarding the development of the accounting profession in Thailand.

The methodological approach of the study is based on the middle-range approach from Laughlin (1995) and conceptual framework from Llewellyn (2003) on qualitative accounting research. The study is as a historical case study employing the explanation research approach to present the development of the accounting profession. The study emphasizes, using secondary, archival and interview data, the influence of state, market, and community on the development of the accounting profession in Thailand.

The findings show: (1) the accounting profession was dominated by the State from 1948 to 2004; (2) the accounting profession gained a certain degree of self-regulation through the support of State laws and regulations from 2004 to 2010; (3) the State created the market for accountants and auditors; (4) there is no competition for market share by accountants as in the West; (5) the accounting profession is closely monitored by His majesty the King of Thailand; (6) there is no strong influence from British professional bodies on the development of the accounting profession in Thailand from 1948 to 2010; (7) there are missing links between the accounting profession and accounting education at university level in Thailand from 1948 to 2004; (8) the Big Four firms and their positive impact on the development of the accounting profession in Thailand. Policy makers and professional accountants in Thailand need to address these issues to improve the quality of the accounting profession. Further research should focus on the implications of the relationship between commercialization, globalization and the accounting profession in Thailand.
Chapter 1 Introduction

1.1 Introduction

This study describes the development of the Accounting profession in the Kingdom of Thailand between 1948 and 2010. This provides a contrast to the US, UK, Canada and Australian based studies which have been the basis for Abbott’s (1988) incrementalist model. It also tells the story of one of the ‘late deliveries’; the Federation of Accounting Professions (FAP).

Until 1932 (B.E. 2475), Thailand was an absolute monarchy. However, significant reforms in all areas of government and public life have happened since then and the country opened itself to Western cultural influence. State accounting as a concept was introduced to stabilize Thai society which later became a necessity. To collect taxes and revenues, the Revenue Office was established with additional responsibilities of reporting the position of the Royal finances and the Royal Treasury (Henry & Attavitkamton, 1999). From 1932 to 1960, far-reaching changes in the Constitution opened Thailand to Western influence and practices. There were many professions, such as medical, law, and engineering that formed their professional accreditation bodies and councils during this period following Western models. Between 1960 and 2010, there were important changes in politico-economic milieu when the First Six-year National Economic Development Plan (NEDP) was introduced by the State to develop the economy with the aim of improving the quality of life through agricultural, industrial, and power production.

The success of the first NEDP (1961-1966) contributed to the economic growth in Thailand. Economic expansion showed impressive results when the real growth rate averaged 7.8 percent per annum during 1964 to 1966 compared with the 6.5 percent average during 1961 to 1963. As a result, the per capita income increased from 2,137 Baht in 1961 to 2,787 Baht in 1966. Based on real income figures per person, it was almost one-third higher than in 1961. Subsequently, a series of national plans were introduced to

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1 B.E. stands for the Buddhist Era which refers to the Thai solar calendar ‘Suriyakati’. This calendar was adopted by King Chulalongkorn in Anno Domini as the Thai version of the Gregorian calendar. It is 543 years greater than the Christian era (For example, B.E. 2475 equal C.E. 1932).

2 The medical council of Thailand was established in 1923; followed by the establishment of the council of engineers in 1943, and lawyer council of Thailand in 1957. The accounting knowledge and practices were transferred to Thailand long time before the accounting council was established in 2004.
stabilize the Thai economy which contributed to bring about several changes to Thai society (The National Economic and Social Development Board, 1967).

Thailand showed remarkable economic growth from 1994 to 2010, with a free-enterprise economy and a well-developed infrastructure. Although, the agricultural sector remains the most significant source of revenue of the country, the industrial sector was developed and began to play an important role in the development of the Thai economy. It was recognized that Thailand the main producer of natural and synthetic rubber and hard disk drives, and is the sixth largest exporter of rice and sugar in the world (Thailand Board of Investment, 2012). The growth rate of the Thai gross domestic product (GDP) increased from 36% in 2009 to 40.8% in 2010 as the result of the expansion of Japanese production based in Thailand (The National Economic and Social Development Board, 2011). In addition, today, the main expertise of Thailand lies in industrial products such as computers, cars, machine parts and accessories and Thailand is a major automotive production base in the Asia Pacific with a large number of automotive manufacturing plants installed locally (Busser, 2008; Sadoi, 2010).

Thailand has a long history of the development of accounting concepts and evidence can be traced back to the reign of King Rama V when the State used accounting to manage the national finances through the Royal Treasury (Henry & Attavitkamtorn, 1999). The first Accounting Act was enacted in 1939 and at the same time, the Government introduced accounting education at university level (Archival Records 1). However, until 1948, no accounting and auditing association emerged in Thailand. Therefore, the details of procedures and developments of the accounting profession of this period are beyond the scope of this study and have been only included to provide a contextual framework for the wider research.

3 His Majesty King Chulalongkorn, or Rama V (reign 1868 – 1910), came to the throne at the age of 16 and died as one of Siam's most loved and revered kings, after a remarkable reign of 42 years. Modern Thailand may be said to be a product of the comprehensive and progressive reforms of King Rama IV’s son, Chulalongkorn’s (Rama V) reign, which touched almost every aspects of Thai life. The King faced the Western world with an eager attitude, and adapted some Western ideas and inventions to lead Thailand to a modern and up-to-date future. He was the first King to travel to the Western countries and avoided Thailand from being colonized through careful negotiations with the English, French and Portuguese. He also travelled extensively throughout the kingdom for his passionately interest in his subjects’ welfare and played an important role to let the monarchy assume a more visible role in society. During his reign, communications system was revolutionized, the post and telegraph services were introduced and a railway network was built. Such advances enabled the central government to improve its control over outlying provinces (Bhakdi, 2000).
4 The Accounting Act provided guidelines for the private and public sectors for record and transaction keeping.
The first accounting professional body in Thailand was established in 1948, the Institute of Certified Accountants and Auditors of Thailand (ICAAT), to serve the emerging economic development. However, the emergence of the accounting profession in Thailand is officially recognized as 1962 when the Auditor Act B.E.2505 established the Board of Supervision of Auditing Practices (BSAP) to regulate the auditing profession (Favere-Marchesi, 2000). The Ministry of Commerce (MOC), BSAP licensed accountants, while ICAAT played an advisory role to the MOC (Saudagaran & Diga, 2000, p. 6). In addition, the accounting profession in Thailand is not perceived as self-regulated as defined in Western countries due to the fact that the accounting profession lacks power to regulate its own disciplinary matters (Saudagaran & Diga, 2000, p. 17). As a result, less than 50 percent of certified accountants were members of ICAAT by the end of 1980s (Saudagaran & Diga, 2000; Tay, 1989). This shows that ICAAT failed to organize the accounting profession due to a lack of necessary resources (Akathaporn et al., 1993, p.264) and the legitimate authority to control it.

In addition, questions were raised on the quality of qualified accountants and auditors, especially during the Asian financial crisis (AFC). Therefore, there was an urgent requirement to develop an independent organization which would have the authority to develop accounting regulations including monitoring and controlling the standards of qualified accountants and auditors (Kuasirikun, 2005). Subsequently, ICAAT was closed in 2005 and all assets were transferred to the new accounting professional body, the FAP.

The FAP, under the Royal Patronage of His Majesty the King, was established in 2005 as the national accounting professional body and it followed the operational policies of ICAAT. As prescribed by the Accountancy Profession Act 2004, the FAP was placed under the Oversight Committee on Accounting Professions (OCAP) which consisted of 14 representatives from both public and private sectors. The committee membership included high-ranking Government officials such as the Permanent Secretary of the MOC, Director-General of the Department of Business Development (DBD), Governor of the Bank of Thailand (BOT), Director-General of the Revenue Department (RD), and experts from various organizations such as the President of the Federation of Thai Industries, the Thai Bankers Association and the FAP. The accounting profession was shaped by these committee members under the pressure from Thai and global economic developments. On

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5 Asian financial crisis was started in Thailand in July 1997 and expanded into much of Asia.
a global level, the FAP is a member of international organizations such as the International Federation of Accountants (IFAC) and the Association of South East Asia Nations Federation of Accountants (AFA). In addition, the FAP and the Association of Chartered Certified Accountants (ACCA) have cooperated to provide accounting qualifications, for example the Foundation Certificate in Technical Accounting and Certified Accounting Technician Programs. This implies that Thai State, market, and community (Puxty et al., 1987) are involved in the development of the accounting profession.

The degree of influence of government agencies and private sector bodies on a country’s financial reporting institutional environment can be summarized in terms of one of four predominant approaches to regulation: (1) legalistic; (2) hybrid; (3) professional; and (4) market (Puxty et al., 1987). A legalistic approach means that the government’s influence over financial reporting is paramount. This contrasts with the professional approach where the professional accountants set the pace of regulation. A hybrid approach is characterized by roughly equal participation by government and private sector in regulation, while market means that firms are generally free to select whatever financial reporting practices best suit their needs. Following this method of classification, the accounting standard-setting arrangements in Thailand are described as adopting the professional approach (Saudagaran & Diga, 2000, p. 11).

The history of the organizations for the accounting profession in Western countries has been well documented and the development of the accounting profession is viewed as being tied to the rise and development of industrial society (Burchell et al., 1985; Hoskin & Macve, 1986, 1994; Sikka & Willmott, 1995; Walker, 1991, 1995; Willmott, 1986). However, not all countries have followed the same pathway for accounting professionalization projects. This thesis presents the analysis of the development of the accounting profession in the context of State ideology in the Kingdom of Thailand between 1948 and 2010. The outline of the scope of the research is presented in the first chapter. Section 1.2 describes the motivation for a study of the development of accounting project in Thailand. Section 1.3 presents the background of the study which reviews the accounting professionalization projects in developed and developing countries before

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6 Professionalization means ‘the establishment and maintenance of conditions which give rise to the exercise of control by an occupational association so that it can move towards the end-state of professionalization’ (Johnson, 1972; Larson, 1977; Abbott, 1988; Freidson, 1994; Macdonald, 1995).
identifying the conceptual framework for this study in Section 1.4. Section 1.5 presents the objectives of the study which links the research question shown in Section 1.6. Section 1.7 provides the rationale of this study and presents case studies of the accounting profession from other developing countries which experienced colonization. To achieve the objective of the study, research methodology and methods have been briefly described in Section 1.8. In the end, a summary of the essential elements of the thesis are provided and conclude the chapter.

1.2 Motivation

One of the main explanations for the position of the accounting profession in developing countries has been the presence, the practices and the departure of European colonial powers. Some studies in developing countries were a part of a broader localization project that included replacing expatriates with local hire (Bakre, 2005, 2006, 2010; Mihret et al., 2012; Sian, 2006; Sian, 2010; Uche, 2002, 2010). In some countries accounting professional associations have been directly sponsored by the state as part of wider human resource development programs. For example, the dominant role of the State in the market has constrained the growth of the Brunei Institute of Certified Public Accountants (BICPA) (Yapa, 1999). Thus, the state was seen as a method of accessing social and economic opportunities by ethnic and social groups who were previously left without access to the profession (Annisette, 1999, 2010; Susela, 1999, 2010). These examples suggest that areas where market capitalism is less developed, the State can play a significant role in the emergence of professional accounting bodies. China would be a classic example of a Marxist revolutionary setting where one would expect relatively little colonial influence (not in the least because it was never colonized). Therefore, unsurprisingly, the re-emergence of the accounting profession in China was largely the work of the Chinese Government (Hao, 1999; Helen Yee, 2009).

This study aims to explore the emergence and development of the accountancy profession in Thailand during the period from 1948 to 2010. The important accounting organization in Thailand is the ‘Federation of Accounting Profession’. It has started from a small group of accounting professionals which attempted to form an accounting council in 1937, but it is not unsuccessful due to the a small number of accountants at the time. Subsequently, an accounting council was appointed by the State in 2005; at the same time the Thai Government encouraged Thai universities to offer accounting degree programs in
order to increase the number of qualified accountants and auditors in the country. In 1948, ICAAT was established with the aim of developing the accounting profession in Thailand. However, ICAAT did not have power to operate as a self-regulatory body. The Ministry of Commerce appointed BSAP under the Auditors’ Act, B.E. 2505 (1962) which is responsible for monitoring the accounting profession in Thailand. The power of this board is not only to authorize the audit license for qualified auditors but also to revoke the audit license of auditors who are proven guilty of malpractice or corruption (Kuasirikun, 2005). See Figure 1.1 summary of the landmarks of the accounting profession in Thailand.

Given this background, the motivation of this research is to add knowledge about the development of the accounting profession in a developing country that was never colonized by military force. The sociology of professions (SOP) theoretical framework (focusing on State, Market and Community principles) will be used to examine the development and effectiveness of the Thai business sector. No studies have been conducted in this area to investigate professional accounting development in Thailand. Thus, this study has focused on the establishment of ICAAT and FAP and subsequent developments until 2010 that include interaction between the State, markets, community (society) within the accounting profession in Thailand.

Figure 1.1: Summary of the Crucial Land Marks of the Accounting Profession in Thailand

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1929</td>
<td>Demand of accounting accountants prescribed by Civil and Commercial Code 1929&lt;sup&gt;7&lt;/sup&gt;</td>
</tr>
<tr>
<td>1937</td>
<td>Initial idea of forming the Accounting’s Council</td>
</tr>
<tr>
<td>1938</td>
<td>Commencement of accounting programs in Thai universities</td>
</tr>
<tr>
<td>1939</td>
<td>The first Accounting Act was enacted in 1939&lt;sup&gt;8&lt;/sup&gt;.</td>
</tr>
<tr>
<td>1948</td>
<td>Establishment of ICAAT</td>
</tr>
<tr>
<td>1962</td>
<td>Approval of the Auditor Act, B.E. 2505 to establish BSAP</td>
</tr>
<tr>
<td>1971</td>
<td>The political revolution in 1971, and establishment of the Notification No.285, 1972 to replace the first Accounting Act 1939</td>
</tr>
</tbody>
</table>

<sup>7</sup> Thailand’s Civil and Commercial Code, Book III (1914 as amended in 1929) stipulates that ‘true accounts’ must be maintained of the ‘sum received and expended by the company for each receipt and expenditure’ and of the assets and liabilities of the company. The use of the British notion of true accounts in the Thai Code reflected the influence of the U.K. Companies Consolidations Act 1908 (Maolanond and Yasuda, 1985).

<sup>8</sup> The Accounting Act was provided guidelines for the private and public sectors for record and transaction keeping.
There haven’t been any studies of this area that investigate the development of the accounting profession in Thailand between 1948 and 2010. This is the motivation for this research.

1.3 Background

Extensive research has been done on the development of the accounting profession in developed countries such as the UK. This country has a long history of professional formations (see, for example, Lee, 1995; Robson & Cooper, 1990; Robson et al., 1994; Sikka & Willmott, 1995; Walker, 1991, 1995) with strong emphasis on self-regulation and autonomy with a limited role of the state as a regulatory body to support the monopoly of this profession (Beelde, 2002, p. 264; Pavalko, 1971). Later, the studies in this area were expanded to the rest of the English speaking world including the USA (Carey, 1969; Holtzman, 2004; Wright et al., 1998), Australia (Allen, 1991; Carnegie & Edwards, 2001; Carnegie et al., 2003; Carnegie & O'Connell, 2012; Carnegie & Parker, 1999; Chua & Poullaos, 1998; Evans & Poullaos, 2012; Farrow, 2012; Poullaos & Sian, 2010), Canada (Richardson, 1989a, 1989b, 2010) New Zealand (Perera & Rahman, 1997; Perera et al.,...
2001), and some non-English speaking countries, such as Belgium (Beelde, 2002), the Czech Republic (Seal et al., 1996), France (Ramirez, 2001), Greece (Ballas, 1998; Caramanis, 2002, 2005). Over time this evolved into a critical analysis of the forces and interests that impact the development of the accounting profession (Chua & Poullaos, 1998, 2002; Walker, 1995; Willmott, 1986).

Recent studies have focused on the emergence of the accounting profession in developing countries; with distinctive aspects particular to developing countries.

The development of the accounting profession has often been influenced by the presence, practices and departure of European colonial powers. This theme was evident in the recent research on the history of the accounting profession in many of the Association of Southeast Asian countries (Bui et al., 2011; Craig & Diga, 1996; Maria Cadiz Dyball et al., 2007; Maria Cadiz Dyball & Valcarcel, 1999; Huot, 2007; MacGregor et al., 1997; Saudagaran & Diga, 2000; Susela, 1999, 2010; Yapa, 1999, 2003). Most of the Asian region was colonized by Western powers such as United Kingdom, United State of America, France, and Netherlands from 18th and 19th centuries. Therefore, the development of the accounting profession in many Asian countries have been influenced initially through colonialism and then through the operations of transnational corporations and economic aid agreements, rather than in response to the accounting needs emanating from their own social, cultural, political and economic conditions (Chamisa, 2000; Hove, 1986; Macdonald, 1987; Mirghani, 1982; Needles, 1976; Yapa, 2000, 2003; Yapa & Hao, 2007). The state was seen as the primary agency to provide social and economic opportunities to ethnic and social groups who were previously left without access to highly skilled professions like accounting (Annisette, 1999, 2010; Susela, 1999, 2010).

A different model of evolution of accounting profession is offered by China as the classic example of a Marxist revolutionary setting. A relatively little colonial influence is found as China was never really colonized. Not surprisingly, the re-emergence of the accounting profession in China was largely the work of the Chinese government (Hao, 1999; Helen Yee, 2009). 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 regulations (Hao, 1999, p. 293).

In the case of Thailand also, the accounting profession has developed differently to Western countries. Like many developing countries, Thailand developed the accounting profession with the assistance from the State as evident in China. However, Thai business
environment and state ideology are different as Thailand remained independent during the period of European colonization. However, Western ideas influenced the development of the accounting profession in Thailand due to the economic domination of the USA. The present thesis aims to explain the development of the accounting profession in Thailand between 1948 and 2010.

1.4 Conceptual Framework

Based on the above research motivation and background of the study, the conceptual framework can be summarized as described in Figure 1.2. It commences with conducting the literature review in the SOP to identify an appropriate theory to link empirical evidence and knowledge, which is supported by well-designed research methodologies and methods. This is beneficial to explain and analyze the development process of the accounting profession from 1948 to 2010; ICAAT era (1948-2004) and FAP era (2004-2010) during the involvement of various factors such as, the State. The State interacted in the accounting profession through the Ministry of Commerce, Ministry of Finance, and Ministry of Education. University involvement in the profession was through accreditation programs with the MOF during the ICAAT era and the FAP era. These State interactions contributed to the development processes which lead to the emergence and development of the accounting profession between 1948 and 2010. The Western influences interacted with the accounting profession mainly through the Big Four firms and the proliferation of MNCs due to the open economic market in Thailand since 1990s. Later, the IASB’s promulgations, the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRS) were to develop a single set of high quality, understandable, global financial information. ICAAT and FAP, as members of international accounting organizations such as the IFAC, developed Thai accounting standards based on IAS and IFRS. The politico-economic milieu impacted to the profession as a result of the centralized planning model and open market policies followed by various elected political parties during the period under investigation. As a result of various interactions between the State and other institutions a remarkable change took place in the accounting profession; for example ICAAT was transformed into the FAP during the period of this study. Despite the fact that Thailand was never colonized, a certain degree of pressure from international forces created an environment for the State authorities to rethink the accounting profession during this period. This conceptual framework is explained in detail.
in Chapter 4. The objectives and the research questions are formulated based on this conceptual framework.

**Figure 1.2: Conceptual Framework**

- **Literature Review**
  - The Sociology of Professions (Puxty et al., 1987)
- **Methodology and Methods**
  - In-depth Interview
  - Archival Records
  - Secondary Data
- **The Sociology of Professions**
  - State, Market, and Community
- **Role of State**
  - Ministry of Commerce (DBD, BSAP)
  - Ministry of Finance (RD, SEC)
  - Ministry of Education (OHEC)
- **Western Influence**
  - Big Four Firms
  - Multinational Corporations
  - International Accounting Professional Body (IASB)
- **Emergence and Development of the Accounting Profession in Thailand between 1948 and 2010**
  - ICAAT (1948-2004)
  - FAP (2004-2010)
  - Policies
  - State/Profession Relationship
- **Development Process**
  - Policies
  - State/Profession Relationship
- **Role of University**
  - Academic and the Profession
  - Accreditation
- **Politico-Economic Milieu**
  - Changes in Government Policies
  - Changes in Economic Environment
  - Development of Capital Market
  - Professional Competition

Source: developed for the study.

**1.5 The Objective of the Study**

This thesis is organized as a historical study which aims to investigate the development of the accounting profession in Thailand between 1948 and 2010. It includes critical views from relevant people in the profession. The thesis emphasizes the development of the accounting profession in the private sector (corporate sector) (such as listed companies, accounting associations, and the stock exchange) where the accounting profession has played a significant role in the development of the Thai economy. However, the development of accounting in the public sector is discussed where appropriate. There are three main research objectives which are detailed as follows:

1. To investigate the factors affecting accounting reforms and to determine the most significant factors that assisted in the development of the accounting profession in the private sector in Thailand.
2. To examine the role of the Thai Government and other regulatory bodies on the development of the accounting profession.
3. To examine the impact of the politico-economic context on the Thai accounting profession.
1.6 Research Questions

There are a number of issues emerging from literature regarding the development of the accounting profession. These issues lead to the identification of the main research question to be addressed in this study.

How has the accounting development process changed in the context of state ideology in Thailand and how have changes in the corresponding political and economic context impacted on these changes?

In order to answer the main research question, the following sub-questions have been formulated.

1. How does the State and its regulations influence the development of the accounting profession in Thailand?
2. How do economic and political changes impact on the development of the accounting profession in Thailand?
3. What are the roles of Thai and international accounting bodies on the development of the accounting profession?
4. What is the perception of accountants and auditors on the development of the Thai accounting profession during the last half century?

1.7 Rationale of the Study

As posited by Birkett and Evans (2005) the concept of professionalism has been used as a way of analysing occupational associations within theories of professions. In particular, factors over which an occupation must gain control (work, market and knowledge) have been considered as strategies to achieve professionalism. The majority of studies within accounting history have focused on closure strategies in relation to work and market (for example, Chua & Poullaos, 1993, 1998; Walker, 1991, 1995; Walker & Shackleton, 1995, 1998). Few studies (Annisette, 2000; Evans, 2003) have investigated the accounting profession’s control of higher education in the pursuit of professionalism.

Professionalism is theorised as the end-state of the process of professionalization. This end-state is an ideal which is never fully realised. The process of professionalization
is theorized as the setting up and maintenance of conditions which give rise to the exercise of control by an occupational association so that it can move towards the end-state of professionalism. A full discussion of these concepts is provided in studies by Johnson (1972); Larson (1977); Abbott (1988); Freidson (1994) and Macdonald (1995).

There is a widespread view that a study of the accounting profession and associations is beneficial (Parker, 1980; Willmott, 1986) to the society because the professional associations share a significant role in shaping the professionalization process to produce qualified accountants and auditors by designing an appropriate practice and training to maintain its professional status (Lee, 1995; Timperley & Osbaldon, 1975; West, 2003; Willmott, 1986; Yapa, 1999).

Professionalization has received considerable attention in the literature from pioneer authors both in developed and developing countries such as Carr-Saunders and Wilson (1964), Carey (1969), Freidson (1970, 1994), Johnson (1972), Larson (1977), Parkin (1979), Willmott (1986), Puxty et al. (1987), Abbott (1988), Macdonald (1995), Yapa (1999, 2006, 2010), Yapa and Hao (2007), Carnegie and Edwards (2001). Many studies define the profession as occupations organized in an institutional form, the practitioners of which are committed explicitly to serve the public interest and offer client services related directly to an intellectually-based body of knowledge (Lee, 1995, p. 49). In this light, Willmott (1986, p. 557) claims that the professional body is perceived as a basic organizational instrument for defining and securing a respectable and valued social identity. Critical research indicates that the establishment of the profession is the result of economic rewards and occupational ascendancy (Walker, 1995, p. 287).

The professionalization literature demonstrates a variety of theoretical approaches, in the last few decades—following developments in the literature on professions in general—two broad perspectives have come to dominate the field. The first is the neo-Weberian view, which sees the accounting profession as a status group within the division of labor (Chua & Poullaos, 1998; Macdonald, 1984, 1995; Richardson, 1987; Walker, 1991, 1995). The second is the Marxist view, which examines accountancy in terms of class structure and in relation to production (Annisette, 2000; Armstrong, 1985, 1987; Cooper et al., 1998; Johnson, 1972, 1980; Puxty et al., 1987; Robson et al., 1994).

This thesis contributes to research knowledge on an empirical and theoretical level. Firstly, the empirical component is involved with the investigation of the development of the accounting profession in the unique situation of Thailand. This knowledge is added to the existing knowledge and historical studies of the SOP. As mentioned in the introduction,
the studies in this field have moved forward to explore the emergence of the profession in developing countries and emerging economies. As these countries have increased their roles in global trade, understanding the development of the accounting process in different contexts is beneficial for policy makers to make changes to suit their business environment.

Secondly, emerging themes and concepts in this thesis also contribute to the development of accounting knowledge on a theoretical level. According to the discussion about theory in qualitative accounting research, theorizing expresses the meaning and significance of social phenomena, it negotiates peoples’ everyday experiences and it generates expectations about the social world (Llewelyn, 2003, p. 667). Theory is included to support decision making and in terms of the accounting profession, understanding the factors influencing the development of this profession contributes best value to the society.

This thesis therefore aims to understand factors (such as state, market and community) that influenced the development of the accounting profession between 1948 and 2010 in Thailand. In attempting to address these issues, the thesis explores the development of the accounting organization as it improves its performance to serve the country. It also aims to address new knowledge of when and how the Thai accounting profession emerged and includes knowledge from other countries - both in developed and developing. Therefore, this thesis aims to contribute and provide an in-depth understanding of the Thai accounting profession.

As far as the researcher was aware, few studies had been conducted to examine the development of the accounting profession in Thailand (Akathaporn et al., 1993; Craig & Diga, 1996; Favere-Marchesi, 2000; Saudagaran & Diga, 2000; Techamontrikul & Chimchome, 2005). Those studies are mainly done in financial accounting and regulations (focused on the impact of accounting standards, testing the value of firms and empirical evidence from Thai capital market), auditing and internal auditing (focused on investigating the corporate governance), and managerial accounting (focused on investigating the cost accounting systems). Although the study on the accounting profession and associations is beneficial and to our society (Parker, 1980; Willmott, 1986), little empirical research has been produced in Thailand. Therefore, this study aims to contribute to the body of knowledge on an empirical and theoretical level.
1.8 Overview of Methodology and Methods

The emergence and development of the accounting profession depends on several factors such as state, market and community (Puxty et al., 1987; Streeck & Schmitter, 1985). To explore the empirical history of the development of the accounting profession, a critical analysis approach has the ability to provide rich information about the transformation of the subject.

A case study of the accounting profession in Thailand is used as the research methodology for this thesis. Research methods include in-depth interviews, archival records, and secondary sources that have been utilized to collect data. The determination of a research approach is based on the researcher’s world view about knowledge (ontological and epistemological) (Llewelyn, 2003). Ontology in this thesis deals with the subjective reality of the social world, whereas the epistemology lies within the replication of theory as against the generalization of the social phenomena through lived experience (Llewelyn, 2003, p. 692).

Laughlin (1995) provides a suitable discussion on the theoretical and methodological choices which refers to the dimensions of theory, methodology and change. This leads to the development of the middle-range thinking approach that is adopted in this thesis which is detailed in chapter three. The middle-range approach discusses theory with some broad understanding of relationships. The approach is flexible and allows the researcher to adjust the research process according to the actual situations. The researcher is important as part of discovery process. Subsequently, data obtained, which is presented in descriptive and analytical form, becomes available as a qualitative research (Laughlin, 1995, p. 80).

In addition, Laughlin (1995) and Llewelyn (2003) provide a discussion on qualitative accounting research which refers to the conceptual framing of organizational actions, events, processes, and structures. This can also apply to accounting development projects. Llewelyn (2003, p. 699) points out that quantitative research, informed by the positivism, is still in the dominant position over qualitative research, however the later research approach, using interpretive methodologies has become increasingly influential (Caramanis, 2005; Chua & Poullaos, 1998). The development of research design (case studies) and systematic research methods (such as structured questionnaires, semi-structured interview and focus group interview) are useful to explore an observed reality and explains regularities and relationships between empirical phenomena (Llewelyn, 2003,
A snowball sample is adopted to identify relevant research participants which related to a large number of accounting professionals. This method allows the researcher to identify experts in the accounting profession and include relevant people that they would not have known (Bryman & Bell, 2007; Goodman, 1961).

The researcher believes an appropriate research method contributes to the understanding of the social world through a critical analysis where the context of the situation being studied is important for generation of theory. Therefore, the thesis uses a qualitative research approach to describe the development of the accounting profession in Thailand. This approach allows the researcher to employ a combination of data collection techniques; in-depth interviews, archival records and secondary data. This would enable the researcher to validate and to ensure the reliability of findings suggested in the method of triangulation (Patton, 1990) since multiple sources of data collection have different strengths and weaknesses (Gillham, 2000, p.13).

Moreover, most studies in professionalization project (Ballas, 1998; Caramanis, 1999; Carnegie & Edwards, 2001; Chua & Poullaos, 2002; Cooper & Robson, 2006; McKinstry, 1997; Richardson, 1988; Sikka & Willmott, 1995; Suddaby et al., 2009; Uche, 2002; Walker, 1991, 1995, 2004; Yapa, 1999, 2003, 2006; Yapa & Hao, 2007) employ qualitative research to explain the transformation of the accounting profession. Adopting this approach, researchers are able to gain rich information and more understanding as shown in prior studies. Therefore, the qualitative research is determined to be useful in exploring the development of the accounting profession in Thailand.

Also in the determination of the research methods; research objectives, the nature research questions, theory employed in the study, background of the researcher, and the impact of research participants are considered to be the important factors. The main data collection is based on in-depth interviews that were conducted by the author with 30 individuals and most of them are members of ICAAT and FAP. The group of interviewees consists of - (1) corporate accountants, (2) certified public accountants (CPAs), (3) accounting academics and (4) representatives from the Thai regulatory bodies (these interviewees are non-members of ICAAT and FAP). Out of 30 interviewees 9 are involved with the regulation of the accounting profession in Thailand and hold responsible positions in both ICAAT and the FAP. Thirty interviews were conducted on a face-to-face basis using the technique of snowball sampling. The interviews were tape-recorded and transcribed by the researcher. Most of the available archival records relating to the accounting profession were collected from National Archives of Thailand, The records of
Government administration (located in the National Archive of Thailand), House of Parliament records, and Government Gazette notifications were from the Secretariat of the Cabinet. The primary data is also supported by secondary data from academic journals and relevant websites.

1.9 Summary of the Essential Elements of the Thesis

This research has been organized into eight chapters to enable a logical presentation of the literature, methodology and methods, the empirical research findings and their implications.

Chapter 1 provides the context in which the research has been undertaken, including the research background, research objectives, rationale for the study, methodology, and a brief explanation of each chapter.

Chapter 2 is devoted to exploring the emerging literature on the development of the accounting profession in developed countries before expanding to review the accounting development projects in developing countries. There has been significant academic research on the professionalization of accounting in Western countries particularly in the UK, which then extended to developing countries (British colonies) in Africa and Asia over the last few decades. This chapter concludes with a discussion of the research findings by other researchers around the globe in relation to the professional development area and narrows it down to the research gap which leads to the research questions of this thesis.

Chapter 3 presents a theoretical foundation for this study. It describes the theoretical framework under the SOP. The momentum of SOP literature begins with the functionalist and interactionist perspective before expanding to the critical perspective, which remains the significant theory over the first two perspectives. This chapter concludes with a discussion of the conceptual framework for this study.

Chapter 4 presents the methodology and methods chapter, which commences with a discussion on methodological and research paradigms employed to explain the development of the accounting profession in Thailand. The research methodology is mainly drawn from Richard Laughlin’s (1995) ‘Middle Range Thinking’ approach and Sue Llewelyn’s (2003) ‘conceptual framing’ which has been introduced specially for qualitative research on accounting. It provides the main research question and sub questions relating to this study.
Research methods are based on semi-structured interviews, archival records, and secondary sources. The data collected was analyzed by using theme analysis conducted with the help of ‘NVIVO’ computer software.

Chapters 5 to 8 present the empirical data, analysis and the conclusion of the study. Chapter 5 aims to discuss the major events and changes pertaining to political and economic settings during the period from 1948 to 2004 (during the period of ICAAT), and the formulation of the regulatory framework and its implications to the development of the accounting profession in the Thai context.

Chapter 6 presents the case study of Thailand between 2004 to 2010 as a unique case study with reference to politico-economic milieu and State influence on the accounting profession.

Chapter 7 consists of findings and discussion and presents an analysis and discussion on empirical research undertaken as part of this thesis with the theoretical base of SOP.

Chapter 8 provides the conclusion of the thesis which demonstrates the main findings derived from interviews and comparisons with previous studies. A similarity and dissimilarity in research findings with prior research is observed. New knowledge derived from a unique case of Thailand is also presented in this chapter. This is followed by limitations of the study, recommendations and scope of further research.
Chapter 2 Literature Review

2.1 Introduction

This chapter presents the literature review on prior studies relevant to the thesis. It starts with the exploration of professionalization research in Western countries including English speaking and non-English speaking countries. Specifically, Section 2.2 reviews the development of the accounting profession in the UK, USA, France, and Germany to gain more understanding of the nature of the accounting professionalization process in Western countries. Section 2.3 explores the influence of the British accounting model on British colonies (such as Canada, New Zealand, and Australia) and other developing countries before investigating the State’s role in the development of the accounting profession in section 2.4. State involvement in the accounting profession varies from strong to minimal influence based on the culture and conditions of each country. The relative degree of influence of government agencies and the accounting profession is categorized into four approaches: (1) legalistic; (2) hybrid; (3) professional; and (4) market (Puxty et al., 1987). This notion is beneficial for the researcher through which to investigate how and why the state engages with the accounting professionalization process. Section 2.5 reviews the role of the university and the profession. Section 2.6 provides some conclusions.

2.2 The Accounting Professionalization Projects in Developed Countries

Most of the existing research dealing with accounting professionalization has focused on developed countries, in particular the UK and the USA which have a long history of the development of the accounting profession (for example, Carey, 1969; Haltzman, 2004; Lee, 1995; Puxty et al., 1987; Willmott, 1986; Walker: 1991). These studies have focused on self-regulation, autonomy and self-monitoring and the state’s role in support of a monopoly of the profession (Beelde, 2002, p. 264; Pavalko, 1971). Cooper and Robson (2006) argue that distinctive aspects of the development of the accounting profession in different countries contributed to diversification of new knowledge that is necessary to understand the transformation of accounting.

To support this argument, this section provides a literature review on the development of the accounting profession in developed countries, focusing on the UK,
USA, France and Germany. These countries played a significant role in the colonial period from the 1500s and have a dominant role in the development of the world economy.

**The United Kingdom**

In the development of the accounting profession, Britain is recognized as the first country in the world to develop this profession (Carey, 1969; Walker, 1991, 1995; Willmott, 1986). The association of the accounting profession was first formed in Edinburgh in 1854 which later merged with two other organizations from Glasgow and Aberdeen and became the Institute of Chartered Accountants of Scotland under a new charter (Carey, 1969, p. 19). The emergence of the accounting profession derived mainly from public protection and the transformation of the business environment as mentioned by Carey (1969).

The accounting profession today is the product of an industrial, free-enterprise economy, supported mainly by private capital, but subject to widespread government regulation. Economic and social change created the need for an accounting profession but accountants created the profession themselves by constantly raising their standards of performance, improving their own education and training, enlarging the scope of their services and accepting heavier responsibilities (Carey, 1969, p. 4).

A substantial body of literature is available on the development of the accounting profession in the United Kingdom (Lee, 1995; Matthews, 2006; Ramirez, 2009; Robson & Cooper, 1990; Robson et al., 1994; Sikka & Willmott, 1995; Walker, 1991; Walker & Shackleton, 1995; Willmott, 1986). Willmott (1986) found evidence that there were several factors influencing the success of professionalization in the UK such as the structure of the relationship of professions with consumers of their services; their relationship with the agencies empowered to legitimate and extend their occupational domain and control; and finally, their membership, whose material position and social identity are affected by the activities of their association (Dunn & Sikka, 1998; Sikka et al., 2007; Sikka & Willmott, 1995; Walker, 1991, 2004; Walker & Shackleton, 1995; Willmott, 1986).

The story of British professional associations, including the formation of the accounting profession, the expansion of membership, and the establishment of coordinating bodies has been used to explain the transformation of this profession, for example, Walker (1991, 2004) explored the professional monopoly of chartered accountants from 1854 to 1914. Walker and Shackleton (1995) also explored the transformation of the accounting profession during the period of the Second World War
and the years of post-war reconstruction. Employing the profession-state axis (Miller, 1990; Johnson, 1972; Chua & Poullaos, 1993) in the historical case study of the United Kingdom, the authors found that a coordinating committee of the British accountancy profession failed to secure a legal monopoly of public practice at that time because of the inappropriateness of the organizational structure, inability to subsume particularistic agendas, and a failure to comprehend the enhanced power of government and mandarin civil servants in the corporatist state (Walker & Shackleton, 1995, p. 467). This confirmed the notion that British professional bodies failed to integrate as a united professional body in the past (Willmott, 1986). Today, there exist six recognized qualifying bodies in UK that has played a significant role in the development the accounting profession in many countries (Table 2.1).

Table 2.1: Recognized Qualifying Bodies in Britain

<table>
<thead>
<tr>
<th>Professional Body</th>
<th>Formation (Year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institute of Chartered Accountants of Scotland (ICAS)</td>
<td>1854</td>
</tr>
<tr>
<td>Institute of Chartered Accountants in England and Wales (ICAEW)</td>
<td>1880</td>
</tr>
<tr>
<td>Chartered Institute of Public Finance and Accountancy (CIPFA)</td>
<td>1885</td>
</tr>
<tr>
<td>Institute of Chartered Accountants in Ireland (ICAI)</td>
<td>1888</td>
</tr>
<tr>
<td>Chartered Institute of Management Accountants (CIMA)</td>
<td>1919</td>
</tr>
<tr>
<td>Association of Chartered Certified Accountants (ACCA)</td>
<td>1905</td>
</tr>
</tbody>
</table>

Source: (Willmott, 1986, p. 570)

The accounting profession in the UK attempted to demonstrate its prestige through education, training, and ethics to promote public confidence (Carey, 1969; Lee, 1995). Much of this development invited public criticism of accounting and auditing standards, and the influence of standards on state societies (Lee, 1995, p. 57). Accounting professionalism is developed through different strategies such as the use of the journal and founding library to present the professionalism of accountants (Lee, 1995, p. 57). The Accountant (1874) and The Accountants’ Magazine (1897) are the example of journals that were used as a tool to publish and criticize accountancy knowledge and practice, identifying accounting, auditing, tax, legal and business issues that affected professional accountants (Brown, 1905; Garrett, 1961; Lee, 1995). In addition, the extension of the political influence on corporate accounting and auditing was used to deal with
bankruptcies and liquidations during the late nineteenth century and the mid twentieth century (Aranya, 1974; Edwards, 1976; Lee, 1995; Napier & Noke, 1992). Napier and Noke (1992) identified a more proactive role by accountants from the 1940s onwards followed by legal cases dealing with accounting and auditing failures and subsequent criticism that reflected a growing awareness by UK accountants that their economic self-interest was not well served by ignoring their public interest responsibilities (Lee, 1995, p. 58).

The nature of the professional bodies in the UK is complex (Napier, 2006, p.465). This phenomenon leads to a series of investigation of the interaction between the accountancy bodies and their rivals or other organizations such as state agencies (Walker, 1991, 1995, 2004; Walker & Shackleton, 1995). It appears that the nature of the accounting profession in UK is self-regulating where an industrial, free-enterprise economy, is supported mainly by private capital. The Government has a central role in the development of rules and regulations as a framework for the development of the profession (Puxty et al., 1987, p. 288). Demand for the accounting profession derived from economic and social change. However, the accounting community plays a significant role in the development of the profession by constantly raising their standards of performance, improving their own education and training, enlarging the scope of accounting services and refining the professional Code of Conduct (Carey, 1969; Millerson, 1964; Puxty et al., 1987; Willmott, 1986).

It appears that multiple professional accounting bodies in UK created a high competition. However, in the case of Thailand, there is only one accounting professional body and membership is not required for licensed auditors and practitioners (Saudagaran & Diga, 1998). There is no direct competitive pressure for the development of professionalization as it exists in some Western countries. It is commercialization and the State that influences the professional mobility through social development. Thailand is an emerging economy which developed from agricultural beginnings to a newly industrialized country. The professional development of accountants and auditors is critical to the ongoing success of the transition economy and the emergence of capital markets.
The United States

Professionalization projects in the United States were produced to provide understanding of the development of the accounting profession from different perspectives (see, for example, Carey, 1969; Holtzman, 2004; Ingalls, 1965; Miranti, 1986; Rezaee, 2004; Wright et al., 1998). Most studies, explore the history of the accounting profession in the USA. Parallel with the developments in the UK and trade between these two countries in the late nineteenth century, the accounting profession concept crossed the border from Europe to America with the aim of protecting the economic interests of British investors (Carey, 1969, p. 22). This implies that the Scottish chartered accountants had great significance to the United States as a professional model. Similar professionalization processes (entry examination and training requirement, lobbying over legislative matters, professional designation, and statutory regulations) emerged in the early stages of the development of the accounting profession in the United States (Lee, 1995, p. 53). The first accounting association in the United States was the American Association of Public Accountants (AAPA), the predecessor of the American Institute of Certified Public Accountants (AICPA) (Ingalls, 1965, p. 875). It was established in 1887, and recognized as an independent and autonomous body under the laws of the District of Columbia (Ingalls, 1965, p. 877). It was perceived as the commencement of the new accounting era in this country (Carey, 1969, p. 22). Modern professionalization is connected with the development of capitalism during the late nineteenth century and the beginning of the twentieth, with the rise of industrial capitalism, its early crises and consolidation towards its corporate form (Larson, 1977, p. 6).

Wright et al. (1998) described challenges faced by the public accounting profession during economic change, regulatory, and human resource in the USA. The accelerated economic change during the 1980s and early 1990s was the result of the development of technology such as electronic data interchange, automated tellers, electronic mail and the internet. These changes, along with the political changes, challenged US businesses to adjust themselves to compete. In the same way, accounting firms began merging to respond to the economic transformation and the number of auditing professionals increased for the new mega-corporations (Wright et al, 1998). The authors suggest that a public accounting firm should adopt and live by its own bold creed of skepticism and should continually challenge its practices (Wright et al., 1998, p. 525).
Whilst the current accounting profession is recognized as a powerful sector of the modern economy, the progression has not been free of significant issues such as persistent public criticism of accountants and their services (Ingalls, 1965; Lee, 1995). The professional criticism involved with business failure and inability to assist in the accountability process to protect the public interest (Lee, 1995, p. 64). Ingalls (1965, p. 874) claims that the American accounting profession has a preference for self-regulation to avoid external control such as legislation, government agency, or judicial intervention. Therefore, several strategies have been used to protect its position to maintain public confidence. Lee (1995) found the US used similar methods as the UK accounting institutions including the use of journals and libraries to promote and present their professional bodies. In addition, to improve the quality of the accounting and auditing standards, full-time professional committees have been used, instead of part-time, such as the Committee on Accounting Procedure. As a further development, accountancy education has been legitimized in British and the American professional education (Langenderfer, 1987; Lee, 1995). This means that the modern accounting program is subject to accreditation procedures by peer review. Rogers et al. (2005) employed image restoration theory (Benoit, 1995) to identify the common strategies that AICPA employed during 2001 and 2002. This theory perceived communication activity as the main goal to protect or restore a reputation of individuals or organizations (Rogers et al., 2005, p. 162). Rogers et al. (2005, p. 172) found that the AICPA used multiple strategies; corrective action, evading of responsibility via bolstering and defeasibility.

Cooper and Robson (2006) reviewed previous works on accounting, professions and regulation. The study focused on the research and concepts with an Anglo-American orientation. They found that the majority of the projects produced in Britain and North America were related to four themes; the role of the profession in imperialism and colonization, the comparative analysis of the systems of professions, the examination of the interplay between commercialization and professionalization, and the emergence of interest in the marginalized during the development of the accounting profession (Cooper & Robson, 2006). This kind of study is useful to understand the transformation in accounting research for social development theory.
France

A particular feature of the accountancy profession in France is the existence of two separate professional bodies, the Ordre des Experts-Comptables (OEC), which is under the responsibility of the Ministry of Finance, and the Compagnie Nationale des Commissaires aux Comptes (CNCC), which is responsible to the Ministry of Justice. These two professional bodies emerged from the enactment of the state laws. A member of the OEC can also give tax, legal and administrative advice if retained as an accountant by a client. Members of the CNCC have legal monopoly on the statutory audit. The OEC and the CNCC are usually both referred to as the French accounting profession but, in terms of the Anglo-American definition, this assessment is incorrect (Bocqueraz, 2001).

The interrelationship between accounting and the state is either defined through a centralized model, where accounting practices are regulated by the state itself, or from a ‘liberal’ framework, in which regulation is made the responsibility of bodies that are formally independent of the state (Miller, 1990). The primary responsibility of statutory auditors is defined by law and they are appointed for a six-year period by a general meeting of shareholders (American Institute of Certified Public Accountants, 1992). In this light, Ramirez (2001) concluded that the French accounting practitioners failed in acquiring professional status before the Second World War.

In order to be a certified public accountant in France, candidates must have a relevant degree from a state approved institution, 3 years’ internship and pass the professional examination (Watson & Downes, 2009).

Bocqueraz (2001) indicates that the responsibilities of the modern French accounting profession are based on the State law. For example, (1) the primary responsibility of statutory auditors is to certify the regulatory fairness of the financial statements. The law defines their duties, and they are appointed for a six-year period by a general meeting of shareholders. (2) A statutory auditor is generally an individual, but it can also be a firm. (3) All statutory auditors are registered on the official list of each Court of Appeal. A statutory auditor may practice anywhere within French territory (see full explanation in the American Institute of Certified Public Accountants, 1992). This shows that State has a significant influence on the development of the accounting profession in France.
Germany

In 1931, a Presidential Decree and the ensuing Company Law mandated annual audits for large public firms in Germany (Aktienqesellschaften, or AGs), and gave government sanction to the German accounting profession. Perhaps due to their importance for the national economic good, the AGs were the only non-service companies subject to mandatory audits. The limited liability companies and the sole proprietor operations escaped the effects of the new Company Law. Tax law, however, regulated the accounting of these latter two entities (Harston, 1993).

Watson and Downes (2009) identified the profile of the accounting profession in Germany where the State had a significant role in the development of the accounting profession. For example, the titles and designations of the accounting profession are protected in German Law. The profession is regulated at State level by the Lander Ministries of Finance. In order to be a certified public account, candidates must have a relevant five year degree from a state recognized institution and three years practical experience, or four years where the degree was of four years duration. Accountants must be members of the State professional body and must have professional indemnity insurance.

According to Puxty et al. (1987), the strongest influence of the government over the accounting profession is through the legalistic approach as found in the case of French and German (FG). The titles and designations of the accountancy profession are protected in State law (Watson & Downes, 2009). In contrast, professional accountants set the pace for regulation the American and Britain (AB), The state has a minimal role in the accounting profession as shown in Figure 2.1 and here is no special protection for an accountant other than through certain auditor regulations (Watson & Downes, 2009).

Figure 2.1: the Relationship between Professional Autonomy and the State Control of the Accounting Profession

<table>
<thead>
<tr>
<th>Degree of Autonomy and independence</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td></td>
<td>FG*</td>
<td></td>
</tr>
<tr>
<td>Medium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td></td>
<td>AB*</td>
<td></td>
</tr>
</tbody>
</table>

AB*: American and British Model, FG*: French and German Model
In summary, development of the accounting profession in the selected four countries shows similar and different patterns of the professionalization process. The American and British accounting professionalization (AB model) shares a similar pattern with a focus on autonomy and independence of the accounting professional bodies to regulate and control their members. In contrast, accounting professionalization in France and Germany (FG model) shares a similar pattern in their development because accounting practices were highly regulated by government authority (American Institute of Certified Public Accountants, 1994). However, the state attempted to modify the profession to ensure more independence which was consistent with a liberal ethos of the country.

Different issues in accounting professionalization projects are apparent between Western countries, their former colonies, and developing countries which adopted Western accounting models, and this will be explained in the next section.

2.3 Development of the Accounting Profession in British Colonies and Developing Countries

The literature on the accounting professionalization has expanded rapidly during the last five decades in Western countries particularly the UK and the US with their long history of professional formation. This has had a significant influence on the development of accounting, particularly in developing countries, through colonial influence, investors or multinational corporations (MNCs) (Hove, 1986; Perera, 1989; Wilkinson, 1965).

Hove (1986) points out the following two reasons for transferring accounting knowledge of one country to another. The first reason was that the second country had not organized a body of accounting principles in the first place, and secondly, large amounts of capital from the first country were invested in business in the second country, with the consequent ability on the part of those investors to impose their own accounting requirements (Hove, 1986, p. 83).

2.3.1 Accounting Professionalization Research in British Colonies

There has been a lot of literature written about the British Empire and its former colonies that can be divided into two broad categories. The first category is a settler colony (such as
Australia, Canada, and South Africa) where accountants were trained locally to develop their professionalization as their counterparts in Britain in the late nineteenth and early twentieth centuries (Chua & Poullaos, 2002; Poullaos, 2010; Richardson, 1989a, 2010). The second category was a non-settler colony (such as Jamaica, Malaysia, Nigeria, Sri Lanka, India, and Trinidad and Tobago) which had diversified racial and ethnic groups. They did not have an opportunity to organize themselves until decolonization (Annisette, 2000, 2003, 2010; Bakre, 2005, 2006, 2010; Sian, 2006; Sian & Poullaos, 2010; Susela, 2010; Uche, 2002, 2010; Wallace, 1992; Yapa, 2006, 2010).

**Accounting Profession in the Settler Colony**

In Australia, the development of the accounting profession is based on the conventional British model which focuses on technically-based education that is directly applied through the training of practitioners. The professionalization process in the Australian accounting profession used strategies in an ongoing process of negotiating and renegotiating of their status between 1953 and 1985 (Allen, 1991). In addition, to respond to the crisis during the 1960s, solidarity in the form of co-ordinated individual action and collective action between the Australian accounting professions was of greater importance than division or inaction during this period (Carnegie & O’Connell, 2012). Chua and Poullaos (1993, 1998) found the evidence and explained the attempts of incorporating the Institute of Accounting in Victoria to obtain Royal Charter and promote itself as the leading professional body in the state. In addition, the interaction of state and profession could provide a better understanding about the Australian situation rather than concepts of monopoly or closure studies (Chua & Poullaos, 1993, 1998).

However, recent development of the profession has resulted in a hybrid model between the British and US models where university-based accounting undergraduate and postgraduate degrees (the US model) has had a significant role in producing accountants and auditors. In the new British model, non-accounting graduates and school leavers can follow an accounting career through professional education. Many studies discussed the significant challenges ahead, both for current and emerging path ways for the next generation of professional accountants (Evans & Poullaos, 2012; Farrow, 2012; Freeman & Hancock, 2012; Tingey-Holyoak & Burritt, 2012; Tye, 2012).

Evans and Poullaos (2012) used the professional, academic and state relationship to explore the changes in Australian pathways and highlight how recent conditions have had an impact on the present condition of the accounting profession and its future. They also
showed the involvement of professional bodies in providing various pathways and membership to Australian citizens. An example of this is the joint venture with the CIMA and AICP to develop the Chartered Global Management Accountant as the forefront of brand success. In addition, specialization of the profession included areas such as tax, insolvency, financial planning, forensic accounting and internal audit; emerged in Australia. Therefore, the profession should be concerned more about developing programs to prepare the students with enough knowledge and professional experience and ensure they meet the expectations that accounting and business graduates require and be ready to work (Thomason & Ward, 2012, p. 63).

The development of the accounting profession in Canada is complicated through influence from several nations particularly, France, the United Kingdom, and the United States (Richardson, 2010, p. 53). Richardson (2010) argues that these three countries have exerted their imperial influence on the accounting practice in Canada but none have achieved complete dominance. The rise of the Canadian accounting profession could be understood from two main approaches: the implementation of imperialism on accountants and accounting and the impact of imperialism on the accounting professional body.

The accounting profession in New Zealand (The Institute of Chartered Accountants of New Zealand) emerged as a self-regulated organization to be a representative of the national accountants and auditors. The process of professionalization is similar to that of any other Anglo-American country (Perera & Rahman, 1997). Perera et al (2001) reflected the transformation of the modern profession of accountancy under a changing environment. The authors pursue the SOP theory to understand the phenomena, giving special attention to the relationship between state and profession during a period of significant economic reform. They found that the reform process in New Zealand contributes a positive development of the accounting profession to respond to an uncertain situation.

The ideological shift and the associated values entrenched in the reform program provided the environment that motivated and enabled the profession to introduce significant strategic and structural changes. Through the reform process, the accounting profession in New Zealand has changed from the traditional type of established profession to a profession that can adapt to a changing environment (Perera et al. 2001, p.151).

While the professionalization projects in Canada, Australia, and New Zealand show the influence of imperialism or colonialism, it is interesting to note that lessons from these countries contributed to the development of the professionalization. This reform
Accounting Profession in the Non-settler Colony

Development of the accounting profession in non-British settler colonies such as Nigeria, Kenya, Trinidad and Tobago, India and Sri Lanka experienced some common development process. This process includes (1) British legacy that has manifested itself in the organization of professional accountancy (Sian, 2010); (2) the transfers of British accounting expertise, accounting qualifications, and accounting practice (Sian, 2006, 2011); (3) concept of professionalism where the British model of an autonomous profession is accepted (Verma, 2010); (4) local accounting body exercised a closure strategy in maintaining British interests (Sian, 2006; Yapa, 2010); and (5) domination of the accounting professional body in accounting education and certification of accountants (Annisette, 2003, 2010).

In Nigeria, the only professional accountancy body, the Institute of Chartered Accountants of Nigeria (ICAN), which was mandated by law to conduct professional accountancy examinations, register and discipline accountants and regulate the conduct of audit and professional practice, has continuously faced tremendous pressures over its exclusive monopoly (Wallace, 1992). Uche (2002, 2010) points out that the types of government, societal expectations, interest groups and government actions have impacted on the development of the accounting profession. The establishment of the Nigerian accounting profession became feasible only with the movement towards political independence of the country (Uche, 2002, 2010). It appears that the local professional body is not perceived as exclusive as the British accounting institutions. This could be the result of high standards of international accounting qualifications. For example, while members of the ACCA are automatically admitted as an ICAN member, the members of ICAN do not enjoy the same reciprocal treatment (Uche, 2010, p. 88). This implies that the British accounting professional bodies retain a strong influence after independence.

In Kenya, Sian (2010, p. 216) argues that the achievement of professional independence was not able to execute a decisive departure from its colonial past, a legacy that pervades many aspects of post-colonial society. The British presence left a legacy that has manifested itself in the organization of professional accountancy in a number of ways, almost predisposing a particular developmental trajectory: first, consequences for professionalization resulting from transfers between the colony and the imperial centre; secondly, consequences for professionalization resulting from social ordering in colonial
Kenya; finally, consequences for professionalization following the granting of political freedom by Britain (Sian, 2010, pp. 233-234).

In Trinidad and Tobago, the accounting profession (Annisette, 2000, 2003, 2010) has focused on the nature and organization of professional accountancy. Annisette (2000) examines the dominance of the British-based ACCA in the education and certification of accountants. Annisette (2000) suggests that political-economic factors created the conditions for external collaboration. Annisette (2003) has also extended the study to focus on the development of the profession to understand the relevance of race in accounting and attempted to explore the emergence of the overseas practice link during 1911-1995 (Annisette, 2010).

India and Sri Lanka share a similar pattern in the development of their accounting professions due to British colonial influence. Verma (2010) presents the rise of accountancy in the context of state influence and extends the work of Kapadia (1972) to explore the professionalization process in India from 1947 to 1960. The British model of an autonomous profession was accepted as the appropriate model of professionalization by Indian accountants, and there was little involvement of the British government and accounting institutes in the establishment of the accounting profession in post-independence India (Verma, 2010, p. 211). This could be the result of state intervention. The Indian Accountancy Board (IAB) was created to control the accounting profession in 1932 as the result of the Companies (Amendment) Bill 1930. The board is responsible to provide consultancies to the government on accounting and auditing issues, maintaining the standards of qualification, and conducting the register of accountants. Another significant Indian accounting profession institution is the Institute of Chartered Accountants of India (ICAI) which was established in 1949.

In Sri Lanka, there were two main accounting groups: the ‘elite accountants’ with British accountancy qualifications who founded the Institute of Chartered Accountants of Sri Lanka (ICASL); and the ‘non-elite’ Registered Accountants who took the examinations of the local accountancy board, graduated from local universities and formed the lower tier of the profession (Yapa, 2010, p. 124). This accounting environment was similar to the development of the accounting profession in India where British influence created a high completion. The closure strategy was utilized to close off opportunities to enter the market for the local accounting professionals (non-elite group) in the period 1959-1977 with the adoption of British training models. Examinations were conducted in English to join the ICASL, and high standards of practice requirements were maintained (Yapa, 2006, 2010).
Although similarity of the professionalization process is investigated in the British colonies as mentioned, some divergence of professionalization trajectories in settler colonies and non-settler colonies are discussions in the accounting academic community (Annisette, 1999; Chua & Poullaos, 2002; Sian, 2011). Whilst the earliest accounting associations in the settler colonies have their origins in the nineteenth century, in most non-settler colonies indigenous professionalization did not take place until political independence was attained in the latter part of the twentieth century (Sian, 2006, p. 229). For example, Kenya was a settler colony; the characteristics and timing of its professionalization project coincide with those of the non-settler colonies. Like many ex-colonies, both in the colonial and post-colonial periods, programs were established for local doctors, lawyers and accountants to be educated and trained in the metropolitan centre. On their return to their home nations these indigenous professionals formed the ‘modernizing elite’ (Johnson, 1973, p. 282), the educated social group that in many colonies campaigned for economic and political reform. In the case of accountancy, these British-trained indigenous professional helped to establish similar models of professionalization in their own countries (Annisette, 2000; Susela, 1999; Wallace, 1992). However, due to the different political, economic and social climates within which such professionalization projects developed, the cross-border transfer of the British model resulted in local refinements (Sian, 2006).

2.3.2 Accounting Professionalization Research in other Developing Countries

Most of the literature on the development of the accounting profession developing countries, in particular Asian nations has focused on colonialism (Bui et al., 2011; Diga, 1997; Maria Cadiz Dyball et al., 2007; Hove, 1986; MacGregor et al., 1997; Saudagaran & Diga, 2000; Susela, 2010; Verma, 2010; Yapa, 1999) and state-profession relationship (Essene, 1953; Hao, 1999; Sakagami et al., 1999; Watanabe, 1939). Many countries share a similar pattern in the development of accounting due to Western superpowers. For example, British colonial countries, such as India, Sri Lanka, Singapore, and Brunei Darussalam have developed their accounting profession with a heavy influenced of the development in Britain. French colonial countries, such as Vietnam, Laos, and Cambodia pursued the French model in the development of their accounting profession where the state has a strong influence on the national accounting system.
Willett et al. (1997) point out that the political factor which is closely associated with past or present colonial power has a significant influence on the transformation of the profession in the Asia-Pacific region. For example, the seven countries of the old British Empire (Australia, Brunei, Hong Kong, Malaysia, New Zealand, Papua New Guinea and Singapore) show marked similarities in the structures of their regulatory frameworks, the form of their corporate reports and the general attitude towards professionalism in accounting. Similarly, the French influence is most evident in Cambodia; the Dutch in Indonesia; the Portuguese in Macau and the US in the Philippines. The socialist countries of China, Vietnam and North Korea are still predominantly guided by the old Soviet form of accounting. The non-socialist countries in the region such as Japan, South Korea, Taiwan and Thailand have been influenced less directly by non-regional colonial forces and the dominant outside influence on accounting practices came from the US (Willett et al., 1997, p. 39).

According to the above discussion, Willett et al. (1997) provide an outline of the dominant influence over the Asia-Pacific region (Table 2.2). This influence has not necessarily emerged directly from the colonial link, but it may occur from the coalition, development assistance, and commercial links. For example, Japan and Thailand are still affected by European influences imported in past eras (Willett et al., 1997, p. 39).

Table 2.2: Classification of Accounting System by Dominant Influence

<table>
<thead>
<tr>
<th>British</th>
<th>USA</th>
<th>European</th>
<th>Socialist</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Japan</td>
<td>Cambodia</td>
<td>China</td>
</tr>
<tr>
<td>Brunei</td>
<td>Philippines</td>
<td>Indonesia</td>
<td>North Korea</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>South Korea</td>
<td>Macau</td>
<td>Vietnam</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Taiwan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td>Thailand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Papua New Guinea</td>
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</tbody>
</table>

Source: Baydoun et al. (1997, p. 39)

The growth of multi-country economic alliances such as the European Union (EU) and the North American Free Trade Agreement (NAFTA), among others, raises the question about accounting regulation integration (Saudagaran & Diga, 1998, p. 21). This
created a debate between policy makers about the effects of accounting diversity on their constituents in terms of benefits, models and policy and unresolved issues persist. This also applies to the South East Asian nations; ASEAN was formed in 1967 with the aim of accelerating the economic development of its member countries and to promote peace and freedom among the non-Communist countries of the region (Choi, 1997). However, accounting principles among the ASEAN countries vary from those adopted and understood in countries outside ASEAN. To minimize this diversification, the AFA was established on March 12, 1977 by five member-bodies; the national accountancy bodies of Indonesia, Malaysia, Philippines, Singapore and Thailand. Currently, AFA membership consists of all 10 ASEAN member countries (www.aseanaccountants.org, access 15 October 2012).

The AFA promises to be a constructive force in the IAS movement. As a regional accounting organization, formally recognized by each of the ASEAN governments, the AFA will play a leadership role in the quest for integrated accounting and reporting standards in Southeast Asia (Choi, 1997, p.65). The AFA conference is held every two years at a date and place to be decided by the Council in consultation with the respective host country. This shows the development of the accounting community at the regional level in the development of the accounting profession.

Ninsuvannakul (1988) observed that the evolution of the accounting profession in each ASEAN country followed a similar pattern: 1) an initial stage of development, 2) the legal recognition of the profession, 3) the emergence of a professional organization, 4) the specification of the qualifications of certified public accountants, and 5) the establishment of professional standards. Although the development process in these countries is similar, the results of the process differ.

Cambodia and Vietnam’s accounting professions (Aleonard, 1997; Bui et al., 2011; Huot, 2007; Seng, 1997) share a common root under the French colonial influence. Huot (2007) analyzed factors such as the type of state in place, societal expectations and government actions that have influenced the emergence of this profession in Cambodia. The author argued that the French imperialist center had a minimal role in the development of the Khmer accounting profession. In contrast, Vietnam has developed the accounting profession on the socialist model to serve the state ideology. This is different from other colonial countries as it was the state that initiated the strategy to improve the national accountancy standard than any colonial power such as France and the USA (Bui et al.,
Vietnam is in the process of transformation into the market economy and changing the accounting and financial information environment (Aleondard, 1997).

The studies of Indonesia’s accounting profession (Abdoelkadir, 1982; Diga & Yunus, 1997; Kusuma, 2005) have not appeared in English Language to any great extent. The Indonesian Institute of Accounting (IAI) is a major accounting professional body to serve the country. It was formed in 1957 and has dramatically increased its members. The main objective of the IAI is to improve the competence, integrity, and commitment of its members to serve the Indonesian society. However, it appears that the state plays a significant role in safeguarding the public interest rather than the professional body itself. The Ministry of Finance (MOF) is responsible for the issuance, suspension, and revocation of audit licenses. An audit license is gained by passing the national Public Accountant Certification Examination and meeting other state requirements.

In Philippines, the accounting profession has been exposed to different influences of the colonial influence from Spain, UK, Japan, and USA. It was the USA that played a significant role in the development of accounting practices in the Philippines. This owes largely to the business education progress and business expansion from the USA in the early nineteenth century (Saudagaran, 2005). Therefore, studies on the Philippines’ accounting profession (Diga, 1997; Maira Cadiz Dyball et al., 2006; Maria Cadiz Dyball et al., 2007; Maria Cadiz Dyball & Valcarcel, 1999) have emphasized the emergence of the accounting profession when the Philippines was a colony of the USA. The Philippines Institute of Certified Public Accountants (PICPA) is a national professional body, founded in 1929 as the official body representing PICPA members in public practice, industry, government and education in the Philippines (Diga, 1997, p. 200). Dyball et al. (2007) claimed that the regulations reflected American concerns about financial probity and local accounting competency to expose local mismanagement of government monies (Dyball et al., 2007, p.415). The study by Dyball et al. (2006) questions the efficacy of the Philippine regulatory framework of accounting; whether it represents integrity, autonomy, and competency as a profession in Western terms or not.

In Brunei Darussalam, the accounting profession (Murshed, 1997; Yapa, 1999) shows signs of stress under the influence of the state/sultanate and the weaknesses of accounting professionalization. Murshed (1997) found that the state has a strong influence on the national accounting system. All public companies are required to submit their audited accounts to state agencies. The BICPA was established in 1987 to improve the status of the profession in accordance with the state purpose. It appears that this
association has failed to organize the accounting profession to safeguard the public interest as it is defined in Western countries (Yapa, 1999, p. 329). State agency, the MOF is responsible for the issuance, suspension, and revocation of audit licenses. It is not compulsory for state sector accountants to be members of the BICPA (Murshed, 1997). Yapa (1999) synthesized the functionalist, interactionist and critical theories in the light of Willmott (1986) to explain the situation of Brunei Darussalam’s accounting profession. Yapa (1999) found the evidence to suggest that the BICPA is required to develop its competency to serve the Bruneian society, using effective political skill and state sponsorship. The weakness of this professional body could have been due to several factors including the public sector bureaucratic control of the country’s economic activities.

In summary, most studies in the professionalization process in Southeast Asia have placed emphasis on colonialism and the state influence. It is interesting to note that the success or failure of the development of the accounting profession is based on support from the state as shown in the classical case study of Brunei Darussalam. This also could be found in the study in China and Japan.

### 2.3.3 Other Asian Countries

This section discusses the development of the accounting profession in the People’s Republic of China and also Japan.

Several studies have explored the development of the accounting profession in China (Hao, 1999; Jiashu et al., 1997; Yapa & Hao, 2007; Helen Yee, 2001, 2009; H. Yee & West, 2003). Until recently, accounting practices in China were highly regulated by government authority. Dramatic changes have taken place in Chinese accounting as a result of the progress of capitalist style economic reforms since the late 1970s. In keeping pace with the emergence of more diversified economic and business patterns, public accounting has been introduced and the accounting profession has emerged (American Institute of Certified Public Accountants, 1994).

The modern accounting profession in China is still under the state control. The professional accounting bodies include the Chinese Society of Accountants (CSA), the Chinese Institute of Certified Public Accountants (CICPA), and the Chinese Association of Certified Auditors (CACA). As authorized by the CPA Act and other business legislation and regulations, CPAs offer a wide range of services to the public, such as verification of capital investment, asset appraisal, the audit of financial statements, tax services, design of
accounting systems, and training of accounting personnel. In addition, a CPA can act as a business consultant, registrar of a corporation, liquidator, or receiver or trustee of a company in bankruptcy. According to the CPA Act and other statutory requirements, only Chinese CPAs are eligible to perform public accounting functions. This applies especially to Chinese public corporations listed on the stock exchange and to business entities with foreign investments. Foreign CPAs are allowed to provide consultative services and technical assistance to Chinese CPAs as well audit and provide certification of overseas transactions of Chinese corporations on a subcontract basis. The major international accounting firms have established representative offices or branches in China have been allowed to form joint ventures or partnerships with local Chinese CPAs since the early 1990s (American Institute of Certified Public Accountants, 1994, p. 2; Hao, 1999).

It appears that the accounting profession in China is behind that of the Anglo-Saxon world which gained sufficient autonomy to shape its legitimacy and control its members (Yapa & Hao, 2007). Hao (1999) employed Puxty et al’s (1987) model to explore the emergence and development of the Chinese accounting profession. He argued that the state has a significant role in the re-emergence and development of the auditing profession in China rather than the community and market. The comparison between the accounting profession in China and Czech Republic show that the two countries share similar economic backgrounds but their development was different. Cooper (2002) also points out that the reengineering of this profession is a possible way to enhance the emergence of an autonomous organization as defined by Westerners. On the other hand, Yee (2009) used Gramsci’s concept of hegemony to explain the re-emergence of the accounting profession in the public sector in the early 1980s. This was beneficial to gain more understanding of accounting research in the context of the politico-economic milieu.

In the same way, the Japanese accounting profession was also influenced by the state as mentioned in several studies (Essene, 1953; Murase, 1950, 1962; Sakagami et al., 1999; Watanabe, 1939). These studies focused on the accounting profession in pre-war times, the professional status (Watanabe, 1939), the establishment of the auditing law (Murase, 1950), and the accounting transformation in the postwar (Essene, 1953). Sakagami et al. (1999) presented Japanese accounting history and conditions in the 1990s, focusing on the current problems with auditing in the private sector and issues involving the Japanese accounting profession for the future. However, it appears that two types of accounting professionals are authorized in Japan, the tax practitioner which is under the Japan Association of Tax Practitioners, and the certified public accountant which is under
the Japanese Institute of Certified Public Accountants. Tax practitioners perform professional services that include the preparation of tax returns and consultations relating to tax matters for business enterprises and individuals. CPAs examine and report on the financial statements of third parties. Only tax practitioners and CPAs qualified in Japan are permitted to perform professional services. An individual with overseas qualification is permitted to register as a foreign CPA after passing a special examination given by the MOF. An audit corporation can be established by five or more CPAs or foreign CPAs as unlimited-liability members of the corporation (KPMG Century Audit Corporation, 1992).

In summary, development of professionalization in British Colonies and other developing countries was based on the Western professional concept where autonomy is highlighted. However, with the unique situations of each country, such as political and economic reform, social changes, ideology, and culture, contributed to the divergence of the accounting professionalization process. Each country attempted to adapt the Western accounting model to fit their condition but the end result shows deviation through the influence of the state. The relationship between state and the profession is briefly reviewed in the next section.

2.4 The State and the Profession Relationship in Relation to the Development of Accounting Profession

Several professionalization projects in Anglo-Saxon countries have emphasized self-regulation, autonomy and self-control of the accounting profession and considered the limited role of the state as a regulatory body to support the monopoly of the profession (Beelde, 2002; Pavalko, 1971).

The state played a pivotal role in the accounting development processes in Europe (Caramanis, 1999, 2002, 2005; Ramirez, 2001), whereas it is considered generally neutral in Anglo-American cases (Sian, 2006). The state is not only initiated the idea of forming a professional body to serve the public interest, but also to protect and promote the profession. (Freidson, 1970, 1973; Hove, 1986; Johnson, 1972; Larson, 1977; Millerson, 1964; Perera, 1989; Perera et al., 2001).

The relationship between state and the accounting profession is usually dynamic and complex (Uche, 2002, p. 475). For example, professionals can gain the exclusive right to use or access a certain body of knowledge and skill through state authority (Freidson,
State intervention may be conducted to a different extent, from minimal involvement in an existing system of professional associations, to control the distribution of occupational services through state agencies (Beelde, 2002; Johnson, 1972). This implies that state interaction plays a significant role on the emergence and development of the accounting profession (Ballas, 1998; Beelde, 2002; Caramanis, 2002; Miller, 1990; Puxty et al., 1987; Ramirez, 2001; Walker, 1995; Walker & Shackleton, 1995).

The interaction issues between these two organizations are useful and important to understand the development of the profession. State intervention may be exercised to a different extent, from minimal involvement in an existing system of professional associations to controlling the distribution of occupational services through state agencies (Beelde, 2002; Johnson, 1972). This implies that state interaction plays a significant role in the emergence and development of the accounting profession (Puxty et al., 1987; Walker, 1995; Walker & Shackleton, 1995). Similar findings have been made in Belgium (Beelde, 2002), Czech Republic (Seal et al., 1996), France (Bocqueraz, 2001; Miller, 1990; Ramirez, 2001), Germany (McClelland, 1990), Greece (Ballas, 1998; Caramanis, 2002), and Slovakia (Daniel et al., 2001). Most of these studies are based on a single country which enables researchers to present fruitful information from distinctive contexts.

In Belgium, the development of the auditing profession experienced a complicated political structure under three official languages (Dutch, French and German). It emerged from state initiation and the interaction of various stakeholders such as the professionals, the unions and the employees (Beelde, 2002, p. 467). The debates between these stakeholders point out three major issues: structure, types of service and access to the profession. From the same view, the auditing profession in Greece emerged as a state instrument to serve the Greek economy and political control rather than capital markets as in the United Kingdom and the United States (Ballas, 1998, p. 715). In the development of the Greek profession, Caramanis (2002) claimed that the politics of international accounting professionalism in the globalization era is becoming more polycentric and nation-states are merely one level in a complex system of superimposed, overlapping and often competing national and international agencies of governance (Caramanis, 2002, p. 379). Furthermore, Caramanis (2002) also found that the international accounting firms were in a dominant position. Ramirez (2001) found that the accounting professional association in France had not yet gained sufficient autonomy (or closure) to shape the practitioner’s legitimacy due to state dominance at the time. In addition, McClelland (1990)
found that the interaction with the state is considered normal in German professionalization strategies.

Seal et al. (1996) adopted Streeck and Schmiter (1985)’s approaches to analyze the collective mobility of accountants and auditors in Czech Republic. They have attempted to possess new areas of economic environment that brought about the transition of the society in the post-1989. They argue that a reputation is the key to professional creditability in an unregulated market. Similarly, due to ambivalent government policy, the long-term reputation of the multinational accounting firms can easily occupy the potential domain of the Czech accounting professionals.

The discussion of the professionalization project in non-English speaking countries has expanded from state influence on the development of the profession to other issues such as interaction of politics (Caramanis, 2002), imperialism (Dedoulis & Caramanis, 2007), gender and class (Czarniawska, 2008). The studies of Caramanis (2002) and Dedoulis and Caramanis (2007) explored the development of the professional bodies while the study of Czarniawska (2008) emphasized changing perceptions of accounting in different cultural contexts. Czarniawska (2008, p. 45) found that the perception of accounting in Poland is different from stereotypes in other Western countries. It is perceived as a feminine job with less prestige and low salaries. The literature on the accounting profession in non-English speaking European countries is not far from the English speaking world such as the UK and USA.

2.5 The Relationship between the Universities and the Profession

For over a decade, there has been a growing awareness and interest in accounting education research in both developed and developing countries (Ahadiat, 2008; Bolt-Lee & Foster, 2003; Diamond, 2005; Hurt, 2007; Needles, 2010; Pincus, 2012; West, 2003; Yapa, 2000, 2006). Several studies discuss changes in accounting education such as curriculum development, pedagogy, and the relationship among regulatory bodies and accounting education.

According to Pincus (2012), there are two basic education models for entry into the accounting profession: profession-centric and university-centric. The profession-centric means that accounting professional bodies are responsible for determining the appropriate preparation for entry into the accounting profession, including determining the curriculum and either delivering the curriculum to trainees or approving education providers who will
deliver the curriculum. In this model, trainees are not required to have a university degree; if they do earn a university degree before beginning their professional education, the degree may be in any field.

The UK has a long history in the development of the accounting profession, and follows the profession-centric model in order to develop the profession. Accounting professional bodies with self-regulation have more power to produce qualified accountants. For example, the ACCA is the global body for professional accountants that offer accounting qualifications to people who seek a rewarding career in accountancy, finance and management (www.2accaglobal.com, accessed 1 October 2012).

In contrast, the university-centric model has focused more on the role of universities. Universities have the responsibility for both determining and delivering the accounting curriculum and students must earn a university degree in accounting before entering the profession. In this model, accrediting bodies set standards for accounting education providers (Pincus, 2012, p. 27). Existing accounting professional systems in the US emphasizes the university-centric in order to increase the quality and quantity of accountants.

As explained earlier, the accounting profession in many countries adopted the UK and USA models due to the colonial influences and/or economic dominance. Most of the British colonies have followed the profession-centric in the development of their accounting profession. However, in Australia, the conventional British model, focused on technically based education directly applied by the profession through training of articled clerks, has been replaced first by university undergraduate education in accounting. More recently a hybrid model that encompasses both university-based accounting undergraduate and postgraduate degrees (the US model) has gained prominence: meanwhile opportunities for school leavers and non-accounting graduates to convert to accounting have become available (Guthrie et al., 2012, p. 9).

No matter what model is used, today there are global concerns about similar issues: the quantity and quality of new entrants to the profession; weakness in skills (especially communication skills and critical thinking skills); failure to keep up with advances in technology and the growing complexity of global business; lack of diversity or underrepresentation of minority groups; and insufficient development of ethics and professional skepticism (Pincus, 2012). Buckhaults and Fisher (2011, p. 34) suggested that accounting education should prepare students to communicate effectively in both
written and oral communication, think critically, and make hard decisions related to the business world (Buckhaults & Fisher, 2011, p. 34).

Yapa (2000) examined the relationship between the accounting profession and the university in Sri Lanka and concluded that there was a weak link between the profession and university education in Sri Lanka that affected the output of qualified professional accountants. This study suggested that cooperation between accounting education and the professional body is extremely important for producing competent professionals to serve the economic needs of a nation. In contrast, the relationship of the profession and university in Australia was developed by the state to improve quality of the accounting profession (Birkett & Evans, 2005). This increases the role of the accounting profession in the development of accounting education. For example, two Australian accounting associations (the Commonwealth Institute of Accountants and the Institute of Chartered Accountants in Australia attempt to control accounting education through strategies of cooperation, competition and conflict (Birkett & Evans, 2005, p. 121).

There exists a relationship between accounting regulatory bodies and accounting education where these bodies play a significant role as the monitoring organization. For example, most accounting programs in the UK sought accreditation from professional bodies (Sikka et al., 2007). The accreditation enables the professional body to control and improve the quality of accounting education.

A discussion paper produced by Lightbody (2010) points out that the process of accreditation is often used to improve the quality of the programs delivered by the institution and the value of accreditation is largely dependent on the ability of the accrediting body to give the institution some form of market advantage. Basically, accreditation is a tag, label or symbol used by accounting or business schools to inform the market place – students, employers, potential future faculty and so on – that their education programs meet some external ‘quality’ standards (Lightbody, 2010, p. 29).

Although professional accreditation contributes value additional to accounting education in Australia, the trend has moved to higher standards where accounting institutions focus more on global accreditation. As suggested by Lightbody (2010) that the many Australian business schools is the accreditation provided by the Association to Advance Collegiate Schools of Business (AASCB).

In Thailand, accounting education at university level can be traced back to 1937, when the government initiated the idea to increase the number of accountancy professionals to serve its emerging economy. Two pioneers who played a significant role
in the development of accountancy are Phya Jaijos Sompati, in the MOF and Luang Damri Issaranuwat, the chairperson of the Audit Council of Thailand. Both Sompati and Issaranuwat obtained their qualification from the Association of the Institute of Chartered Accountants in England and Wales. Therefore, the development of accounting education in its early stage had been influenced by the British model through these significant people as the deans of Chulalongkorn University and Thammasat University.

However, after the 1930s American accounting practice and education had a major influence on accounting education in Thailand (Akathaporn et al., 1993; Holzer & Tremblay, 1973). This could be the result of the operation of US based corporations and economic aid agreements. Moreover, there were many Thai instructors that had completed their graduate studies in the US (Akathaporn et al., 1993, p.260). The accounting programs for a bachelor degree offered by government and private universities are generally based on the American system and include the major area of financial accounting, managerial accounting, accounting information system, auditing, internal control, and professional ethics (Techamontrikul & Chimchome, 2005, p. 582).

Generally, the education programs in Thailand are monitored by the Ministry of Education (MOE). The Office of Vocational Education Commission (OVEC) is responsible for developing the upper level of secondary education where certificate and higher certificate degrees are provided in this level. The Office of the Higher Education Commission (OHEC) is responsible for undergraduate to postgraduate levels (including PhDs). These state agencies are used to oversee accounting education in Thailand. Currently, there are 79 public universities and 40 private universities that offer accounting programs. Also, over 300 vocational colleges and technical institutes offer certificate and diploma degrees in accounting in Thailand. Importantly, all accounting programs are required an accreditation from the MOE (www.fap.or.th, accessed 1 October 2012).

During the ICAAT era (1948-2004), the accounting professional body which organized the accounting institution by private accountants without state backup, acted as a promulgator by issuing accounting and auditing standards which were reinforced by the MOC (Akathaporn et al., 1993, p. 261). In addition, ICCAT played an advisory role to the MOC in order to improve the quality of the accounting profession (Saudagaran & Diga, 2000). Professional accreditation is beyond the scope of this organization due to state involvement. This shows the missing link between the professional body and accounting

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9 Audit Council of Thailand was the government agency responsible for auditing government accounts, under the direction of its president (The Office of The Auditor General of Thailand, 2011).
education. However, the relationship between the accounting professional body and universities in terms of professional accreditation has been improved from 2004 onward. The new accounting professional body (FAP) has legitimate authority to accredit accounting education prescribed by the Accountancy Profession Act 2004 (Appendix 11). This is a new trend in the development of accounting education in Thailand.

The literature on accounting education in Thailand has not been substantially explored as in Anglo-Saxon countries. However, some local researchers (see, for example, Akathaporn et al., 1993; Henchokchaichana, 2005a, 2005b; Holzer & Tremblay, 1973; Hossain & Adams, 1997; Indaravijaya, 1981; Pianchai Ninsuvannakul, 1966; Penparkkul, 2008; Sitchawat, 2005; Techamontrikul & Chimchome, 2005) have conducted a few studies both in English and Thai languages. Most of studies described the accounting system and the nature of the accounting profession where the state has a significant role in the development of accounting education to produce accountants and auditors. As far as the writer is aware, a few studies have been conducted that examine the relationship between the accounting professional body and accounting education in Thailand.

2.6 Summary of the Literature

As indicated by the literature review, most developing countries developed their accounting profession based on the influence of commercialization and colonization. For example, Western powers, UK, USA, French, and Dutch dominated most of the Southeast Asian countries through a colonial link such as Laos, Vietnam, Indonesia, Malaysia, Singapore and Brunei. Therefore, these colonial models impacted on the development of the accounting profession in these countries.

Under the commercialization and colonization link, many countries shared a similar pattern in the development of their accounting professions including 1) an initial stage of development, 2) the legal recognition of the profession, 3) the emergence of a professional organization, 4) the specification of the qualifications of certified public accountants, and 5) the establishment of professional standards. However, with the unique features of each country such as state ideology, political and economic milieu, colonial influence, and culture contributed to different professionalization processes and outcomes. Most countries, which have adopted professional concepts from Western countries, experience difficulties in achieving closure or autonomous organization due to the state influence as mentioned. The degree of state intervention has a significant role in shaping
the nature of the national accounting professional body - Legalistic, hybrid, professional, market orientated. This includes the adoption of the education model, which is the conventional British model, that focused on technically based education directly applied by the profession and the US model where university undergraduate education in accounting is the focus.

The literature review indicates that the studies on the professionalization process have been expanded to the developing countries. Most studies found that there were a number of factors that impacted on the development of this profession; both encouraging and obstructing. In the literature review, the following significant themes were identified: (1) colonial influence (2) state and regulations; (3) economic and political environment; (4) accounting professional bodies. These themes are key factors that influence the development of the accounting profession which link to the theoretical framework explained in the next section.
Chapter 3 Theoretical Framework

3.1 Introduction

The main purpose of this chapter is to explore and lay the foundation for the theoretical structure of this doctoral study that draws on previous studies about the professionalization of occupations. To this end, this chapter reviews the theoretical and empirical foundations used by researchers in investigating the process of professionalization in accounting. This chapter seeks to identify the research gap and provide an analysis of the theoretical framework, which will be used to study the development of the accounting profession in Thailand. Traditionally, professionalization of an occupational group involves the gradual attainment of the structural or institutional characteristics associated with professions, including licensing or certification examinations, a national association and self-regulatory mechanisms (Larson, 1977; Shafer et al., 2002).

Specifically, Section 3.2 provides definition of professionalization. It concludes with the belief that professionalization empowers professional associations to protect, control the quality and flow of professional services and have esoteric knowledge, autonomy, altruism, and self-discipline. Section 3.3 reviews professionalization projects under the SOP paradigm with the intention of finding an appropriate theory to explain the development of the accounting profession in Thailand. It starts with trait and functionalist perspectives which seek to explain characteristics of the accounting profession. This is followed by a description of the interactionist approach which asserts constructing and maintaining an occupation role is central to claiming professional recognition. The critical perspective is then explored, which is defined as the judgment approach. Section 3.4 reviews prior studies about the accounting profession in Thailand. Section 3.5 describes theory utilized in this thesis, which is based on Puxty et al.’s (1987) model (state, market, and community). Section 3.6 provides the theoretical framework of this study and Section 3.7 provides a summary of the chapter.
3.2 Definition of the Professionalization

As mentioned in the previous chapter, the professionalization process has received a considerable amount of attention in the literature from pioneer authors both in developed and developing countries. However, they have not provided any specific definition. Professionalization is described as a process through which professional groups are formed, for example, professional groups of doctors, lawyers, and accountants.

SOP theory has been discussed based on a variety of notions in the literature review. SOP literature emphasises the importance of ‘specialised knowledge’ in explaining the professionalization of vocations. The literature examines the process of accounting professionalization from the functionalist, interactionist and/or critical perspectives. The functionalists view professionalization as the integration of highly competent and specialized skill of community member to stabilize the society (Carr-Saunders & Wilson, 1933; Greenwood, 1957; Willmott, 1986). By this explanation, it is accepted that a true profession should obtain specific attributes; esoteric knowledge, autonomy, altruism and self-discipline (Barber, 1963; Ritzer, 1972; Yapa, 1999). The interactionist perspective regards professional associations as interest groups created to promote and defend their members’ interests by convincing society to grant them recognition and utilize their services. Thus, under this view, professionalization is a result of symbolic interactions where meanings are negotiated for professions to be accorded the desired image in society (Sian, 2006; Uche, 2002; Walker, 2004; Willmott, 1986; Yapa, 1999). The functionalist and interactionist perspectives dominated the literature before the 1970s, while the critical perspective remains dominant in more recent decades (Willmott, 1986).

Accordingly, studies on accounting professionalization have taken a critical perspective approach to examine professionalization processes within the wider context of power relations employing Max Weber’s concept of closure. Proponents of this perspective maintain that accounting occupational groups attempt to realize closure by obtaining legislation that grants exclusive jurisdiction for the supply of professional accountancy services to niche markets (Abbott, 1988, pp. 59-85; Sian, 2006; Uche, 2002; Walker, 2004; Willmott, 1986; Yapa, 1999).

Professionals who identify themselves as accountants, doctors, engineers, and lawyers share these main characteristics. They require a skill based on theoretical knowledge from specific training and education (Carey, 1969; Millerson, 1964; West, 2003). For this reason, professional education is necessary and requires both technical skill
and a valid rationale for professional authority establishment (Chambers, 1966). Professionals are also involved in public interest issues, therefore professional opinions and services are considered to be independent and reliable without any prejudice related to a particular group’s interests. In addition, to provide the best value to serve the society, all professions are expected to have effective discipline under its Code of Conduct.

Wilensky (1964, p. 138) refers to two distinctive aspects of a profession; specific skill based on systematic knowledge and professional norms. In this light, the professional requires specialized technical expertise supported by a body of knowledge and transferable skills. A professional group protects and controls its members, provides rules, standards, and ethics. Professionalization is viewed as the interaction between professionals and other stakeholders in the society, as has been cited in Abbott’s (1988) work.

Professions begin when people start doing full time the thing that needs doing. But then the issue of training arises, pushed by recruits or clients. Schools are created. The new schools, if not started within universities, immediately seek affiliation with them. Inevitably, they then develop higher standards, longer training, earlier commitment to the profession, and a group of full time teachers. Then, the teaching professionals, along with their first graduates, combine to promote and create a professional association. The more active professional life enabled by this association leads to self-reflection, to possible change of name, and to an explicit attempt to separate competent from incompetent. Reflection about central tasks leads the profession to delegate routine work to professionals. At the same time, the attempt to separate competent from incompetent professionals leads to internal conflict between the officially trained younger generation and their on-the-job-trained elders. Sometimes, this conflict results in increasingly violent confrontations with outsiders. This period also contains efforts to secure state protection, although this does not always occur and is not peculiar to professions in any case. Finally, the rules are generated out of these events that eliminate internal competition and charlatanry and establishing client protection and coalesce in a formal ethics (Abbott, 1988, p. 10).

Johnson (1972, p. 21) has noted that the term ‘professionalization’ is used from several approaches. Firstly, professionalization refers to broad changes in occupational structure such as changes in the number of professionals and the movement of occupational groups to different careers. Secondly, it is used to explain the functions of qualifying associations. Thirdly, this term is used to explain the core elements and attributes of professionalism. Finally, professionalization is referred to as a process of

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10 According to Carey (1969) the core elements and attributes of professionalism consists of (1) A specialized knowledge body; (2) a formal educational process; (3) standards governing admission; (4) a code
professional transformation into a predictable stage of organizational change; the final stage of professionalism. Different usages of professionalization contribute to different meanings. However, in the later studies, several researchers refer to the process when defining the meaning of professionalization. For example, Larson (1977, p. xvi) sees professionalization as the process which producers of special services sought to constitute and control a market for their expertise. This could be the result of professional demand to support the inequality of marketable expertise. In addition, Carnegie and Edwards (2001, p. 301) describe professionalization as a dynamic process involving a diversity of signals of movement towards occupational ascendancy that arise in periods before and after the formation of occupational associations.

The formation of associations aims to advance the group’s interest (Timperley & Osbaldon, 1975, p. 143) and reinforces the socially valued traits of trustworthiness, independence and dependability (Willmott, 1986, p. 559). Moreover, the emergence of professional bodies is viewed as a strategy to protect and control the quality and flow of professional services. West (2003) defines professionalization as the process by which accountants acquired the elevated occupational authority (p.200). In this light, professionalism is a key to becoming socially mobile (Larson, 1977; Parkin, 1979).

In conclusion, professionalization establishes and maintains professional status. This process empowers the professional associations to protect and control the quality and flow of professional services which are expected to include esoteric knowledge, autonomy, altruism and self-discipline as mentioned before. Therefore, a series of interactions (such as conflict, negotiation, confrontation, compromise and coordination) between the accounting professional bodies and other factors such as state, market, and community is unavoidable. Over time, different studies have theorized about these issues as discussed in the following section.

### 3.3 The Development of the SOP in Professionalization Projects

In the professionalization projects completed during the last five decades, various theoretical perspectives were employed to understand its transformation. These perspectives were drawn from the SOP which focused on developing and increasing sociological knowledge (Calhoun et al., 2007, p.1). The theory was expanded to better

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of ethics; (5) a recognized status indicated by a license or special designation; (6) a public interest in the work that the practitioners perform; and (7) recognition by them of a social obligation.
understand the development of the profession from these perspectives, for example, functionalist, interactionist, and critical theories (Figure 3.1).

**Figure 3.1: Summary of Theories Employed in the Professionalization Project**

Figure 3.1 presents the expansion of theory using SOP theory. The details of the developments in these themes are provided in the next section.

**Trait and Functionalist Theory**

As mentioned, sociological studies of the profession in its early stages focused professional definition and characteristics (Carr-Saunders & Wilson, 1933; Wilensky, 1964). Two models, trait and functionalist models, were introduced to explore professionalization projects. Trait model is used to identify the core characteristics of professional occupations (Johnson, 1972, p. 23). A professional survey of Millerson (1964, p. 5) is an example of employing the trait model. He found some of the most important traits of a profession are (1) skill based on theoretical knowledge; (2) the provision of training and education; (3) testing the competence of members; (4) organization: (5) adherence to a professional code of conduct; (6) altruistic service. Johnson (1972, p. 23) comments that the trait model has been criticized in many ways, because it fails to confirm its claims through lack of a prior and explicit theoretical framework.
The second traditional theory about the early stages of the professional development is the functionalist model. This model tends to be more abstract than the trait model. From this point of view, scholars believe that a profession is an occupational group aimed at developing and maintaining special skills and privileged knowledge to stabilize the society (Carr-Saunders, 1928, p. 9). The studies emphasized the distinctive attributes of a profession, such as esoteric knowledge, autonomy, altruism and self-discipline (Barber, 1963; Ritzer, 1972; Willmott, 1986; Yapa, 1999).

In Thailand, professionals in the private sector are expected to have specific training (technical accounting) and a responsibility to the public under the Code of Conduct. To promote professional value, the professional bodies (both ICAAT and FAP) play a crucial role in the dissemination of accounting knowledge and encouraging their members to maintain professional status. The former accounting professional body (ICAAT) which emerged as an association without legal support played an advisory role to the MOC, whereas the FAP has the legitimate authority to grant the CPA certification, register accountants and regulate its policies to protect and control its members as prescribed in the Accountancy Profession Act 2004.

The autonomous organizations in Thailand are different from those of Western countries where an occupational association attains professionalism. Self-regulation appears to be absent between 1948 and 2004 because the accounting professional body did not have the disciplinary and investigative capability to deal with possible violations of accounting and auditing standards by members (Saudagarvan & Diga, 2000). The state attempted to interfere in the accounting profession through the state agency, BSAP. For example, BSAP sanctions the accounting and auditing standards promulgated by ICAAT (Saudagarvan & Diga, 2000, p. 6). From 2004 onward, autonomous status was granted to a new professional body the FAP that was established in 2005 with more power to protect and control it members; however, the state still dominated the accounting profession through the OCAP.

This perspective is useful in understanding the relationship of the attributes of professionalism in complex social systems. However, employing only this perspective is insufficient to explain the existence of the professional organization (Willmott, 1986, p. 559). Whilst the functionalist theory was fruitful in exploring professionalization projects as a dominant theory until 1960 (Macdonald, 1995; Uche, 2002; Willmott, 1986), the interactionist and critical theories were introduced as new developments through which to analyze professionalization.
**Interactionist Theory**

The studies of SOP moved their focus to the process rather than the outcome of professionalization (Uche, 2002). Through the interactionist perspective, a profession is perceived as a process of constructing and maintaining an occupational role which enables them to ‘get by’ and ‘make out’ in their dealings with their clients and colleagues (Becker et al., 1961; Willmott, 1986). This implies that professional association acts as a political organization in order to convince others of the legitimacy of their claim to professional recognition (Haug & Sussman, 1969; Yapa, 1999). In this light, professional associations are involved in communication, negotiation, posturing, confrontation, conflict and conciliation with other social institutions such as state, private sector, and higher education (Huot, 2007). The political skill of professional leadership to interact with social institutions is crucial to construct and maintain professional status (Becker et al., 1961; Yapa 1999). Although the interactionist theory contributes to explaining the traits and value of professionalism in a complex social system (Willmott, 1986, p. 559), it has been criticized for its weakness; indifferent evidence and verification (Saks, 1983; Uche, 2002). Therefore, critical theory has been introduced to explain the transformation of professionalization process because it has become a dominant theory in the current trend of analyzing professionalization projects.

**Critical Theory**

Critical theory is defined as the relationship between the sociology of knowledge and academic movement to understand the social foundation of ideas, the sociological conditions that shaped them, and the role of knowledge in the maintenance and reproduction of a class-divided society (Calhoun et al., 2007, p. 331). This implies that critical theory is a composite of several theories which offer a critical view of society and the human sciences (Macey, 2001, p. 74). Classical theory has been used widely in the studies of sociology by a number of researchers particularly the German theorists. The Frankfurt School of Critical Thinking played a significant role in producing theorists, such as Max Horkheimer, Theodor W. Adorno, Herbert Marcuse, and Jurgen Habermas. Theorists of the Frankfurt School not only applied critical theory to the thoughts of Marx, Weber, and Freud but also attempted to criticize intervention in politics, social policy, and the arts (Calhoun et al., 2007; Caramanis, 2002; Walker & Shackleton, 1995; Willett et al., 1997).
When applying critical analysis to accounting professionalization projects, it enables insight into the development of the accounting profession from different perspectives such as the emergence of the profession (Ballas, 1998; Beelde, 2002; Carnegie et al., 2003; Chen, 2003; Hao, 1999; Lee, 1995; Xu & Xu, 2003; Helen Yee, 2009), the relationship between state and the profession (Johnson, 1972, 1982; Miller, 1990; Perera, 1989; Perera et al., 2001; Poullaos, 1993; Puxty et al., 1987; Walker, 1995; Walker & Shackleton, 1995; Yapa & Hao, 2007), politico-economic milieu and the profession (Caramanis, 2002; Suzuki, 2007a, 2007b; Tinker, 1980), and the impact of capitalism and imperialism on the development of the profession (Bakre, 2004, 2005, 2006, 2010). Therefore, critical thinking is useful to understand the development of the professions in our society.

Held (1980) describes some characteristics of the critical approach and its emergence as an analytical tool. It emerged during the early of the nineteenth century and was used by German theorists such as Karl Heinrich Marx and Jurgen Habermas. They placed history at the centre of their approach to philosophy and society. Yet the issues they addressed went beyond the focus on the past to embrace future possibilities. Following Marx, they were preoccupied, especially in their early work, with the forces which moved and possibly guided society towards rational institutions that ensured a true, free and just life. But they were aware of the many obstacles to radical change and sought to analyze and expose them. In this way, they were concerned both with interpretation and transformation (Held, 1980, p. 15).

Laughlin (1987) noted that critical theory conducted historical analysis to understand the success or failure of the profession in the past and provide a possible way for change in the future.

Critical theory is a vehicle through which understanding of reality can be achieved and transformations of concrete institutions occur. Understanding is always related to the concerns with desired transformation. It is the view that the present is not satisfactory, that reality could be better than it is, and that the methodological aspects of critical theory can create this improvement which marks out these things as essentially ‘critical’ (Laughlin, 1987, p.482).

Criticism involves making a judgment (Dant, 2003, p. 6) based on research and an individual’s world view. It has been criticized on a number of counts and it does not provide either definitive knowledge as offered by scientific study or solutions as provided by the discourse analysis (Dant, 2003, p. 16). In addition, several factors influenced the
development of the accounting profession. The influences have taken various forms at
different times in different countries making it difficult to make criticism or judgment. In
uncertain and complicated situations, it makes it difficult to explain the change.

Although critical theory has encountered some difficulties in explaining some
aspects in the professional dynamics, it has the potential to explore the development of the
accounting profession from different dimensions and it makes an important contribution to
a better understanding of professionalization projects in a complex society. It has been
developed as a dominant theory in the current sociology of professional knowledge as
shown in the next section.

The Expansion of Critical Theory

Figure 3.1 shows the expansion of the critical theory from some famous theorists’
(Armstrong, 1987; Chua & Poullaos, 1993; Helen Yee, 2009) and Foucault (Burchell et al.,
1985; Carmona et al., 1997; Hopwood, 1987). In addition, accounting research also
expanded to investigate the influence of state, market and community (Bui et al., 2011;
Puxty et al., 1987; Seal et al., 1996; Streeck & Schmitter, 1985) in the process of
professionalization where many factors are involved in its transformation.

Under Max Weber’s perspective, ‘society’ is the rather fragile result of human
interaction and struggles for power between different types of groups (Craib, 1997, p. 143).
Weber described modernity as a process that was involved with administrative, legitimate
and unavoidable conflicts, communal and associative relationships, and collective actors as
corporate groups. The discussion on power derived from the post functionalist theorists
(Abbott, 1988; Larson, 1977) and the concepts of Weber developed a neo-Weberian line of
analysis, which certainly concerned itself with power. Several concepts emerged and were
used in professionalization projects such as class-status-party, rationalization, charisma,
social closure, and historical development (Annisette, 2000, 2003; Caramanis, 2005; Chua
& Poullaos, 1993; Macdonald, 1995; Ramirez, 2001; Sian, 2006; Uche, 2002; Yapa, 2010).

Weber used three fold concepts of class-status-party to analyze the state and
bureaucracy (Craib, 1997, p. 128). This analysis has influence on the study of structural
functionalism and stratification in Britain and the United States than that offered by Marx
(Craib, 1997, p. 128). Whilst class is defined as a group of people who share a similar level
of wealth and income (Weber, 1964, p. 424), status is defined as a group of people who
have the same lifestyles, attitudes and prestige (Caramanis, 2005, p. 199). Both terms
(class and status) are used to explain social position in the complex society. However, status groups are usually but not always formed on the basis of class situations (Law, 2011, p. 46) for example, oppressed groups may feel themselves to be special and possess high status despite the contempt of the dominant ethnic groups (Law, 2011, p. 46). The term party usually refers to a political party, a campaign group, a social club or a social movement (Law, 2011, p. 47).

The concept of class-status-party provides an interpretive lens to understand the history of the accounting profession in a complex society and has already been applied to accounting professionalization projects (Caramanis, 2005; Chua & Poullaos, 1998). Caramanis (2005) synthesizes three fold concepts of class-status-party to explain the development of the Greek professional history. Caramanis (2005) found that two Greek accounting professional organizations failed to unify, harmonize, and achieve their objectives as the result of group conflicts.

Chua and Poullaos (1998) extended a neo-Weberian perspective to analyze a historical case study of an Australian accounting association between 1886-1903. The period of the study was the intersection of three key tensions in the economic, social, ideational and political spheres. The study shifted focus to investigate the interactions between the ICAEW and accounting associations in self-governing colonies in Australia, British North America and South Africa in the period between 1880 and 1907 (Chua & Poullaos, 2002, p. 409). The authors claimed that Weber’s class-status-party model enables an in-depth understanding of the cross-border professionalization projects of accountants. They found that a) the concept of monopolistic closure was imprecise; and b) its activities were significantly shaped by multiple and changing divisions within the association, between competing colonial and imperial associations, the actions of ‘autonomous’ state agencies and wider political and communal tensions. Specifically, imperial discourses and institutions, which mutated when transplanted from the metropolitan centre to the penal (then productive) periphery, were material (Chua & Poullaos, 1998, p. 155).

Another outstanding concept of Weber concerning with exclusion and monopoly, is social closure. This concept has been developed explicitly by Weber (1968), Parkin (1979), and Murphy (1988). The closure theory has a significant influence on the historical analysis of accounting professionalization (Annisette, 2003; Chua & Poullaos, 1998; Macdonald, 1984, 1995; Walker, 1991; Willmott, 1986). This theory focuses on how members of an interest group seek market dominance by monopolizing social and economic opportunities by closing off opportunities to outsiders (Chua & Poullaos, 1998,
It is clear that closure is associated with the creation of a monopoly (Chua & Poullaos, 1993). The monopoly of the market is facilitated through a jurisdiction which focused on the content, control and differentiation of work (Abbott, 1988; Sian, 2006). This implies that professional associations attempt to improve the professionalization process to create a barrier to entry of rivals. A case study of Sri Lanka is classical example of the closure strategy (the adoption of British training models, missing link between local university graduates and the ICASL, and the adoption of ICAEW examination models) developed by the elite group to protect its interests (Ukwatte-Jalathge & Yapa, forthcoming; Yapa, 2006, 2010). In the past, the key indicator for professionalization project measurement is based on the capacity of an occupational group to devise an optional basis for inclusion and exclusion, in order to achieve control and monopolization of the market (Chua & Poullaos, 1998; Larson, 1977; Macdonald, 1995; Sian, 2006; Walker, 1991). However, Sian (2006) found that the Kenyan accounting professional association maintains monopoly because of state domination rather than by its desire to achieve social mobility for accountants.

Chua and Pollullaos (1998) claim through closure theory, it is possible to analyze several dimensions of the accounting profession such as intra-professional competition (Macdonald, 1984; Walker, 1991), exclusion along class, race, religion and gender lines (Annisette, 2003; Berlant, 1975; Hammond & Streeter, 1994; Kirkham & Loft, 1993; Richardson, 1989a) and the relationship between state and profession (Chua & Poullaos, 1993; Johnson, 1982; Poullaos, 1993). Neo-Weberian closure theory provides fruitful information on the momentum of the professionalization process (Chua & Poullaos, 1998; Sian, 2006), however, its weaknesses concerned the researchers. For example, the closure concept is too broad in its claims; it depends on a range of dimensions, and it neglects third party phenomena such as communal lobby groups and media and the role of state agencies (Chua & Poullaos, 1998; Murphy, 1988).

Prior studies assert that critical theory is useful to analyze a class-divided society (Calhoun et al., 2007, p.331) and social closure notions focus on the professional barriers such as examinations, apprenticeships, and entry qualifications (Uche, 2002, p. 475), these issues have not arisen in countries such as China, Japan, Malaysia and Thailand. Therefore, these construct are not appropriate to explain the development of the accounting profession in every country due to individual contexts and conditions.

Critical theory has been developed and expanded to include the relationship between the state and the accounting profession. This relationship contributes both
advantages and disadvantages to the development of the profession. The state not only initiates the idea of formation of the professional body to serve the public interest, but also to protect and to enhance the profession (Freidson, 1970, 1973; Hove, 1986; Johnson, 1972; Larson, 1977; Millerson, 1964; Perera, 1989; Perera et al., 2001). The relationship of the State and the profession is usually dynamic and complex (Uche, 2002, p. 475). For example, professionals can gain the exclusive right to use or access a certain body of knowledge and skill through state authority (Freidson, 1973).

Several studies about the state and the accounting profession indicate that the interaction issues between these two organizations are useful in understanding the development of the accounting profession. It appears that the interaction may take various forms at different times in different countries. State intervention may be conducted to a different extent, from minimal involvement in an existing system of professional associations to controlling the distribution of occupational services through state agencies (Beelde, 2002; Johnson, 1972). Professions are perceived as instruments of state control and the profession-state axis (Johnson, 1982; Perera, 1989). Perera (1989) found that the interference from the state on the accounting profession can emerge in any country where accounting appears to be ineffective. For example, the Securities and Exchange Commission of the USA was created by Congress at a time when doubts were expressed about the ability of the accounting profession to control financial reporting (Perera, 1989, p. 146).

Karl Marx, a German philosopher developed socio-political theory which is mainly concerned with the relationship between state and professional occupations (Macdonald, 1995, p. 22). This construct has been applied to professionalization projects, for example, during investigation of state formation and the professionalization process (Johnson, 1982). This shows that the state has a significant role in the development of professions (Cocks & Jarauch, 1990; Johnson, 1982). However, critical theory based on the development of Marxian thought, tends to consider culture as the basis of its social critique instead of the political system or economy. Although political economy has an influence on the form of social change, it cannot be achieved without transformation of the culture of modernity (Dant, 2003, p. 156). Other concepts in the analysis of professions by Marxian philosophers are the application of the ‘labour process’ as employed in Armstrong (1987).

Other concepts applied in professionalization projects include Gramsci’s concepts of hegemony which is rooted in a broad Marxist view (Goddard, 2002; Richardson, 1989b; Yee, 2009) and Foucault’s concepts of power and knowledge (Burrel, 1987; Carmona et
al., 1997; Hooper & Kearins, 1997; Miller, 1986, 1990). Gramsci’s concept of hegemony is involved with an ideological domination of a social group or class (Goddard, 2002). Hegemony is viewed as political leadership based on the consent of the leader, a consent which is secured by the diffusion and popularization of the world view of the ruling class (Bates, 1975, p. 352). Richardson (1989b) utilized this concept to explain the relationship between the corporatist structure of public accounting regulation and the internal social order of the profession in Ontario. Goddard (2002) utilized this theory to investigate the relationship between the accounting profession and the state before pointing out that the public sector accounting professional body in the UK has played an important hegemonic role in constituting ideologies and reflecting the coercive and consensual approaches adopted by the state.

Yee (2009) investigates the re-emergence of the Chinese accounting profession in the early 1980s and differences between the professionalization processes of the public accounting profession in China in comparison to Western countries. Yee (2009) found that political and ideological leadership are crucial for a successful hegemony within the Chinese accounting community. Whist Gramsci’s concepts express the view on political leadership and ideology; Foucault’s concepts display another dimension of accounting history, particular power and knowledge. Napier (2006, p. 462) claims that the studies influenced by the Foucault concept tend to explain accounting and networks of people, principles and practices.

Another expanding concept under the critical theory is the organizing principles of state, market, and community developed by Puxty et al. (1987). Using the concept of market, state, community, and association developed by Streeck and Schmitter (1985), Puxty et al. (1987) analyze the modes of accounting regulation in four countries: Germany, the United Kingdom, Sweden and the United States, by examining the emergence of different strategies of regulation, such as liberalism, associationism, corporatism and legalism, depending on the relative dominance of market, state and community principles. Puxty et al. (1987, p. 277) claim that although the model of Streeck and Schmitter is useful in explaining three key factors (market, state, and community) in the modes of accounting regulation, the model has a limited potential to discover the historical dimension and the political and economic autonomy of states in a broad context. Therefore, the model has been developed by including the analysis of the relationship between professional development and four key factors. In this model, accounting practice is an area involved with market principles of demand and supply; the regulation of accountants’ work by
clients and employers, and the competition between accountants for work (Hoa, 1999; Puxty, et al., 1987; Seal et al., 1996; Yapa, 2010). In addition, Paxty et al. (1987) classified four predominant approaches of state influence (legalistic, hybrid, professional, and market) in the accounting profession as indicated in the literature review, Chapter 2.

According to the Puxty et al. (1987) framework, the state is the instrument of hierarchical control that exercises its power to manage accounting practices through regulations. The market represents dispersed competition which includes demand and supply for accounting services. For example, market principles create accountancy practices to support entrepreneurs and customer expectations via the requirement of efficient and timely accounting information. Finally, the community refers to the accounting community where accountants share some common, collective identity and value (Hao, 1999; Puxty et al., 1987; Streeck & Schmitter, 1985; Willmott, 1986). For example, accounting associations promote their member groups as public servants through a number of strategies such as, accreditation, establishing standards in qualifications and training.

As mentioned previously, critical theory is about society, state, market, community, cultural, imperialism and racism and these factors influence the development of the accounting profession. However, in the case of Thailand, some aspects such as class-division, imperialism, and racism are rare and in this context, these factors are not relevant to the transformation of the profession. It is the state, market and community that force Thailand to establish and improve the quality of the profession. Therefore, the Puxty et al. (1987) model is appropriate to investigate and describe the professionalization process in Thailand due to the inter-relationship between these factors.

3.4 Thailand in Brief and Prior Studies on the Accounting Profession

Thailand shares a similarity of state ideology with other monarchies, in particular constitutional monarchies, where the King is a titular head of the country. In this light, the monarch has a limited or ceremonial role, which is similar to other East Asian countries such as Bhutan, Cambodia, and Japan. However, the monarch still has a significant role in the development of Thai society as most state ideology comes from the guideline of His Majesty the King. A unique feature of Thai society is that the King occupies the center of the People’s soul (Sondhi Limthongkul; sunruam chitwinyan khong prachachon).
Another distinctive aspect is that Thailand was never colonized by Western military force and no exogenous legal system was imposed. Instead Thailand modeled its commercial laws on selected Eastern and Western legal systems, including those of Britain, Japan, and Germany, reflecting important trading links with major economic powers during the late 1800s and early 1900s (Craig & Diga, 1996; Maolanond & Yasuda, 1985; Yasuda, 1993). It is in a transitional process of industrialization as an emerging economy. Therefore, in the development of the accounting profession, Thailand is taking both local conditions and the experience of other countries into consideration.

Literature on the accounting profession in Thailand has not been as comprehensively explored as in Western countries. There have been some studies on the accounting profession in Thailand published in the English language, (see, for example Constable & Kuasirikun, 2007; Craig & Diga, 1996; Favere-Marchesi, 2000; Henry & Attavitkamtorn, 1999; Holzer & Tremblay, 1973; Kuasirikun, 2005; Kuasirikun & Sherer, 2004; Saudagaran & Diga, 1998, 2000). Some authors have presented the overview of the accounting profession and most of these papers have highlighted the status of accounting in Thailand during the ICAAT era, before the rapid economic growth during the development of capital markets and international investment. This includes a book review of Techamontrikul and Chimchome (2005) which attempted to update the status of the accounting profession but significant changes in the professionalization process during the FAP era is excluded in their work.

Ninsuvannakul (1988) presents the development of the accounting profession of ASEAN countries: past, present, and future. His findings included the similarities and differences in the accounting profession among ASEAN countries. Although a similar process of development of accounting professions, which is based on Western constructs, is presented, the results differ. Choi and Mueller (1978) listed fifteen factors that could affect a country’s accounting development internationally: (1) the type of economy, (2) legal system, (3) political system, (4) nature of business ownership, (5) difference in size and complexity of business firms, (6) social climate, (7) currency stability, (8) level of business sophistication, (9) degree of legislative business interference, (10) specific accounting legislation, (11) speed of business innovation, (12) stage of economic development, (13) growth pattern in an economy, (14) status of professional education and organization, (15) general level of education. The study suggest that (1) the accounting profession in ASEAN countries is moving in the direction of harmonizing standards, from individual countries to the AFA, to the Confederation of Asian and Pacific Accountants
(CAPA), to IFAC, and to IASC, (2) accountancy should never become a stagnant profession; it must always be aware of the quickly changing socio-economic and technical environments to enhance its efficiency.

Similarly, some researchers conducted a study of ASEAN nations focusing on the institutional environment of financial reporting regulation (Craig & Diga, 1996; Saudagaran & Diga, 1998). Factors influencing regulatory approaches such as previous colonial linkages, official efforts to develop a securities market, and the effects of increasing economic integration in ASEAN are discussed. Craig and Diga (1966) point out that the similarities among ASEAN countries augur well for the possibility of eventually harmonizing accounting standards within ASEAN. However, several impediments to harmonization, which need to be addressed, include difference in company laws and securities laws, and the constitutional diversity of standards-setting bodies. They claimed common regulatory characteristics include the participation of private sector organizations, particularly professional accounting bodies and stock exchanges, in formulating and enforcing accounting regulations in ASEAN. This approach to financial reporting regulation differs significantly from Germany, France, and Japan where the government, and not the private sector, determines the rules relating to company financial reporting.

The literature review indicates that ASEAN securities laws are similar in that their common aim is to protect investors from unscrupulousness in the securities markets (Craig & Diga, 1996, p. 246). The pattern of securities market regulation within ASEAN is not as clear-cut as the pattern observed with company laws. The scope and content of original securities laws provides some evidence to support dichotomization; into a British group (Malaysia and Singapore) and a non-British group (Indonesia, the Philippines, and Thailand), consistent with the respective countries’ laws. However, recent regulatory reforms in each country indicate a shift towards a U.S-style regulatory framework, particularly for Indonesian, Malaysia, the Philippines and Thailand (Craig & Diga, 1996).

The securities laws are crucial for the development of financial reporting systems in the Asian region, in particular the Philippines, Indonesia, and Thailand. During the ICAAT era, Saudagaran and Diga (2000) observed that Standard-setting in Thailand was broadly similar to that adopted in Indonesia, Malaysia, and Singapore, with one important difference: formal approval was required from the MOC, BSAP for all accounting standards. In the process of preparing standards, drafts were sent to ICAAT members and presented at public seminars or hearings. In addition, questionnaires were sent to individuals occupying senior positions in public practice, government, commerce,
industry, and academia, who were selected by the sub-committee on accounting principles. Changes were made in response to feedback received. The revised draft standard was then presented to the ICAAT Board of Directors and MOC for approval, whereupon the Thai Financial Accounting Standards became binding on registered auditors.

Favere-Marchesi (2000) also conducted a study on the accounting profession about audit quality in ASEAN countries. Data, collected from questionnaires from national representatives of the international accounting firms, was reviewed by 15 governmental and professional bodies responsible for regulating the auditing profession in ASEAN. Major findings show that the legal environment faced by statutory auditors was too diverse to ensure a uniform audit quality throughout the region. Favere-Marchesi (2000) also suggest that ASEAN professional and governmental bodies should strive to implement high standards of quality applicable to all statutory auditors in the region, although major international accounting firms have their own quality control mechanisms that may mitigate any regulatory gap.

Akathaporn et al., (1993) conducted a study on accounting education and practice in Thailand, using a survey of 285 Thai accounting educators and professionals. They described the weaknesses of the professional accounting body which operated without full-time staff and lacked strong and effective leadership. Their findings were applicable to this study and correspond to observations of some interviewees. The small group of people involved in the operation of ICAAT lacked funding support from government and therefore its activities were run by voluntary academics from large universities and practitioners from auditing firms.

This section has considered previous research on the accounting profession, reviewed previous studies on the definition of profession and professionalization, and approaches to the study of professions. It is observed that there is limited academic research published on the development of the accounting profession in Thailand and more specifically, the influence of the state, market, and community on that development (Table 3.1).
<table>
<thead>
<tr>
<th>No</th>
<th>Author and Publication Details</th>
<th>Title of the paper/publication</th>
<th>Major findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Holzer and Tremblay (1973), The International Journal of Accounting, Vol.9, pp.67-80.</td>
<td>Accounting and Economic Development: The Case of Thailand and Tunisia</td>
<td>In 1970 the number of companies listed and the volume of trading was still very small. Many of the Thai subsidiaries of American firms publish financial information of their operations in much the same manner as in the U.S., thus exerting a positive influence on Thai accounting practice. Some Thai and some international accounting firms perform audits which are comparable to American audits. Thailand still needed some binding professional standards for financial reporting and it is still questionable whether the audit standards of the Institute of Certified Accountants and Auditors will become legally binding.</td>
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<td>2</td>
<td>Ninsuvannakul (1988), The Recent Accounting and Economic Developments in the Far East, pp.115-148.</td>
<td>The development of the accounting profession of the ASEAN countries: past, present and the future</td>
<td>The evolution of the accounting profession in each ASEAN country followed a similar pattern: (1) an initial stage of development, (2) the legal recognition of the profession, (3) the emergence of a professional organization, (4) the specification of the qualifications of certified public accountants, and (5) the establishment of professional standards.</td>
</tr>
<tr>
<td>3</td>
<td>Akathaporn, Novin and Abdolmohammadi (1993), The International Journal of Auditing, Vol.22, pp.259-272.</td>
<td>Accounting Education and Practice in Thailand: Perceived Problems and Effectiveness of Enhancement Strategies</td>
<td>The results indicate that (1) the country suffers from a lack of adequate number of accounting instructors, dated curriculum and textbooks, and a lack of societal recognition for accountants; (2) Thailand’s effectiveness in using some 21 enhancement strategies is poor to average; and (3) perceived relevant accounting areas for Thailand are in the following order: taxation, managerial and cost accounting, financial</td>
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<td>Page</td>
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<td>4</td>
<td>Craig and Diga (1996), <em>The International Journal of Accounting</em>, Vol.31, No.2, pp.239-259.</td>
<td>Financial Reporting Regulation in ASEAN: Features and prospects</td>
<td>Similarities are observed in the objectives of financial reporting regulation and in the participation of the private sector in accounting standards setting and enforcement. Differences are discerned in each country’s company’s law requirements, securities market regulations, accounting standards-setting procedures and accounting standards content. The difference in ASEAN’s financial reporting regulation are explained by a combination of socio-historical, economic, and political factors unique to each country.</td>
</tr>
<tr>
<td>5</td>
<td>Henry and Attavitkamton (1999), <em>The International Journal of Accounting</em>, Governmental Accounting and Auditing in Thailand: An Overview and Some Suggestions for Improvement</td>
<td>(1) Government accounting in Thailand, manual and cash basis, is rudimentary at best. However, new financial statements are needed to provide the required information to assess government performance and financial position. (2) Government auditing in Thailand is limited to the review and endorsement of the State financial statements. Therefore, the Office of Auditor General must expand its audit scope to encompass a more comprehensive review of agency performance to aid the nation in improved utilization of its scarce resources.</td>
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<td>7</td>
<td>Favere-Marchesi (2000), The International Journal of Accounting, Vol.35, No.1, pp.121-149.</td>
<td>Audit Quality in ASEAN</td>
<td>The legal environment faced by statutory auditors is presently too diverse to ensure a uniform audit quality throughout the region. ASEAN countries should consider moving towards a regime with the following features: (1) range of professional sanctions corresponding to the severity of the conditions giving rise to such sanctions, (2) possibility of litigation by the auditor, the shareholders and other third parties, (3) reasonable liability caps, and (4) required professional indemnity insurance.</td>
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</table>

Therefore, this study aims to fill a gap in the literature on the professionalization of accounting in Thailand. More specifically, the role of the state in the professionalization process of accounting will be the focus of the study. The period of the study is from 1948 to 2010, with the greatest focus on the two development periods of the accounting profession; the ICAAT and FAP era. This provides a clear picture on the momentum of changes in the professionalization process where the state began to decrease its dominant role in the profession through promoting and enhancing autonomous accounting organization.

### 3.5 Theoretical Framework

Conceptual framing can offer a greater understanding of the empirical issues under discussion (Llewelyn, 2003, p. 662). Appropriate theorization has ability to provide rich information regarding organization structures and processes of the accounting profession. This thesis uses the theoretical framework of the state, market, and community developed by Puxty et al. (1987) which synthesized the four principles of state, market, community, and association of Streeck and Schmitter’s (1985) work. Later studies (see, for example, Bui et al., 2011; Caramanis, 1999, 2002; Hao, 1999; Seal et al., 1996; Uche, 2002, 2010) also show a balance between these three principles on the development of the profession in different contexts such as Czech Republic, Greece, China, Nigeria, and Vietnam respectively. The definition of these three principles varies based on context and the nature of each case study as shown in Table 3.2.
<table>
<thead>
<tr>
<th>Organizing Principles</th>
<th>State (Hierarchical Control)</th>
<th>Market (Dispersed Competition)</th>
<th>Community (Spontaneous Solidarity)</th>
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<tbody>
<tr>
<td>Streeck and Schmitter (1985)</td>
<td>The (1) state bureaucracy, allocation decisions are made through (2) public policies that are enforced with the ultimate backing of the (3) state’ monopoly of legitimate coercion by civil servants striving to satisfy their dominant interest in career advancement and (4) bureaucratic stability on subjects that strive to avoid punishment; both do so by (5) minimizing risks and maximizing predictability through procedures and regulations.</td>
<td>In the perfect economic/electoral market, economic/political entrepreneurs seek to (1) maximize their profits/electoral support in exchange for which consumers/voters are expected to be content with the material benefits arising from competition/the impact on (2) public policy of electoral ‘voice’.</td>
<td>The community involves the (1) chiefs, notable leaders, (2) desire the esteem of their followers, while the latter seek a (3) sense of belonging to and (4) participating in the group as such.</td>
</tr>
<tr>
<td>Puxty et al. (1987)</td>
<td>The authority of hierarchical control, as operationalized by (1) career civil servants for example, which is vested in agreement of the (2) rules and procedures backed up by the (3) state’ monopoly of (4) legitimate coercion.</td>
<td>Generates both economic entrepreneurs who (1) maximize profits and (2) consumers who are satisfied with the material benefits derived from (3) competition.</td>
<td>Leaders are enjoying the (1) esteem of followers who themselves are benefiting from the (2) sense of belonging.</td>
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<td>Seal et al. (1996)</td>
<td>Followed Streeck and Schmitter (1985) who see that all societies are comprised of different balances between the three that are competing. The state is an important weapon of professionalization.</td>
<td>Adopted Streeck and Schmitter (1985)’s concept to explain libertarian ideology and laissez-faire policies in the Czech Republic.</td>
<td>Adopted Streeck and Schmitter (1985)’s concept and also referred to the union of accountants where CPA’s qualification and training are controlled.</td>
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<td>Caramanis (1999, 2002)</td>
<td>Statutory auditing was controlled by a group of indigenous auditors who had the professional monopoly.</td>
<td>The competition between auditors and the abolition of professional monopoly.</td>
<td>The strongest advocate of change was an association of local branches of international accounting firms who aspired to expand business into statutory auditing.</td>
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<td>Uche (2002, 2010)</td>
<td>The State and the supreme powers usually conferred on military rules, the dynamics in the relationship between the</td>
<td>Demand of the accountancy profession in Nigeria imposed by the state laws.</td>
<td>The Nigerian members of the ACCA that first moved to set up a professional accountancy</td>
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<tr>
<td>Source</td>
<td>Description</td>
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<tr>
<td>State and the profession in Nigeria is usually less systematic.</td>
<td>Market principle is involving 1) competition between accountants for work and 2) the regulation of accountants’ work by clients and employers. The community refers to one which accountants feel they belong, sharing some common identity and values.</td>
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<td>Hoa (1999)</td>
<td>The state represents agencies of the government, with authority to decree the practices that accountants must follow and to maintain an enforcement mechanism.</td>
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<tr>
<td>Bui (2011)</td>
<td>The state represents government agencies with authority to decree the practices that accountants must follow and to maintain an enforcement mechanism. The community refers to the MOF with the sense of belonging of the profession where common identity and values of the profession is shared.</td>
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<tr>
<td>This study on Thailand</td>
<td>The state represents the government agencies such as SEC, DBD, RD, and BSAP which have legitimate authority prescribed by relevant laws and regulations. The state influence on the organization through: 1) accounting laws and regulations, 2) participation in the oversight board committee of the accounting profession. The market principle is involved with demand and supply of the accounting profession in private sector where changes in political and economic milieu including development of capital market and professional competition are involved. The community refers to (1) the accounting council where leader and followers come together to share knowledge and common value through the professional meeting, seminar and training, (2) accredited universities where accounting students are trained and desire esteem with the sense of belonging of the accounting profession.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In European countries, the State exercised control of the accounting profession through the development of self-regulated bodies. However, in many developing countries, the State agencies have the authority to make decrees about accounting practice and to maintain enforcement mechanisms, as in China. This implies that state agencies (such as the MOF) are not only backed up through state laws and regulations but also participate in the professionalization process to ensure the quality of the national accounting profession.

In this thesis, the State is defined as Government agencies such as the MOC—BSAP including DBD, SEC, and RD with authority to protect and manage the accounting profession by enacting appropriate laws and regulations that maintain enforcement mechanisms. The studies of Puxty et al. (1987) and Hao (1999) placed emphasis on the
regulation of financial statements and the role of practitioners. This thesis is concerned with regulation in private sector accounting. Particular reference will be given to the Accounting Act 2000 (Appendix 10) and the Accountancy Profession Act 2004 that deals with the development of the accounting profession in Thailand.

The market principle involves accountancy practice in a variety of ways through demand and supply (accountants, clients, and employers) in the corporate/private sector. The term ‘market’ refers to the influence of the politico-economic milieu including pressure from the capital market that creates the demand for accountants and auditors. In the case of Thailand, the professional market can be divided into two broad potential markets; accountants and tax auditors for small businesses and accountants and auditors for larger enterprises. For large enterprises, the professional market could also be divided into two markets: accountants and auditors for publicly accountable entities (Listed Companies such as Dharmniti Public Company Limited, Banpu Public Company Limited)\(^\text{11}\), accountants and auditors for non-publicly accountable entities (Small and Medium Enterprises such as Kitong Company and Precha Advertising Limited Partnership). This thesis gives an overview of the accounting market and emphasizes the role of corporate/private sector in the capital market.

The ‘community’ is a broad term and refers to accounting environments where accountants share some common identity and values. The meaning of community utilized in this study refers to occupations organized in an institutional form, whose practitioners are committed explicitly to serve the public interest, and who offer client services related directly to an intellectually-based body of knowledge (Elliott, 1972; Lee, 1995; Puxty et al., 1987; Willmott, 1986). With this in mind, the professional association plays a significant role in creating a true profession through organizing appropriate training and accreditation to maintain professional standards (West, 2003; Yapa, 1999). Hao (1999, p. 287) is correct in his belief that one of the reasons behind the group’s influence is the confidence and respect it attracts from the rest of the community. Without the interaction of the state and other competing principals, the accountancy association is likely to self-regulate as has been demonstrated in the Western context. For example, the members of the accounting profession in the U.K. have been working towards self-regulation and autonomy from the state to preserve their independent status (Yapa, 1999).

\(^\text{11}\) There were 547 listed company reported on 11 January 2008 (The Stock Exchange of Thailand, 2007).
In Thailand, to unify all accounting practitioners, professional association used several strategies such as meetings, trainings, and seminars. The accounting leader elected from the interest group attempted to convince all accountants and auditors, including academics, to participate in the profession for promulgation of accounting knowledge in Thai society. The state has a significant role in the establishment of the professional accounting association through the Accounting Act 2000 and the Accountancy Profession Act 2004. Moreover, accountants and auditors qualifications are defined in the state regulations. There is a demand that professional salaries of the accountants should be set by market forces; they are currently perceived to be not as high as other professions such as medicine and law.

Universities have frequently been regarded as key participants in the process of social change and development (Brennan et al., 2004, p.16). The most explicit role of the university is the production of highly skilled labor to serve economic development. This also applies to accounting education where a specialized knowledge body is required for the development of the profession. Many accounting educators have been opposed to the professionalization of accounting education that aims to transfer accounting knowledge and skills as well as ethical standards that include a concern for individual needs and the overall advancement of society (Langenderfer, 1987). In this light, universities are a part of the accounting community where accountants/followers are trained to serve the society, desire esteem coupled with a sense of belonging.

Accounting education at university level in Thailand was accredited by the MOE—OHEC (as mentioned in Chapter 2, Section 2.5) to create an appropriate standard for the accounting profession. However, an accreditation, with the aim of increasing the quality of accounting education, was achieved in 2005 when the Accountancy Profession Act 2004 empowered the professional body to accredit accounting education in Thailand. This was a significant change in the development of the accounting profession during the study period, and is discussed in this thesis.

The accounting professional body had previously undergone two distinct phases, ICAAT and FAP. The first phase began with the establishment of ICAAT in 1948 by a group of accountants with state endorsement. It had a long history, 56 years, from its formation to demise due to the enactment of the Accountancy Profession Act 2004. ICAAT had contributed to the accounting community through professional meetings, trainings, and seminars. Under the domination of state agencies such as BSAP, ICAAT lacked legitimate authority in the management of the accounting profession. Lack of a
fully autonomous organization impacted the ability of ICAAT to improve and sustain a competent accounting professional body.

The second phase began with the establishment of the FAP in 2005. The FAP continued its transition from ICAAT with the aim of promoting and enhancing the accounting profession to achieve international standards. Under the market regulation of various state agencies (such as the MOC and BSAP), professionals could gain the right to serve as certified public accountants in the private sector. This implied that the state was involved in the many stages of the professionalization process in terms of determination of accounting and auditing standards through the MOC, control of accounting education through the MOE, and professional license granted by BSAP.

Although the literature review indicates that most developing countries shared a common pattern in the development of the accounting professionalization process, which is based on Western model, the distinctive feature of each country contributes to the deviation of the development of the local profession. This contributes to the potential for later study in the professionalization projects to insert new knowledge under the SOP based on the unique circumstances of each country (Prawit Ninsuvannakul, 1988).

3.6 Conceptual Framework

As mentioned earlier, there was not any colonial link to transfer accounting knowledge, as with its neighbours, because Thailand was never colonized by Western military force. Thailand is in a transitional process towards developing into an industrialized country and emerging economy. Therefore, in the development of its accounting profession, Thailand is taking both local conditions and the experience of other countries into consideration, and this thesis aims to describe the development of the accounting profession under a changing environment between 1948 and 2010.

It is recognized that no single matrix of market, state and community principles are applicable to all arenas of regulation (Beelde, 2002; Puxty et al., 1987). A combination of these factors is appropriate for the analysis of accounting regulation and the development of the profession. It required an appropriate theoretical framework that could provide the research insight into the reasons behind the development of the profession. Puxty et al’s model provides a theoretical lens to understand the involvement of many factors in the professionalization process, particularly state, market and community. The model allows the researcher to investigate the emergence and development of the accounting profession
more clearly in the context of state ideology in Thailand. It is determined that Puxty et al.’s (1987) model is suitable to describe the development of the accounting profession in the unique setting of Thailand which has intricate political and economic characteristics.

The aim of this proposed study is to investigate various interactions between the state and the profession on the development of the accounting profession during the period (1948-2010) and to critically analyze the evolution of the accounting profession in Thailand. Thus, this study focuses on the factors that influence the development of the profession. Based on the theoretical reasoning supported by the literature review, the following figure explains the conceptual framework (Figure 1.2) of the proposed study.

Under the SOP, this thesis applies the concept of state, market, and community (Puxty et al., 1987) to analyze the accounting development in Thailand. The state refers to roles of the Government through agencies such as MOC (DBD, BSAP), MOF (RD, SEC), and MOE (OHEC) in the development professionalization process in the private sector. These organizations have claim legitimate authority prescribed by the relevant laws and regulations to participate with the professionalization process which includes the emergence of the profession, control of entry and professional education, license process, and Code of Conduct. To ensure that the accounting profession developed appropriately to serve Thai society, Government agencies play a significant role in the accounting profession through the enforcement of laws, regulations and participation in the OCAP.

The politico-economic milieu, which is recognized as a market principle has a significant influence on the accounting professionalization process. This could be the result of demand and supply of the accounting profession derived from the requirement of the society. Changes in Government policies, such as planned economy to market oriented economy, and development of the capital market, are key factors that stimulate the development of the profession to serve public interests such as investors.

An accounting professional body is recognized as the accounting community where leaders and followers come together to share knowledge and common value in order to improve the quality of the profession through seminars and meetings. Development of the accounting professional body in Thailand can be divided into two phrases; ICAAT era between 1948 and 2004 and FAP era from 2004 onward. ICAAT was established with the aim to promote and enhance accounting professionals to reach international standards. It endeavored to improve the quality of the profession as a Government advisor (MOC) in terms of accounting and auditing promulgation. In addition, BSAP which is under the MOC claimed legitimate authority to grant auditing licenses and can sanction the
accounting and auditing standards promulgated by ICAAT. Empirical study indicates that ICAAT failed to protect and control its members under pressure from politico-economic transformation due to reasons such as lack of full-time staff, lack of strong and effective leadership, inexperience in the development of the accounting profession, and insufficient support from the Government in terms of budget (Akathaporn et al., 1993, p. 264). Professionalization process was dominated by the state and this was a unique feature of the accounting profession in Thailand between 1948 to 2004 before the FAP was established in 2005. This change perhaps took place with the transformation of economic development during the investigation period.

The FAP’s objective was to promote the unity and integrity of its members, support their welfare and network for mutual benefit as prescribed in the Accountancy Profession Act 2004 (Section 7). Significant changes in the professionalization process occurred after the beginning of the FAP era when the accounting professional body came into power with legitimate state support. The FAP claimed legitimate authority to provide licensing, suspending and revoking the profession license for individuals; registering all accounting firms; setting the accounting and auditing standards; and regulating the conduct and practices of members and registrants to make them comply with the Code of Conduct. The changes included the control of accounting education where the FAP has authority to accredit all accounting programs at university level. Universities became significant institutions in the preparation of accounting students to serve Thai society.

Overtime, the above factors were involved with the development of the accounting profession in each period with different degrees of influence. In addition, Western influence also affected the determination of the professionalization process in Thailand as an international benchmark. International influence from the Big Four firms, MNCs, and the international accounting professional body (such as IASB) increased pressure for the professional competition which local accounting practitioners to improved their quality. These factors are paramount and beneficial to the development of the accounting profession in Thailand between 1948 and 2004.

3.7 Conclusion

Definition of the professionalization carries a different meaning in different country based on distinctive aspects of each country. Although most of developing countries shared a similar pattern of the accounting professionalization process, which is based on Western
models, in reality the professionalization process in each country deviated from the Western protocol due to the uniqueness of each country. For example, state ideology, politico-economic system, culture, and the colonization history of each country must be considered.

Under the SOP, accounting is a part of social development as it provides the best value to the society through its functions, which require specialized knowledge and technical skills. The sociological literature shows the momentum of research interest in functionalism, interactionism, and critical perspectives. The first two perspectives are beneficial to understand professional characteristics and interaction of the profession in the society. The critical perspective, which has more potential to analyze the development of the accounting profession in wider context, provides more methods to improve best value through which to serve society. With this as an advantage, this thesis utilized the critical approach as one of the research methods to analyze the development of the profession in Thailand and provide some recommendations for future developments.

The critical theory has increased significantly as indicated in the literature review. There are several theories that expand the critical perspectives such as Class-Status-Party Rationalization Charisma, Social Closure, Imperialism, Hegemony, and State-Market-Community. Some of these theories are not capable of analyzing the Thai experience, for example Class-Status-Party, Social Closure, and Imperialism due to fact that Thailand was not a Western colony in the strict sense of the definition. Therefore, accounting knowledge was transferred from Western countries through commercial and aid agreements rather than through the colonial influence. An appropriate theory to explore the case study of Thailand is State-Market-Community developed by Puxty et al. (1987) where these three keys factors are involved with the professionalization process; in particular the role of the Thai government.

As a result, in the determination of the theoretical framework of this study, the researcher attempts to describe the role of state, changes in the politico-economic milieu, the role of the accounting professional body and university accreditation in the development of the accounting profession in Thailand from 1948 to 2010 from the critical paradigm.
Chapter 4 Research Methodology and Methods

4.1 Introduction

In Chapter 2, the literature review on the professionalization processes was reviewed in order to understand the evolution of the accounting profession in developed and developing countries. The review of literature on professions managed to enrich the author’s understanding of the research gap associated with the Thai context and extant theories and methodologies that have been used in previous studies on accounting professionalization processes. The objectives of this chapter are to explain and justify the methodology and methods applied in this thesis.

According to Yin, (2003) and Silverman (2005), a definition of methodology is that Methodology can properly refer to the theoretical analysis of the methods appropriate to a field of study or to the body of methods and principles particular to a branch of knowledge. Thus a well-designed methodology ensures validity and reliability of data collected for research. This study is based on qualitative research and it needs a thorough methodology to identify the correct phenomena pertaining to the accounting profession in Thailand. The methodological standards in the social sciences are contained within the associated social theories that are covered in the methodology section. Thus, in general terms, the methodology is to show the reader how the study was conducted; the ‘method of inquiry’. This means that the methodology explains how the researcher understood the social phenomena rather than specific techniques for gathering and examining data.

This chapter is organized as follows. Section 4.2 compares existing methodological approaches of conducting qualitative research in order to identify the most suitable methodology for this study. The works of Richard Laughlin (1995) and Sue Llewelyn (2003) on methodological choices have been selected for consideration. Section 4.3 provides a clear justification for the selected data collection methods by which to conduct this study. Before choosing a method, the researcher reflected upon the broader societal context in Thailand in which the selected methods are applied and developed.
4.2 Research Methodology

As mentioned in the introduction, the methodology refers to the theoretical analysis of the methods appropriate to a field of study or to the body of methods and principles particular to a branch of knowledge. Llewellyn (1992) adopted Bryman’s (1984) definitions of methodology as the epistemological framework for the research, and method as the technique for doing that research. Yin (2003) defines methodology as the overall approach to the research process, from the theoretical underpinning to the collection and analysis of data and method as the various means by which data can be collected and/or analyses (p. 55). Gaffikin (2008) defines methodology as ‘... the framework of the means for gaining knowledge’ (p.7) and explained that it investigates and evaluates methods of inquiry and hence, sets the limits of knowledge, and too often is used to indicate the methods – the techniques used to gather data and information.

However, discovering new knowledge depends on a fundamental model or scheme that organizes the researcher’s world view by way of a paradigm (Rubin & Babbie, 2005, p. 38). Three paradigms that have been discussed in the previous chapter are the functionalist approach (positivism), interactionist approach (interpretivism), and critical approach (critical social science). Different authors have used different labels for these paradigms. The present study has employed the critical approach as detailed in Chapter 2.

The critical approach has been labeled variously; some have called it a ‘Marxist’ paradigm. Others have called it a ‘feminist’ paradigm or critical social science. In this approach, the researchers attempted to include the influence of political or ideological values in their findings, which is in contrast to the positivist researchers as they attempt to minimize these issues, including interpreting their findings in a neutral and factual manner. However, in accounting research, diverse approaches are involved with a range of social, political, and economic environments. Therefore, an appropriate framework is required to describe the development of the accounting profession during change in the social and political environments.

Laughlin (1995) provides a discussion on the dimensions of theoretical and methodological choices related to ontology, human nature, society, epistemology, and methodology. Laughlin (1995) claims that the position on being (ontology), the role of the investigator (human nature), perceptions of society (society), perceptions understanding (epistemology) and ways to investigate the world (methodology) are implicit in the various approaches to empirical research (Laughlin, 1995, p.66). Expressing these in the context of
choices, Laughlin (1995) reclassifies these key elements into three broad bands: theory, methodology and change. Understanding these elements is beneficial for undertaking any empirical investigation. Therefore, the next section details the methodology choices in Laughlin’s work.

4.2.1 Methodology Choices of Laughlin

In terms of choices, it is a broad term which Laughlin refers to when deciding about the theory, methodology and changes in research (Figure 4.1). As explained in the Figure 4.1, the theory and methodology dimensions are designed in a simple linear way. Researchers who believe in high levels of prior theorizing will also find value in theoretically defining the methods of investigation. In this light, it is beneficial for testing the theory to explain the phenomenon against various hypotheses. This enhances the ability of the research process to generate new knowledge which has the potential to be extrapolated into the wider world.

In contradiction to the previous point, some researches prefer to use a minimalist theoretical definition as investigatory methods. This could be due to the unique features of the situation or case study being investigated. Variables are unknown and the research processes are heavily based on the researcher to discover and describe new knowledge.

The choice of theory decides the nature of the world under investigation and constituents of knowledge from the past or the present and its relationship with the current focus of study (Burrell & Morgan, 1979; Laughlin, 1995). While the methodology choice determines the role of the researcher in the discovery process, determines the position of change in the situation being investigated. The interaction between theory, methodology, and change leads to the development of the research approach as summarized in Table 4.1: high-high-low, low-low-low, and medium-medium-medium.

The high-high-low approach relies on theory and methodologies that are used to discover new knowledge. It tends to be a process of the scientific model with assumptions about the material world, which already has a body of accumulated knowledge. To achieve the objective of this world view, standardization of research instruments are required. A quantitative research method is identified as an appropriate way in this case with minimal emphasis on the changing situation.

12 Theory, methodology and change ordering
The low-low-low approach is the extreme opposite of the above approach. Values and personal views are crucial for generating new knowledge more than testing theory as in the scientific process. The existing situation is described through the observation of the researcher. Therefore, emerging knowledge is based on the ability of the researcher to describe current conditions in the real world; there isn’t any natural mechanism for a critique of interpretations. A qualitative method of research providing insight into the unique situation or case study is required.

The medium-medium-medium approach is a combination of these two first approaches. It recognizes theory and methodology as significant factors to describe and generate new knowledge of the real world. Researchers employ theories to explain the situation through their world views and empirical evidence is valuable for showing the subjectivity of the researcher.

This thesis falls into the medium-medium-medium approach, which is also called the middle-range thinking approach. This is to describe middle-range thinking as shown in Table 4.1; for example, the understanding of the relationships between organizing principles and the accounting profession in the case of Thailand. This study is a descriptive and analytical work, which aims to present critical views from the existing accounting professionalization process in Thailand. The nature of this thesis points out the key components of the research process with the appropriate combination of theory and methodology to allow the researcher to describe the existing situation. The next section explains this approach in terms of qualitative research and justification for this study.

Source: Laughlin (1995, p.68)
Table 4.1: Key Characteristics of Theory, Methodology and Change

<table>
<thead>
<tr>
<th>Theory Characteristics</th>
<th>High/high</th>
<th>Medium/medium</th>
<th>Low/low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ontological belief</td>
<td>Generalizable world waiting to be discovered</td>
<td>‘Skeletal’ generalizations possible</td>
<td>Generalizations may not be there to be discovered</td>
</tr>
<tr>
<td>Role of Theory</td>
<td>Definable theory with hypotheses to test</td>
<td>‘Skeletal’ theory with some broad understanding of relationship</td>
<td>Ill-defined theory no prior hypotheses</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Methodology Characteristics</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Role of Observer and human nature belief</td>
<td>Observer independent and irrelevant</td>
<td>Observer important and always part of the process of discovery</td>
</tr>
<tr>
<td>Nature of Method</td>
<td>Structured, quantitative method</td>
<td>Definable approach but subject to refinement in actual situations, invariably qualitative</td>
</tr>
<tr>
<td>Data Sought</td>
<td>Cross-sectional data used usually at one point in time and selectively gathered tied to hypotheses</td>
<td>Longitudinal, case study based. Heavily descriptive but also analytical</td>
</tr>
<tr>
<td>Conclusions Derived</td>
<td>Tight conclusions about findings</td>
<td>Reasonably conclusive tied to ‘skeletal’ theory and empirical richness</td>
</tr>
<tr>
<td>Validity Criteria</td>
<td>Statistical inference</td>
<td>Meaning: researchers + researched</td>
</tr>
</tbody>
</table>

| Change Characteristics | Low emphasis on changing status quo | Medium emphasis open to radical change and maintenance of status quo | Low emphasis on changing status quo |

Sources: Laughlin, 1995
4.2.2 Conceptual Framing in Accounting Qualitative Research

The value of qualitative empirical research in the accounting discipline, lines in its conceptual framing of organizational actions, events, processes, and structures (Llewelyn, 2003, p.662). In this light, the conceptual framing is utilized as a linking process of empirical evidence and knowledge, which defined as a theory by academies. This process is beneficial to generate new knowledge and gain a better understanding in the professionalization projects. For example, research findings derived from interviews in this study are linked with the state-market-community theory of Puxty et al. (1987) to explain the influence of these three principles on the development of the accounting profession in Thailand.

Llewelyn (2003) classified five levels of theorizing that are available to qualitative empirical researchers as shown in Table 4.2. It begins with metaphor, differentiation, conceptualization, theorizing settings and theorizing structure. Metaphor theory is a basic structural form of experience through which human brings engage, organize and understand their world (Morgan 1983, p.601). It is the lowest level of theorizing process, which only focused on imaging and grounding experience for a primary understanding of any phenomena. Differentiation theories deal with setting up contrasts and categories such as presence-absence, up-down, in-out, finite-infinite, mind-body, public-private, and practical-theoretical in order to understand the real world. Concepts theory, the third level of the theorizing process, which Llewelyn (2003) refers to as the linkage between subjective and objective realms of experience in order to create meaning and significance of explicating practice. The fourth level of theorizing settings explains specific social, organizational or individual phenomena in the social organization of the settings for human activity. This concept is used to gain understanding through explaining relationships between phenomena. Finally, theorizing structure/grand theory is a result of theorizing development, which is involved with structural, impersonal large-scale and enduring aspects of the social realm. Social institutions, culture, class relations and the distribution of goods constitute regular and patterned social arrangements that individuals are born into and which will last beyond their lifetimes (Llewelyn, 2003, p. 676). This notion is beneficial for generating new knowledge in the qualitative research, which is the outstanding feature of this type of research.
Table 4.2: Levels of Theory Relating to Different Empirical Issues

<table>
<thead>
<tr>
<th>Level</th>
<th>Theory</th>
<th>Focus</th>
<th>Empirical issue</th>
<th>Claim</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Metaphor theories</td>
<td>By imaging (just checking you mean this and not imagining) and grounding experience</td>
<td>Micro reasons, actions; social production</td>
<td>Grounds experience</td>
</tr>
<tr>
<td>2</td>
<td>Differentiation theories</td>
<td>By ‘cutting the pie’ of experience</td>
<td>Micro social process</td>
<td>Cuts up experience</td>
</tr>
<tr>
<td>3</td>
<td>Concept theorize</td>
<td>By linking agency and structure through practice</td>
<td>Meso agency – how individuals make things happen through resources</td>
<td>Explicate practices</td>
</tr>
<tr>
<td>4</td>
<td>Theorizing Settings</td>
<td>Explaining how contexts for practices are organized</td>
<td>The social organization of relationship between individuals, organizations and environments</td>
<td>Explains relationship between social phenomena in context</td>
</tr>
<tr>
<td>5</td>
<td>Theorizing Structures</td>
<td>Explaining impersonal, large scale and enduring aspects of social life</td>
<td>Class, gender, power relations and the distribution of resources</td>
<td>Explains universal, a-historical and large scale dimensions of social life</td>
</tr>
</tbody>
</table>


Llewelyn’s (2003) study identifies some similarities between the ‘interpretive approach’, ‘middle-range theory’ and ‘conceptual framing’. The similarities of these concepts are involved with how the theory is developed at each level.

For example, change through emergence would be likely to be theorized at levels one, two or three, whereas structural phenomena are usually analyzed at levels four and five. The middle point on the levels presented here is conceptualization—this is not thought to be the best level of theorizing for all phenomena. However, in so far as management is conducted in organizations and concepts relate closely to practices then, often, conceptualization is the most appropriate form of theorizing in the management and accounting disciplines (Llewelyn, 2003, p. 686).

It is clear that the relationship between theories and methodologies are interrelated. Methodologies and adopted theories reflect the epistemological and ontological assumptions of researchers (Llewelyn, 1992, p. 22). However, Mouzelis (1995) argues that
theorization is in disarray in the social sciences’ and also that theory and empirical research are disconnected. The notion of conceptual pragmatism is proposed as a way out of this dilemma (Mouzelis, 1995, p. 8). In response to Mouzelis’s argument, Llewelyn’s fifth level, out of five levels of theory, will not be used in the empirical research.

As Llewelyn explains:

This seeming paradox can be understood in the context of the relative significance accorded to high and low levels of theorization by academics and lay people. Thus methodology intervenes into the process as to explain the way to conduct the research. Hence research methodologies and levels of theory are intertwined (Llewelyn, 2003, p. 684).

At lower levels ethnographic studies aim to capture the thoughts, beliefs, values and motivations of organization members through lengthy ‘immersion’. The role of qualitative researchers is to observe and explain regularities and relationships that are linked to the generation of theory. Few studies adopt the quantitative method (Richardson, 1988; Suddaby et al., 2009) in the professionalization projects, using questionnaires to verify existing theory and to construct new findings. Some scholars (for example Saunders et al., 2003, p.218) claim that a questionnaire is one of the most widely used survey data collection techniques because the standardization of answers is found from the same set of questions. However, it is hard to produce a good questionnaire (Opeenheim, 2000; Saunders et al., 2003) to gain more information due to limitations of the instrument. In addition, in the accounting professional study, the response rate of the questionnaire should be of concern13 because this could affect the reliability, validity and ability to explain or answer the research questions.

Accounting empirical research has made significant developments in the last 20 years mainly through qualitative research, which uses interpretive methodologies and has proven to be increasingly influential (Llewelyn, 2003). As mentioned above, most studies in the professionalization projects also adopt the qualitative approach to explain the transformation of the accounting profession (see, for example, Seal et al., 1996; Sian, 2006; Sian, 2010; Yapa, 1999, 2010). Adopting this approach enables researchers to gain rich information to answer their research question and to gain more understanding about the accounting professionalization project.

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This thesis uses the qualitative approach in many aspects of the research. Firstly, the literature revealed that despite the development of the accounting profession which is important for the modern economic growth of a developing country like Thailand (Akathaporn et al., 1993), hardly any theory had been developed or tested on this phenomenon. Therefore, the thesis was in a unique position, requiring the development of a research design that would facilitate the development of theory, rather than testing a hypothesis. In addition, there are different types of research approaches in qualitative research such as exploratory research, descriptive research, analytical or explanatory research, and predictive research as shown in Table 4.3. Due to the nature and objectives of this study, analytical research is adopted to explain the development of the accounting profession in Thailand where empirical evidence between 1948 and 2010 is described and critically analyzed.

**Table 4.3: Different Types of Research**

<table>
<thead>
<tr>
<th>Type of Research</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploratory research</td>
<td>Exploring a research issue when there are few or no earlier studies to which researchers can refer for information about the issue.</td>
</tr>
<tr>
<td>Descriptive research</td>
<td>A description of phenomena as they exist.</td>
</tr>
<tr>
<td>Analytical or explanatory research</td>
<td>A continuation of descriptive research where researchers not only describe the characteristics of the pertinent issues but also analyze and explain why or how it is happening.</td>
</tr>
<tr>
<td>Predictive research</td>
<td>An expansion of explanatory research with a forecast of the likelihood of a similar situation occurring elsewhere.</td>
</tr>
</tbody>
</table>

Source: Collis and Hussey (2003)

As explained by Yin (2003), case studies are basically of three types: Exploratory, Descriptive and Explanatory. Exploratory is aimed at hypotheses testing, a descriptive case study attempts to provide a complete description about the phenomena within its context, and an explanatory case study presents data pointing towards cause and effect relationships, going on to explain how ‘events happened’ (Yin, 2003: 4, 5). Among these three case study methods, the explanatory method is supplied by explanatory theories such as the knowledge-driven, problem-solving and social interaction theories. The social interaction
theory claims that in high-utilization environments, research procedures and users belong to overlapping professional networks with ongoing communications (Yin, 2003: 21). As Scapens (1990) observed, the increasing use of case studies as a research method for studying management accounting practice and argued that:

Case studies offer us the possibility of understanding the nature of management accounting in practice; both in terms of the techniques, procedures, and systems which are used and the way in which they are used (p.264). It is necessary to locate practice in its historical, as well as its economic, social and organizational contexts. Case studies are particularly suitable for this type of research (Scapens, 1990, p. 268).

In essence this study became an exploratory study where the researcher attempted to collect professional opinions and gain an understanding of SOP in the context of state ideology in Thailand. The researcher also believes that individuals seek understanding of the world in which they live and work (Creswell, 2009, p. 8). Therefore, knowledge is based on individual experience and attitude to the situation being studied.

Secondly, there are many factors involved in the development of the accounting profession, such as state regulations, changes in politico-economic milieu, and the accounting community. The interaction between these three factors is complicated due to the critical views of many stakeholders. Survey research or experimental research is unable to provide sufficient details and reasons behind the transformation of this profession. Subsequently, the research design has to consider these crucial factors. Keeping in view the aspects of the research questions and objectives that are shown in the previous section, it is attempting to answer both the ‘What’ and ‘How’ questions and then decide which research design method is appropriate and straightforward.

The determination of this research approach also depends on the nature of the research questions. While qualitative research focuses on explaining and understanding the meaning of social problem to answer the ‘how’ question, the quantitative research focuses on examining the relationship between variables (Bryman & Bell, 2007) to answer questions like, how many?, who?, and what is happening? As some aspects of the research questions in this study seek to answer how the accounting professionalization process has changed in the context of state ideology in Thailand, therefore, interviews enable the researcher to gain rich information to explain this phenomenon. In addition, to answer sub-research questions like ‘What are the roles of Thai and international accounting professional bodies (such as IASC, IFAC, AFA,) in the development of the accounting
profession? ’ and ‘What is the perception of accountants on the development of the Thai accounting profession during the last half century? ’

Finally, the qualitative approach allows researchers to employ a range of sources of data collection such as interviews, archival records and secondary sources. By using these three sources of data collection, the triangulation method could be used to validate data and to ensure reliability of the collected data (Patton, 1990). Therefore, it was necessary to adopt a research design that enabled researchers to explore the transformation of the accounting profession as well as the professional opinion on the accounting profession. The qualitative approach is adopted to explain in the details of the development of this profession.

Quantitative research holds a dominant position because it is more reliable as an effective research instrument, however, accounting research has moved away from hypothesis testing and is skeptical about the variables, as it is believed theory cannot be predictive (Llewelyn, 2003). Laughlin (1995) and Llewelyn (2003) published an insightful discussion about research methodology that is beneficial for generating new knowledge in social research; with particular reference to empirical qualitative accounting research.

The middle range theory of Laughlin (1995) includes appropriate involvement of theory, methodology, and change identifying criteria for the selection of research methodology and methods in the qualitative research. In this approach, it is described as the ‘Skeletal’ approach and is supported by a discussion of conceptual framing provided by Llewelyn (2003). Llewelyn describes this theory as crucial for a better understanding of actions and events including the explanation of organizational structures and process. In this light, Llewelyn (2003) introduces five levels of theorizing processes, ranking from the lower level of theorization (metaphor and differentiation) to the higher level of theorization (theorizing settings and theorizing structures). Each level of theorizing has different strengths and weakness to support empirical research with different world-views.

4.3 Research Methods

Gaffikin (2008) describes methods as ‘…the techniques used to gather data and information’ (p.7). The objective of this research is to provide a rich understanding of the influence of various factors on the development of the accounting profession. As qualitative approach has been adopted in this research, the researcher wishes to describe the development of the profession in Thailand between 1948 and 2010. The ability of
describing this development depends on designing appropriate research questions and methods to capture a variety of viewpoints from relevant people in the profession and to obtain valid and reliable data.

Gillham (2000, p. 13) claimed that different methods have different strengths and different weaknesses. Therefore, different sources of evidence provide different strengths and weaknesses. For example, the existing relevant documentation is useful for researchers to review repeatedly and to assure that it contains exact names, reference, and details of the event. However, it cannot guarantee the validity of information due to the bias of an author or researcher selection of supportive documentation. Similarly, interviews enable researchers to have an insight into the facts, opinions and historical information about the events such as the impact of the state on the transformation of the accounting profession, however, researchers may be concerned about the response bias of interviewees due to improper question design and interviewee emotions. Therefore, this thesis employs multi-sources of data collection including data from in-depth interviews, archival records and secondary sources.

4.3.1 In-depth Interviews

An interview is a powerful instrument to gain information from a purposeful discussion between two or more people (Kahn & Cannell, 1957). Within the interview technique, there are different types of interview methods that can be adopted, such as structured interviews, semi-structured interviews, and unstructured interviews, all with their strengths and weaknesses. For example, while researchers can gain standardized information via a structured interview, the inflexible set of questions may lead to the lack of insightful information to explain the situation.

However, in this thesis, a semi-structured interview was the preferred qualitative data collection method for three important reasons. Firstly, researchers can follow a series of questions that have been prepared. Therefore, purposeful data will be collected under limited duration (45 to 60 minutes). Secondly, researchers can handle the conversation effectively due to its semi-structured composition, which offers more flexibility. The sequence of questions may be varied, based on the situation, including the variety of interviewees who are representative of various regulatory bodies, academics, accountants and auditors. Each participant is from a specific organizational context relative to the research topic. Finally, the semi-structured interview technique allows researchers to
record with oral history, in which the participants are asked about events or experience on the development of the accounting profession in Thailand. Therefore, the semi-structured interview techniques, was the most appropriate data collection method for this purpose.

The strengths of semi-structured interview techniques to accounting research are that they provide some flexibility to explore participant responses by asking for the clarification. Clarification includes illustrations or experiences provided by participants. With the more flexible nature of the semi-structured interview, the researcher also has the freedom to ask about the reasons and feeling behind participants answers to discover more about the development of the accounting profession in Thailand. Moreover, interview techniques challenge the ability to validate data due to the bias of participants, which influences their response.

Data Collection Process
This research project has been approved by the Chair of the Business College Human Ethics Advisory Network. Approval has been granted for the period commencing from 21 September 2010 to 2 March 2012. There are no perceived risks associated with participation or disturbance to the participants’ normal day-to-day activities. The researcher strictly adhered to the ethical requirements. Invitation letters and interview question protocols were sent to the potential participants before the interview (see Appendix 1 and 2) to inform them of their rights and the protection of data and personal information. Privacy and confidentiality of participants were strictly maintained in such a manner that they could not be identified in the thesis report. Any information collected from participants can be disclosed only if (1) it protects interviewees or others from harm, (2) a court order is produced, or (3) a written permission from research participants is obtained. Interview data is only seen by the researcher, his supervisor and examiners who will also protect the research participants from any risk.

To ensure that data collected is protected, all hard data were keep in a locked filing cabinet and soft data in a password protected computer in the office of the investigator in the School of Accounting at RMIT University. Data saved on the University Network System where practicable (as the system provides a high level of security and data integrity, can provide secure remote access, and is backed up on a regular basis). Only the researcher/s had access to the data. Data will be kept securely at RMIT for a period of 5 years after the completion of the project before being destroyed and placed in a security recycle bin and electronic data will be deleted/destroyed in a secure manner.
Thirty people who are involved in the accounting profession in Thailand were invited to participate in this study, using snowball sampling techniques. Snowball sampling is a method used in sociology research where existing study subjects recruit future subjects from among their acquaintances. This method is called referral sampling or chain sampling. Thus the sample group appears to grow like a rolling snowball. As the sample builds up, enough data is gathered to be useful for research (Goodman, 1961). This is quite an effective method in collecting data for qualitative research. With this method, the researcher makes initial contact with a small group of people who are relevant to the research topic and then uses them to establish contacts with others (Bryman & Bell, 2007, p. 200). There are various kinds of sampling, each with their own advantages and disadvantages. This thesis uses snowball sampling for reasons as explained below, beginning with expertise that the researcher may not be in possession of about the accounting profession. Secondly, it is useful to locate people from specific populations due to several stakeholders involved in the profession that may have been difficult to locate otherwise. This is also beneficial for the researcher to find assistance from accounting professionals with expertise in the field. Importantly, it is useful for the researcher to access senior level accountants and auditors working in different organizations in Thailand where personal contacts are culturally difficult to gain access. It is interesting to note that Mason (2010) has found that the size most commonly used for an interview sample is between 20 and 30 interviewees. Mason’s finding came from a comprehensive study of interview samples in which she looked at 560 qualitative PhD studies. She presents her study findings as follows:

The most common sample sizes were 20 and 30 (followed by 40, 10 and 25). The significantly high proportion of studies utilizing multiples of ten as their sample – there is no logical (or theory driven) reason why samples ending in any one integer would be any more prevalent than any other in qualitative PhD studies using interviews (Mason, 2010, p. 10).

Between 2010 and 2011, interviews were conducted with thirty individuals who played a significant role in the development of the accounting profession. All interviewees are Thai nationals; therefore, interviews were conducted in the Thai language.

**Background of Participants**

To gain an insight into the emergence and development of the accounting profession in Thailand, it is important to get a broad cross-section of relevant people in the profession.
Their opinions provide critical viewpoints to reflect these developments. Participants were divided into four groups including (1) corporate accountants, (2) Certified Public Accountants (CPAs), (3) academics from private and public universities in Thailand, and (4) representative from Government agencies.

The first group (corporate accountants) consisted of accountants from listed and non-listed companies (SEC) in Thailand. All of them were registered accountants and members of the FAP\textsuperscript{14} and graduates from Thai universities. They held various positions in the companies ranking from a senior manager, accounting manager, and chief financial officer (Appendix 4). Some of these participants had a variety of experiences in the accounting and auditing field. For example, some people used to be practitioners (CPA granted by BSAP before 2004 and by the FAP), tax auditor or internal auditor. Some people were responsible for both financial accounting and managerial accounting. From the perspective of accountants, these participants contributed information about the development of the accounting profession as they were a part of the profession. These people were directly involved in the professionalization process such as complying with a Code of Conduct, following the accounting standards, passing the accounting qualifications, and registering as accountants. Therefore, they had the ability to criticize the profession based on their knowledge and direct experiences.

The second group (Certified Public Accountants - CPAs) consisted of two certified public accountants (CPA) from the ‘Big Four’ firms and four CPAs from non-big four firms. All of them were local practitioners and had graduated, with at least a bachelor degree in accounting from a Thai university and held the CPA license from the FAP. This group of participants also came from a variety of positions such as a partner, audit manager, and senior auditor as shown in the Appendix 4. Their experiences were beneficial to describe the development of the Thai professionalization process in particular the procedure of obtaining the audit license. Critical viewpoints from this group were crucial to improve the quality of the professionalization process in Thailand.

The third group (academics from private and public universities) consisted of eight academics from Thai public universities and four academics from Thai private universities. All of them were FAP members and had graduated from Thai universities. However, some participants had obtained their higher education from the USA such as respondent number 18, 23 and 26. Five participants were senior professors and had obtained their PhD\textsuperscript{14} They were also members of the ICAAT.
qualification from Thai universities. Others were senior lecturers. All of them had played a significant role in the Thai accounting profession. For example, seven academics had participated in various committees of the FAP such as the bookkeeping committee, accounting education and technology committee, accounting system committee, and professional development committee (Appendix 4). Most of them were also the key resource persons in training sessions and seminars for the FAP. With experience of more than ten years in the profession, they were able to criticize and provide constructive opinions on the development of this profession.

The fourth group (representatives from Government agencies) consisted of the representatives from regulatory bodies related to the accounting profession: the MOC, the SEC, the RD, and the FAP. Eight more people from four regulatory bodies were contacted during the ethics approval process and permission for interview was obtained from their organizations. Six people from the SEC, DBD, and RD responded to participate in this research. The FAP is the most important accounting professional body in Thailand. Initially the FAP agreed to provide two representatives to participate in this research. With a limited timeframe and given the fact that most committee members were part-time volunteers from Government and private organizations, the researcher did not have an opportunity to interview the committee members from this organization. However, nine participants from corporate accountant groups, CPA, and academics were interviewed who were committee members of the FAP and had a significant role in the development of the accounting profession as mentioned. The opinions generated from this group reflected the transformation of the accounting profession because they had legitimate authority to oversee Thai practitioners. For example, the SEC had authority to approve CPAs for listed companies. The DBD had power to control accountants and auditors by registering corporate accountants and granting CPA licenses in the past before its duties were transferred to the FAP in 2005. In addition, the RD oversaw the financial reports and taxation of non-listed companies through tax auditors.

The criteria for selection and inclusion of interviewees required that the respondents must have been working in the Thai environment for a number of years and were to some extent, involved in the development of the Thai accounting profession. Key interviewees, therefore, included relevant people in the profession as summarized in Table 4.4.
According to Table 4.4, the data collection process was undertaken in two phases during 2010 and 2011. The first phase was conducted from November 2010 – January 2011, and the second phase was conducted in October 2011.

In the first phase, interviews were conducted with eight corporate accountants, three CPAs, nine accounting academics, and four representatives from the regulatory bodies to explore the development of the accounting profession between 1948 and 2010. Each interviewee was asked permission for the interview to be audio-recorded. The interviews were conducted about 45 to 60 minutes. Only two interviewees did not give the researcher permission to record the conversation because it was felt that tape recording them would reduce their willingness to discuss sensitive issues. However, notes were taken in all interviews and supplemented with the researcher’s remarks and comments about the interview setting and interviewee’s meanings. Notes also included demographic information such as the time, date and location of the interview. It is accepted that there are some limitations to using of notes during interviews such as losing the train of conversation, losing vital eye contact and emotional feelings of the respondents. In addition, the researcher visited the interviewees on their premises to interview them. However, some interviewees were reluctant to give an interview in their office. Therefore, the researcher arranged places (for example, coffee shop). Before the interviews, each interviewee was asked to read a statement and sign the consent form (Appendix 3). The second phase was arranged in October 2011 to follow up information from the first phase. In addition, three additional CPAs and three Accounting Academics were interviewed in their office.
After the interview, once the recorder was turned off, there was always time to say thank you to the interviewees, provide a souvenir from Australia and to chat informally about the process. The researcher often obtained some of the best stories or the most important data from the interviewee during this of-the-record chit-chat, than in the entire interview. So, the researcher asked permission from the interviewee to turn on the tape recorder again. In addition, the interviewee was asked to introduce other potential participants. Most interviewees were grateful to introduce other participants with their names and contact numbers. Some of them used their personal influence to make arrangements for their interviews. This could be considered a cultural factor in Thailand. Collateral materials, documents and material artifacts that accompany or supplement an interview were given to the researcher by some of the interviewees. The researcher copied and returned them promptly.

Data Validation
Issues about the credibility of qualitative research has been raised and discussed in many documents on the quality of research (Bryman & Bell, 2007; Creswell, 2009; Rubin & Babbie, 2005; Ryan et al., 2002; Saunders et al., 2003; Yin, 2003, 2009). There are two main factors that influence the credibility of qualitative research, validity and reliability. While qualitative validity involves certain procedures to verify the accuracy of the findings, qualitative reliability is concerned with the consistency of collected data.

Qualitative validity in a case study research consists of internal validity and external validity. According to Ryan, et al. (2002) and Creswell (2009), there are activities that can increase the validity of a study. For example, clear specification of the research questions and research plan, documentation of the procedures of case studies, checking the transcripts to make sure of its accuracy and cross-checking the codes developed by different researcher by comparing the independently derived results. In this study, data from interviews were transcribed and rechecked for correction by the researcher. Since the interviews were conducted in Thai the transcripts were translated into English and analyzed by the researcher. The researcher provided the draft report to respondents who read it for accuracy and validation purposes.

For external validation, previous studies on the profession such as Annisette (2000), Caramanis (2005), and Walker (2004) employed various methods (Primary professional archives, contemporary documentation and secondary literature) in their studies. This thesis also employed a triangulation process which cross checks research methods;
interview data, archival data (details is provided in section 4.3.2) and secondary data (details is provided in section 4.3.3).

The focus of the interviews was to explore and gain more understanding about the emergence and development of the accounting profession in Thailand. The interview participants were required to provide their opinion on the emergence and development of the profession between 1948 and 2010. Therefore, semi-structured interview questions were prepared based on literature about state regulations, political changes and the economic environment in Thailand. Conceptual framework and research questions were incorporated and the roles of the accounting professional bodies both in Thailand and abroad during this period were included.

Interview questions consisted of four parts; in part-1, general questions were included, questions on the state influence on the profession were in part-2, part-3 tackled the influence of politico-economic milieu on the profession, and part 4 asked about the status of the accounting profession in Thailand.

Part-1 questions were used to explore basic information about interviewees to understand their background such as position, experience in the profession, and opinion about the profession. This was to ensure that a thorough understanding was achieved about the meaning of the profession employed in this thesis before asking details of the development of the profession.

Part-2 questions explored the influence of the state on the development of the accounting profession such as the major changes/reforms between 1948 and 2010, the state role in the profession and significant accounting laws and regulations.

Part-3 questions explored the impact of the politico-economic milieu and the development of the accounting profession. For example, political and economic changes impacted on the accounting profession between 1948 and 2010. The most significant changes were the emergence of the SEC and its effect on the profession, the AFC and the development of the profession, and the influence of international organizations (the ADB, the IMF, and the IFAC) on it.

Part-4 questions referred to the Thai and international accounting professional bodies and the development of the accounting profession in Thailand. This also included the perceptions of interviewees on the development of the accounting profession during the operation of ICAAT and FAP. Therefore, part-4 questions are included the following issues;
Pilot projects are a crucial process in the development of the research instrument both in quantitative and qualitative approach. It allows the researcher to revise appropriate questions prior to the implementation of the study. It ensures the validity of questions and the flow of interviewing. Two academics from RMIT, who were experts on professionalization projects, were consulted about interview questions. The questions were then translated into Thai language because that is the language of the research participants. These questions were pre-tested with two experts in the accounting profession; one was an academic from Kasetsart University and the other from Sukhothai Thammathirat Open University. These academics had a clear understanding of all questions and only minor changes were made for better interviews.

**Interview Arrangement**

After a pilot test of the semi-structured protocol, ethics approval was sought as mentioned before. A list of potential participants was presented following recommendations by two academics from the pilot test. The invitation letter and a list of questions were sent to interviewees before making an appointment. The objective was to give the interviewee time to observe and think about events or changes in the profession that they experienced in the past. Once the researcher was in Thailand for data collection, several calls were made to set up an appointment with research participants.
During the first phase of interviews (2010), data was transcribed into Thai language and then translated into English language by the researcher. This process assisted the researcher to understand and become aware of the missing information from the interviewing process which the researcher could follow up. In addition, the interview questions were developed to be precise for the group of interviewees. It was also useful for adjusting the questions in the second phase (2011).

Names of thirty participants, the dates of the interviews and unique characteristics of the interviewees were collected and recorded carefully. Each interview took about 30 hours for its transcription and translation into the English language. After the interview, the researcher sent a thank you letter to the participants and some of the interviewees from various institutions kept in touch with the researcher through email. This is beneficial for the researcher to follow up the additional information needed. Audio sound, transcript and translation files were installed into the password protected computer system at RMIT University and only the researcher had access to information. The translation files were tagged with numbers instead of interviewee names as some of the interviewees wanted to remain anonymous.

Analysis of the Data
Analysis of text and other forms of data presents a challenging task for qualitative researchers as data comes from different sources and is displayed in different forms such as conversations, texts, numbers, and pictures (Creswell, 2007, p. 147). To decide how to represent this information adds to the challenge. Qualitative research methods also involve a continuing interplay of data collection and theory (Rubin & Babbie, 2005, p. 526). Therefore, data analysis is a crucial process in any research project to classify, compare, contrast, summarize, and link with theory in order to explain the phenomena.

There are several approaches to analysing qualitative data such as coding, memos, analytical induction, a series of events, critical incidents, hermeneutics, semiotics, content analysis, conversation analysis, discourse analysis, narrative analysis, and metaphorical analysis. Each approach has different advantages and disadvantages. In addition, there is no single best approach to apply to all accounting research project. The selection of data analysis approach depends on the nature of research question and researcher’s world view.

Data analysis and collation takes place concurrently and writing is an on-going process. According to many theorists (Rubin & Babbie, 2005; Ticehurst & Veal, 2000), the process of qualitative projects involves many steps; for example, organizing and preparing
data for analysis, reading through all data, coding the data, themes and description, and interpreting the meaning of themes. This thesis also follows these processes in order to analyse the development of the accounting profession in Thailand (Figure 4.2).

Figure 4.2: Data Analysis Process

Source: developed for the study

Figure 4.2 shows that data analysis for this study begins with collecting empirical data from interviewing and archival records. After this, the raw data is organized and prepared in the electronic file which is then imported into the NVivo program. Thirty interview scripts are prepared, using word processing, whereas documents from archival records are scanned and converted into portable document format (PDF). Then, these sources are imported into the NVivo9 program for coding and interpreting.

Once the interviews in this study had been transcribed, all interviewees were numbered systematically for coding. Analysis of the data revealed 13 emerging themes (see, Table 4.5) which were identified from the interview process. These themes are linked to sub-research questions which aim to explain the main research question as shown in Figure 4.3.
Table 4.5: Main Themes of Interview Data

<table>
<thead>
<tr>
<th>Themes</th>
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<tbody>
<tr>
<td>1. Emergence of the Profession</td>
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<tr>
<td>2. Control of Entry</td>
</tr>
<tr>
<td>3. Professional Examination</td>
</tr>
<tr>
<td>4. License (CPA)</td>
</tr>
<tr>
<td>5. Control of Education</td>
</tr>
<tr>
<td>6. Training Requirement</td>
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<tr>
<td>7. Code of Conduct</td>
</tr>
<tr>
<td>8. Determination of Standards</td>
</tr>
<tr>
<td>9. State and the profession</td>
</tr>
<tr>
<td>10. The profession and membership</td>
</tr>
<tr>
<td>11. Market competition</td>
</tr>
<tr>
<td>12. Globalization</td>
</tr>
<tr>
<td>13. Constitutional monarchy and the Profession</td>
</tr>
</tbody>
</table>

Source: developed for the study

Figure 4.3: Relationship of the Research Questions and Themes

Source: developed for the study

Coding is used as the main approach in this study for analysis of data. Participants were asked to discuss events and critical incidents about the development of the accounting profession. A series of laws and regulations organized in chronological order relating to the profession were also useful to support research findings. In addition,
computer software (NVivo9) was used as a tool to assist in processing and the analysis of the data.

NVivo9 allows the researcher to store multiple sources such as interview transcripts, literature, memo, and picture. These sources of data can be coded into the nodes to bring together items that relate to topics, concepts, or themes. The software enables the researcher to sort the collected data into different categories, make notes and provide comments. In addition, it allows researchers to change, and modify categories, and also to use multiple categories for the same piece of information. Then, the researcher can run queries on the coding to see the relationships between data collected which is beneficial for drawing the conclusions. This program may also be used to draw diagrams, and charts.

Coding is a process to collect data into one location (which NVivo calls a ‘node’). All the material that relates to a theme, topic or concept that influences the development of the accounting profession is collected here. Coding enables the researcher to find the material at its source without having to re-read the entire source each time. Initially, this study created five parent nodes related to state, market, community, development process, and suggestion. Then, these nodes have expanded into thirteen sub-nodes based on emergence themes as mentioned in Table 4.5.

The next step is to decide how to present the themes in the case study. The most popular approach is to use a narrative passage to convey the findings of the analysis (Creswell, 2009, p. 189). Describing the development of the accounting profession between 1948 and 2010, a chronology of events relevant to the emergence and transformation of this profession in Thailand was presented. Finally, an interpretation or meaning of the data is described. The findings provide an answer to the main research question. To complete this section, a comparison of the findings with information from the literature or theories is applied to the study. In addition, the researcher also uses a critical analytical technique to present constructs about research participants involved with the Thai accounting profession.

4.3.2 Archival Records

Another source of data collection was in the form of documents including letters, minutes of meetings, laws and regulations, and government documents reports. The archival records used in this thesis mainly came from the National Archives of Thailand, House of
Parliamentary records, Royal Thai Government Gazettes notifications from the Secretariat of the Cabinet and the records room/library of the FAP.

The National Archive of Thailand is a Thai Government agency under the Fine Arts Department, the Ministry of Culture. It was established in 1916 for collecting, preserving public and other historical records. It holds records from the reign of King Rama IV to the present time. Data collected from this source includes minutes of ministry and government reports. For example, the promotion of accounting education, minutes of ministry (the Secretariat of the Cabinet) on 13 October 1937, SR.0201.59.1/34. This document provides the discussion about the Thai Government on the establishment of accounting education at university level.

The Royal Thai Government Gazette (Ratchakitchanubeksa) is the public journal, or newspaper to inform Government officials and the general public of news about the country. The first issue of the Royal Thai Government Gazette was published in 1858 in the reign of King Rama IV (Ratchakitchanubeksa, 2011). Most documents collected from this source are obsolete laws and regulations such as Partnership and Company Act of Rattanagosin Era 130, Revenue Code 1939, The Accounting Act 1939, The Auditor Act 1962, and The Securities and Exchange of Thailand Act 1974. In addition, current accounting laws and regulations are also available from this source such as The Accounting Act 2000, and The Accountancy Profession Act 2004. These laws and regulations are beneficial to understand and describe the development of the accounting profession between 1948 and 2010 which is the main focus of the study.

The FAP has played a significant role in the development of the accounting profession in Thailand. Minutes of meetings, annual reports, and accounting regulations from this organization, are useful for the investigation of its development. Discussion between its members and the FAP’s committee points out issues faced by the accounting profession. This is beneficial to validate information to interview data source.

4.3.3 Secondary Sources

A secondary source is useful and has been used in many stages of this research as a significant tool to gain an idea of the research topic, literature review on the development process, and validation of data collected from primary sources. The secondary sources of information used in the study include the published articles, books, and websites.

Published articles used in the study are collected from Thai and international journals such as the Journal of Accounting Profession (Thai), Accounting History Review,
A website is another useful resource that the researcher can access any time. The websites employed in this thesis consist of both public and private websites. They are beneficial to gain historical data, organization chart, mission, vision, objective, and annual report of the organization related to the development of the accounting profession in Thailand such as www.ifac.org, www.fap.or.th, www.sec.or.th, www.rd.or.th, and www.dbd.go.th. They have been shown in the references at the end.

### 4.4 Conclusion

This chapter has outlined and discussed the research methodology and methods used in this study. In the development of the research methodology, the middle range theory of Laughlin (1995) and the conceptual framing of Llewelyn (2003) are considered to strengthen this study. While a moderate combination of theory, methodology and change in the middle range provided the best possible way to conduct empirical qualitative research, five levels of theoretical approaches clarify the relationship between data collection is mentioned in the conceptual framing. These concepts are beneficial for the researcher to select an appropriate research methodology and methods to explain the development of the accounting profession.

The scope of this study covers the period of the first accounting professional body (ICAAT era, 1948-2004) until the present accounting professional body (FAP era, 2004-present). This includes the influence of politico-economic changes during the study period which were involved with the development of capital markets and international agencies such as the AFC. The changes in the accounting profession, development process, and consequent events/development in Thailand have no meaning without supporting theory. Therefore, the linkage between theories within the SOP as discussed in Chapter 4 is required.

A qualitative approach was selected to explore the professionalization project using a case study of the accounting profession in Thailand. Multi-sources such as data from interviews, archival records, and secondary sources, were used to collect data and validate them. Research participants including corporate accountants, CPAs, accounting academics,
and representative from state agencies were important for the study, as they were a part of the profession. Most of them played a significant role in the profession. Their experience and critical viewpoints from cross groups provide more understanding in the transformation of the profession under the study period.

NVivo9 software is used in the data processing and analysis. This is useful for the researcher to organize and analyze collected data through creating nodes (theme) that emerged from empirical data. In addition, critical analysis was used to present critical viewpoints on the emergence and development of the accounting profession in Thailand.

To gain more understanding about the momentum of the accounting profession in Thailand from 1948 to 2010, it is necessary to explore basic information about the country. The next Chapter presents the accounting profession in the transition economy from 1948 to 2004 that includes an overview of Thailand.
Chapter 5 the Accounting Profession in the Transition Economy from 1948 to 2004

5.1 Introduction

The previous chapter explains and justifies the research methodology and method for this thesis. Since this thesis focuses on the development of the accounting profession in Thailand, this chapter discusses the major events and changes pertaining to the social, political and economic context from 1948 to 2004 (during the period of ICAAT). Moreover, it examines the formulation of the regulatory framework and its implications to the development of the accounting profession in the Thai context. The next chapter (Chapter 6) discusses the emergence and continued development of the accounting profession during the FAP period (2004 to 2010) and the formulation of a regulatory framework and its implications to the accounting profession. Accounting is a product of its environment (Perera, 1975, p. 1) and includes the socio-economic and political environment. Therefore, this chapter places the development of the accounting profession in its appropriate context and the analysis begins with an overview of Thailand’s economic and political environment.

Thailand did not inherit its accounting system and practice from Western superpowers as did neighboring countries. Instead, Thailand maintained its status as a kingdom without significant influence from the West on its economic social and political functions. Therefore, the balance of this chapter is devoted to an analysis of the evolution of the economic and political reforms and their impact on the regulatory framework of the accounting profession between 1948 until 2004.

This chapter is organized as follows. Section 5.2 provides an overview of Thailand. The historical background, culture, value system and the socio economic context have been briefly explained previously as background to this case study. By way of describing the emergence of the Thai economy, Section 5.3 describes the political and economic context and its implications for the accounting profession. This section pays special attention to the State and the political system during the nationalization process and the economic transformation between 1948 and 2004. Section 5.4 describes the influence of the State on the accounting profession. Section 5.5 describes the link between accounting and auditing regulations and the development of the accounting profession. Section 5.6
provides a critical view about accounting organization and the regulatory body. Section 5.7 describes the role of professional accounting training for practitioners and provides a summary and conclusion to this chapter.

5.2 An Overview of Thailand

The Kingdom of Thailand (see Figure 5.1), which was formerly known as Siam, is situated in the center of Southeast Asia and shares its border with Laos, Cambodia, Myanmar, Malaysia, and the Indian Ocean to the west. Until 1932 (B.E. 2475)\(^{15}\), Thailand was an absolute monarchy\(^{16}\) however significant reforms in all areas of government and public life began to occur around this time.\(^{17}\)

Figure 5.1 Thailand Map

Source: (http://www.destination360.com/asia/thailand/map, access 1 October 2012)

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\(^{15}\) B.E. stands for the Buddhist Era which refers to the Thai solar calendar ‘Suriyakati’. This calendar was adopted by King Chulalongkorn in Anno Domini as the Thai version of the Gregorian calendar. It is 543 years greater than the Christian era (For example, B.E. 2542 equal C.E. 1999).

\(^{16}\) The Thai concept of monarchy was able to draw on two different traditions of kingship, the Buddhist and the Hindu. The Buddhist tradition derived from King Asoka, who was the first secular leader to embrace Buddhism and attempt to Buddhicise the State. Asoka’s empire was a vast one, extending over most of South Asia and beyond. He converted to Buddhism in about 250 B.E., and proceeded to establish a model for the relationship between State and religion that became predominant in the Theravada Buddhist world, and therefore in traditional Siam. Under the Asokan Buddhist theory the King was subject to religious law, but also legislated in the form of royal decrees. In this tradition as developed in the Sukothai and Ayutthaya kingdoms, the King was in effect a meritorious tribal leader who led by example. In the Hindu tradition which was pre-eminent in the Khmer Angkor empire (9th-14th century), which also influence Siam, kingship took on divine status… (Harding & Leyland, 2011, pp. 2-4).

\(^{17}\) Thailand opened itself to western civilization and the concept of state accounting became a necessity. The Revenue Office was established to collect taxes and other revenues, and to report the position of the royal finances and the Royal Treasury’ (Henry & Attavitkamnorn, 1999, p. 440)
Thailand occupies a unique position in the region because it was never colonized through military force, by a Western country. In terms of socio-economic indicators, Reeler and Hematorn (1994) observed that Thai politics and the economy have been closely linked with the US since the early 1960s. During the American War in Vietnam, American military personnel used Udon Thani as a base for bombing missions against Vietnam. This province was also used as a recreational area for US soldiers, thereby creating a service industry aimed at catering for this economically influential group. When the Americans withdrew from Vietnam, the province was hit hard financially. However, some of the American investments, such as a high quality road network, have had a lasting beneficial impact on the region’s trading and economic activities. Some cultural impact of the American presence has also been felt but, as usual; Thailand has assimilated foreign influences in its own unique way.

From 1948 to 2010, the population increased dramatically from 17.44 million to 65.9 million (see Figure 5.2). The population was comprised of 33.6 female (51%) and 32.3 male (49%) in 2010 (National Statistical Office of Thailand, 2010). Ninety five point nine percent of the population was Thai nationality and the other 4.1% were from Burma, Laos, and Cambodia.

**Figure 5.2: Population Growth of Thailand between 1947 and 2010**

![Population Growth Chart](Chart.png)

Source: (National Statistical Office of Thailand, 2010)

Most Thais reside in rural areas (55.9%) and city areas (44.1%) across 75 provinces. Although the statistics show that most Thais live in rural areas, 8.3 million people live in the capital city, Bangkok, which equates with 12.6% of the total population. The North-Eastern region of Thailand contains approximately a third of Thailand’s total population and continues to be the poorest part of the country (Matichon, 2004).
Buddhism is the most prevalent religion in Thailand. In 2010, statistics show that 93.4% of the population is Buddhist, however other faiths include Islam (5.2%) and Christianity and other religions (1.4%). As the majority of Thais are Buddhist, the ethics of the religion pervade the culture and influence the outlook on life. As Keyes puts it ‘...Theravada Buddhism\(^\text{18}\), either in its traditional popular forms or in its more recent reformed guises, has continued to provide, at least until quite recently, the grounding for the world view that makes life in the rural areas meaningful’ (Keyes 1977: 106). It is important to note that prior to the rise of Theravada Buddhism, both Indian Brahmanic religion and Mahayana Buddhism were present in Thailand. Improving a person’s Karma, by making merit and abstaining from breaking the five precepts of Buddhist teachings, is a central feature in the Thai culture (Keyes, 1977).

Due to the reforms of the 20\(^{\text{th}}\) Century, several traditions adapted to contemporary life however, the notion of refinement, which is a centerpiece of ancient Siamese culture, exerts a powerful emphasis in the daily life of all Thai people and continues to occupy pre-eminence in their scale of values (Rajdhon, 1961).

Among prominent values, respect for hierarchy is very important. The custom of \textit{bun khun}, stresses indebtedness and respect for parents, as well as towards guardians, teachers and caretakers. It describes the feelings and practices involved in certain relationships organized around generalized reciprocity; it is based on protracted relationships, the value of which is calculated according to locally accepted protocols. It is considered disrespectful to step on Thai currency as the King’s head appears on it (Wilson, 2004). As discussed in Chapter 5 and 6, the Thai King has played an important role in the development of the Thai accounting profession.

The majority of social services are concentrated in cities although most Thais live in the countryside. Researchers have pointed out that the difficulty faced by the farmers of the Northeast is a shortage of capital necessary to introduce technology which will raise the productivity of labour. At the moment the statistical expansion of production in the Northeast merely means that the region is slowly filling up, under the impetus of demographic increase, with more and more farmers of a roughly similar level of desperate poverty (Phongpaichit 1982: 31). The province of Udon Thani is part of this Northeastern region (Phongpaichit, 1982).

\(^{18}\) Theravada Buddhism is one of two great schools of Buddhist doctrine emphasizing personal salvation through your own efforts. It is a conservative form of Buddhism that adheres to Pali scriptures and the non-theistic ideal of self purification to nirvana. It is a dominant religion of Sri Lanka, Myanmar, Laos, Cambodia, and Thailand.
During the past ten years there has been a steady migration of rural Thais to Bangkok seeking work in factories or on construction sites. This flood of people increased during the recent years of drought which has forced many people away from their farms in search of other means of a livelihood. Some manage to improve their living standard, but many end up in the informal sector trying to seek out a meagre existence through the sale of food and the provision of services that include prostitution and other high risk, anti-social activities.

For many Thais, life may have become harder although the country is booming economically. The consequent migration to Bangkok and other countries has its social costs. Families are often separated and children left with single mothers or grandparents in their village of origin. However, this does not mean that family ties are severed. Most migrants send part of their salaries back to their village in order to finance the building of a new house or the education of children or siblings. On Buddhist holidays most migrants travel home to their families in rural villages. The educational level has improved substantially in recent years as has the life expectancy and general health of the population. The number of primary health care facilities in rural areas has increased and most children have been immunized against common childhood diseases. Infant mortality had fallen to 59/1000 by 2010 (Health Information Unit, 2010) and a successful family planning programme has been implemented that has stabilized population growth. The total fertility rate has fallen from 6.3 in 1964, 2.7 in 1985, to 1.6 in 2006 (Watatanawong, 2006).

Thailand is moving towards becoming a ‘newly industrialized’ country (Phongpaichit & Baker, 2002, p. 3) and during the past 20 years it has moved from an agricultural subsistence ‘rice frontier’ economy towards an export oriented industrialized economy. With a free-enterprise economy and a well-developed infrastructure, Thailand showed remarkable economic growth from 2002-2005, averaging 5.7%. It was recognized as a middle-income country, and ranked 20 out of 192 countries in terms of its economy’s size (The National Economic Development Board, Office of the Prime Minister, 2006). Average annual income has risen substantially but Thailand still suffers from the well-known third world problem of distribution.

Most of the country’s income is centred in Bangkok and it is earned by a comparatively small urban elite (Taylor et al., 1972). Current political and economic challenges faced by Thailand involve uncertainty. Examples of this were the politico-economic crises between 2001 and 2006 during the administration of Thaksin Shinawatra, the 2008 political crisis, and the 2009 to 2010 protests and crackdown by the Government.
(The Trade Policy and Liaison Unit and Asia Division of the New Zealand Ministry of Foreign Affairs the Trade, 2008).

Thailand was an absolute monarchy until 1932 however significant reforms in all areas of Government and public life occurred post 1940. Accounting concepts have a long history and evidence can be traced back to the reign of King Rama V\textsuperscript{19}. From 1932 until 1960 far-reaching changes to the constitution opened Thailand to Western influence, particularly to America and its practices. Some of these aspects will be discussed further in the following sections of this chapter.

5.3 The Political and Economic Context

This section provides information about the State and the political system during the process of nationalization and economic transformation between 1948 and 2004. It investigates the influence of political and economic factors on the development of the accounting profession in Thailand.

5.3.1 Constitutional Monarchy and the Profession

As stated in Chapter 1, up until 1932, Thailand was an absolute monarchy however significant reforms in all areas of Government and public life had occurred. The development of Thai society from the early Rattanakosin Era\textsuperscript{20} to 1931 was determined by the Chakri Kings, particular King Rama V\textsuperscript{21}, Chulalongkorn the Great. He was the first

\textsuperscript{19} His Majesty King Chulalongkorn, or Rama V (reign 1868 – 1910), came to the throne at the age of 16 and died as one of Siam's most loved and revered kings, after a remarkable reign of 42 years. Modern Thailand may be said to be a product of the comprehensive and progressive reforms of King Rama IV’s son, Chulalongkorn’s (Rama V) reign, for these touched almost every aspects of Thai life. The King faced the western world with an eager attitude, and adapted some Western ideas and inventions in progressing Thailand to a modern and up-to-date future. He was the first King to travel to the Western countries and avoided Thailand from being colonized through careful negotiations with the English, French and Portuguese. He also travelled extensively throughout his kingdom for he was passionately interested in his subjects’ welfare and was intent on the monarchy assuming a more visible role in society. During his reign, communications system was revolutionized, the post and telegraph services were introduced and a railway network was built. Such advances enabled the central government to improve its control over outlying provinces (Bhakdi, 2000).

\textsuperscript{20} Thailand has a long history under to absolute monarchy era such as Sukhothai, Ayutthaya, Thonburi, and Rattanakosin. Recently, Thailand is in the Rattanakosin era which began in 1782 when the King Rama I established Bangkok as a capital city of the Chakri dynasty.

\textsuperscript{21} His Majesty King Chulalongkorn, or Rama V (reign 1868 – 1910), came to the throne at the age of 16 and died as one of Siam's most loved and revered kings, after a remarkable reign of 42 years. Modern Thailand may be said to be a product of the comprehensive and progressive reforms of King Rama IV’s son, Chulalongkorn’s (Rama V) reign, for these touched almost every aspects of Thai life (Bhakdi, 2000).
King to travel abroad to Western countries and he brought back knowledge that assisted Thailand’s evolution to a modern democracy. Infrastructure, such as communications systems, the post and telegraph services, and the transportation system, was developed in a manner that met the requirements of Western technology. Significant developments in the central Government occurred during King Chulalongkorn’s reign (Bhakdi, 2000), which contributed to the development of the Thai economic system. Important changes occurred in Thai society after the 1932 revolution; King Prajadhipok indicated an interest in developing a more democratic form of government.

Instituting the King’s Privy Council in 1927 and considering drafts of a written constitution in 1926 and 1931 were developed by the King Prajadhipok. His constitutional plans were forestalled by economic and fiscal difficulties stemming from the world depression of 1929-1932, by opposition from within the royal family and ultimately by the coup of June 1932. This coup was led in the name of democratic government by the People’s Party (Harding & Leyland, 2011, pp. 10-11).

After 1932, changes in Government were instigated and ‘The Constitutional Monarchy’ was introduced. The King is the head of State and the Prime Ministers is the leader of the Government which is responsible for, among other things, economic welfare. The Monarchy still plays a significant role in Thai society especially with regard to maintaining harmony, as described in the following archival records.

As witnessed by the world, Thais from all walks of life are deeply loyal to His Majesty King Bhumibol Adulyadej, considered the heart and soul of the nation. Uniting all Thais, His Majesty is a religious patron who connects patriotism and religious faith. As the symbol of national identity and tradition, His Majesty embodies the security of the regime, the hope of Thailand and an image of stability to the world (Archival Records 2).

As the longest-reigning monarch in Thai history, His Majesty King Bhumibol Adulyadej adheres strictly to dharma and is regarded as the light that guides the nation towards security and sustainable development. Since his ascension to the throne on June 9, 1946, the king has continually expressed his will and determination to sacrifice himself for the benefit of all Thais regardless of their social status, religion or race. Considering the suffering of his subjects as his own, His Majesty has devoted himself to improving the quality of life of all Thai people as reflected in numerous royal duties, initiatives, instructions, and speeches. These remind us all of His Majesty’s initial statement on May 5, 1950: ‘I will reign with righteousness for the benefit of the Siamese people’ (Archival Records 2).

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22 Phra Bat Somdet Phra Poramintharamaha Prajadhipok Phra Pok Klao Chao Yu Hua, the King Rama VII (8 November 1893 – 30 May 1941) was the seventh monarch of Siam under the House of Chakri.
His Majesty the King, aware of the need for an improved quality of life for his subjects, introduced new technologies and knowledge to encourage development. Several Royal projects were undertaken in health, hygiene and education. For example, the Royal mobile medical unit was established to service country regions and has expanded its network to include people in remote areas, the majority of which are poor.

His Majesty the King developed this strategy to improve infrastructure and also to educate people in self-reliance. His objective was to achieve sustainable development and create a way of living through the philosophy of ‘Sufficiency Economy’.

Chaiyasarn (2006) observed:

A result of the political revolution in 1932, the King shall exercise such power through the National Assembly, the Council of Ministers and the Courts in accordance with the provisions of the constitution (Chaiyasarn, 2006, p. 5).

Harding and Leyland (2011) observed that the first attempt at constitutional Government under the 1932 Constitution failed to construct a democratic system as defined in the West.

This constitution did not exactly create a parliamentary, constitutional monarchy. The seats in the Assembly were to be half elected and half filled by royal appointments, although all members were to be elected when half of the nation had four years of education or after 10 years, whichever was earlier. This provision was in fact amended in 1942, extending the period by a further 10 years (Harding & Leyland, 2011, p. 12).

However, Thai democracy developed continuously as indicated by interviews (Interview, No. 1, 20, 21, and 25). Between 1932 and 1997, there were 16 amendments to the Constitution due to changes brought by successive Governments which indicates an unstable political environment.

The Constitution of 1997 represents a further step in the evolution of democratic principles in Thailand. This was the first Constitution that was drafted by members of the Constitutional Drafting Assembly, who came to power by direct election and a controlled
selection process. In addition, it was drafted from the perspective of the common people through a participatory process (Kittayarak, 2003, p. 107). Under this Constitution, a person has the liberty to engage in an enterprise or an occupation and compete fairly and freely (Constitution, 1997, Section 50). Therefore, the State encourages a free economic system determined by market forces and ensures and supervises fair competition. The State protects consumers from direct and indirect monopolies and repels and refrains from enacting laws and regulations that do not correspond with economic necessity. The State shall not engage in a competitive enterprise against the private sector unless it is necessary for the purpose of maintaining the security of the country, preserving the common interest, or providing public utilities (Constitution, 1997, Section 87).

The Constitution of 1997, states that a bill, or an organic law bill, may be enacted as law only by and with the advice and consent of the National Assembly (The Parliament). The Prime Minister shall present laws to the King for his signature within twenty days from the date of the receipt of same from the National Assembly. Laws shall come into action upon publication in the Government Gazette (Constitution, 1997, Section 92, 93 and 94). If the King refuses His assent to a bill, or an organic law bill, it returns to the National Assembly for revision and reaffirmation before being represented to the King.

The King has the sole authority to approve laws and accounting law is managed in the same manner. For example, the Civil and Commercial Code 1929; the Audit Council Act 1933; the Auditors Act 1962; SET Act 1974, the State Audit Act 1979; the Public Limited Companies Act 1992; the Securities Exchange Act 1992 and the Accountancy Profession Act 2004 was ratified by the King. Once published in the Government Gazette, the first page of the law will have the symbol of the royal command (see Appendix 5).

The first accounting professional body, ICAAT was established in 1948 and was registered as an association with the Culture Council of Thailand and the Royal Thai Police. Official recognition of the accounting profession in Thailand was in 1962 when the Auditor Act 1962 was passed. This Act shows the link between the accounting profession and the Monarchy, as His Majesty the King, retains the role of approving laws and regulations in the development of this profession.

In 1948, ICAAT, was allowed to use the office building of the Crown Property Bureau in Bangkok as its professional center and from here, it communicated and shared knowledge with accounting groups. This three-story building, which belongs to the State, was rented to ICAAT because it was a non-profit organization that offered benefits to Thai society, especially with reference to business development.
Business development in Thailand can be organized into three periods: Planned economy (1948-1960), the transitional economy (1960-1990), and open market economy (1990 onward). The planned economic period was based on Government control over the national economy. Most business, in particular basic infrastructure and heavy industry, were controlled by the State. Between 1948 and 1960, the accounting profession emerged but could not perform adequately enough to stabilize Thai society. There weren’t many professional accountants at the time with sufficient knowledge and experience to influence economic development. Between 1960 and 1990, the State began to recognize the importance of economic development. Business development in the private sector improved significantly as detailed in Section 5.3.4. The development of the accounting profession during this period received more attention from the State and as detailed in Section 5.3.4; the State created a controlling agency. The transitional economic period was the starting point for professional accountants in Thailand when the first Auditor Act 1962 was enacted by the State as mentioned in Section 5.4 and 5.5.

From 1990 onwards, open market policies were implemented and during this period several changes occurred to the process of economic development and these included the accounting profession. These changes are detailed in the next section.

**Open market policies from later part of 1990s**

It is evident that Thailand initiated open market policies from the later part of the 1990s. The economy opened and expanded; competition was stimulated in the private sector combined with some foreign investments (Punkrasamee, 2009, p. 42). Open economic policies were introduced as a result of international influence, in particular that of the USA, whose aim was to contain the influence of communism in South East Asia, during the 1950s as detailed in Section 5.3.3. In addition, lessons were learnt from neighboring countries particularly China, the economy of which evolved from a socialist system and planned economy during 1990s. Constitutional changes facilitated an open-door policy that transformed the economy from closed to market-oriented under State guidance. In this light, capitalism, which encourages private ownership of production and services to generate a profit, increased in Thailand with Government support as mentioned in the first NESDP:
Industry at present still plays only a relatively small part in Thailand’s economy, but an important objective of the development plan is to promote industrial expansion. This is proposed to be effected by the encouragement of private initiative, consistent with the public interest, and by the creation of a climate favorable to industrial investment both domestic and foreign. The growth of industry in the private sector will be further stimulated by a variety of aids and incentives, including an ample supply of inexpensive power, loans on favorable terms, the establishment of industrial estates, tariff protection when justified, tax relief and a minimum of restrictions and controls (The National Economic and Social Development Board, 1967, p. 10).

In terms of accounting, these changes created new opportunities for business development which impacted on the value added tax (VAT), and a floating exchange rate. As a result, accounting education and training were revised by the ICAAT and the BSAP to comply with business development. This shows the influence of capitalism on the accounting profession during the transitional period of economic development and the influence of international organizations such as the WB, the IMF and the ABD. These agencies enforced some of the regulations and institutional frameworks that assisted in the development of capitalism.

5.3.2 Political and State Ideologies in Thailand

The rise of the nation as a political entity is a process that has been defined as ‘nationalism’. Nationalism influences several aspects of social and economic development subject to the distinctive aspects of each country. Nationalism also can be seen as useful to constructing an imagined community (Anderson, 1991), which is linked to place, and imagery that includes a person’s origins, birth place, family, language and history. As mentioned before, the relationship between the Monarch and the Thai people has a long history and State ideology is derived from His Majesty the King’s guidelines. The official ideology and the outstanding feature of Thai society is that ‘the king is at the center of the people’s soul’ (Sondhi Limthongkul; sunruam chitwinyan khong prachachon). The official Thai State ideology of ‘Nation, Religion, Monarchy’ (chart satsana phramahakasat) sees people as conformist subjects, not as responsible citizens. According to this trinity, the Thai State depends for its existence on the unity and functioning of these three institutions, or pillars, not on the democratic notions of its citizens. Here, nation is conceptualized as an

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25 A floating exchange rate is a currency system that based on demand and supply in the market which is in contrast with a pegged exchanged rate system where government attempts to maintain the currency value constant against one another.
abstract entity that possesses its own inherent and superior interests, as defined by Thailand’s socio-cultural elite. It is actively promoted by state organizations (government offices, local authorities, and schools). Ideological constructs such as Nation, Religion, and Monarchy are tools used to support authoritarian regimes and today, state officials legitimize their operations by reference to this trinity. Today however, the reason for their existence lies with the Constitution, which in turn is based on the sovereignty of the people (Nelson, 2009).

**Social conflict in 1932**

As asserted by Nelson (2009), the conflict between monarchism and democracy has not been resolved since it occurred in 1932. When the revolutionary civilian leader, Pridi Banomyong, left Thailand permanently after his failed anti-military ‘Grand Palace Rebellion’ in 1949 much of the political potential for a more citizen-oriented conception of democracy was lost. Thailand’s oldest political party, The Democrats, was founded in 1946 as a royalist-aristocratic defense of monarchist values against incipient citizen-based politics that Pridi symbolized. Six decades later, the Democrats supported the People’s Alliance for Democracy (PAD) in 2006 and 2008 protests which were heavily framed with royalist symbolism. The protests of the United Front for Democracy against Dictatorship (UDD), on the other hand, conspicuously lacked any royal symbols. Rather, their attacks against members of the King’s Privy Council implied a conception of the Thai Monarchy that was different from the PAD, the Democrats, and the Amatayathipattai.

According to Nelson (2009), a fundamental tension exists between the remains of an earlier stratified top-down societal order, in which all power was vested in the king, and the egalitarian and liberal implications of a democratic politics and remains unresolved. In 1982, a well-known academic (PAD ideologue Chai-anand Samudavanija) wrote, ‘the tension has been evident since 1973 and is the result of a conflict between two alternative bases of legitimacy: one emanating from traditional hierarchical traditions, the other based on popular sovereignty’. More than a quarter century later, this conflict still exists, and it has gained additional urgency by the imminent issue of succession.

The Philosophy of Sufficiency Economy was formulated by King Bhumibol Adulyajej in 1974. The Government was influenced by this philosophy and applied the

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26 Sufficiency economy is a philosophy that stresses the middle path as the overriding principle for appropriate conduct and way of life by the populace at all levels. It applies to conduct a way of life at individual, family and community levels. At the national level, the philosophy is consistent with a balanced approach to development, ensuring sustainable and equitable growth while preserving cultural values and social harmony.
concept to the national plan and proclaimed the King’s theory as pertinent to the
development of the country. As a result, Thailand developed a self-sufficient economy,
which was the strategy used to protect the Government and country. For example, during
Western commercial and territorial dominance, the Government maintained a policy of
‘mild tariff protection’ (Tarling, 1966, p.222; Tay, 1989) which helped to preserve the
domestic household industries market. In addition, the ninth NESDP (2002-2006) adopted
the same philosophy to (a) overcome the economic crisis that was brought about by
unexpected change due to rapid globalization, and (b) achieve sustainable development
(The National Economic and Social Development Board, 2001, p. 1).

During the political and economic transition under the 1932 Constitution, which
was influenced by Western constructs, particularly the USA, changes in cultural and
business traditions occurred in Thai society. The Government attempted to increase
economic growth through the development of the private sector including international
trade, foreign investment, and the Thai capital market. While western culture and practices
were rapidly absorbed into Thai society, some concepts and practices, such as management
styles, were ineffective. This was due to the cultural differences between Western and
Asian cultural orientations as indicated by Hofstede (1984).

As stated by some interviewees, Thai people are familiar with the notion of
independence, as the word ‘Thai’ means ‘freedom’ hence the statement ‘Sabai Sabai Kue
Thai Tae’ has particular resonance. The interviewees stated that:

We need laws and regulations as a guideline and which force people to follow. For
example, since accounting standards were enacted, businesses have prepared and
presented their financial reports based on regulatory requirements. Without
enforcement, it would be difficult to achieve this objective (Interview, No 1, 14,
and 20).

This leads to the emergence of several laws and regulations such as The Auditor
Act 1962, The Securities and Exchange of Thailand Act 1974 and the amended Act in
1992 to protect public interests. These developments are concerned with a series of
interactions between the professional accounting body, (ICAAT), and other organizations
(state, market, and community) which contributed to the development of accounting as a
development strategy that would reduce the vulnerability of the national to inevitable shocks and excesses
that may arises as a result of globalization. (The National Economic and Social Development Board, 2001, p. 1)
profession and described in the literature review (Macdonald, 1995; MacDonald & Richardson, 2004; Walker, 1995; Willmott, 1986).

5.3.3 The Change in Political Issues from 1948 to 2004

Thai politics have had a turbulent history since the political revolution of 1932. From 1932 to 2010, there have been 27 prime ministers serving in Thai Governments with 59 cabinets (see Appendix 2) and most of them came to power through military influence. However, each Government held office for a short period as shown in the Appendix 2. Only the Governments of Leekpai (1997-2001) and Shinawatra (2001-2005) held office for the full term (4 years) and this was due to several issues. The quality of those Governments was unacceptable to many citizens due to several scandals including corruption and violent protests that could have destabilized the country. As a result, power was seized by the military after a Coup d’etat and the Government was brought down. From 1932 to 2010, there were 11 Coups which demonstrates the instability of Thai politics under military control.

During the 1940s and 1950s, Thailand was ruled by Field Marshal Plaek Phibunsongkhram who held office for 9 years and 199 days. His policies were based on repressive policies such as an anti-Chinese campaign and cultural uniformity forced on Malay-Muslims in the south of Thailand. Promotion of Thai culture, in particular Thai-language education, was a significant policy during Phibunsongkhram’s Government. However, in the 1960s Thai society began to open to Western culture influenced by aid programs from the USA. Aid programs supported the development of Thailand with the aim of preventing the further expansion of communism in South East Asia communism. These programs contributed to social and economic development including

27 (such as Phraya Manopakorn Nittada, 1932-1933; General Phot Phahomyothin, 1933-1934; Field Marshal Plaek Phibunsongkhram, 1938-1942, 1948-1957; Major Khuang Abhaiwongse, 1944-1948; and Field Marshal Thanin Kraivichien, 1976).

28 Coup d’etat is defined as an overthrow of government usually of a small group of people who were previously in power and had authority. After the coup d’etat, the post-coup government will form as a committee which varies based on the leader of the coup d’etat, for example, Coup D’etat Committee, Great Cabinet Administration Reform Council, National Executive Council, National Peace Keeping Council, and Council for National Security.


30 The main communism countries in Asia are China, Korea, and Vietnam, from the mid-1960s, communist insurgent groups set up camp in many of the forested areas of the uplands. To deny territory to the insurgents, the army adopted a policy of building roads into the forests and encouraging new colonists to settle the lands alongside these roads in new villages under military auspices (Phongpaichit & Baker, 2002, p. 61).
communications, infrastructure, social welfare projects, and political activities. The end of the Phibunsongkhram Government in 1957 was due to accusations that his political party was responsible for fraud during the 1957 election. The accusations were followed by a coup d’état led by Field Marshal Phin Choonhavan.

In 1959, the Government of Field Marshal Sarit Thanarat came into power after he won the general election. Phongpaichit and Baker (2002), observed that during the Government of Thanarat (the 1950s), US influence had a considerable impact on the Thai economy. Between 1947 and 1950, the US developed its cold war strategy and Thailand played a part. By the 1950s, the US was deeply involved in opposition to communism in South East Asia and Thailand played an important role in the US policy. Firstly Thailand was the ‘domino’ that needed to stay upright, and provide a strategic base for US military operations. To achieve these policy aims, the US took an interest in the internal affairs of Thailand. US policy makers believed that the best strategy against communism was strong government and economic growth based on private capital. To achieve the first part of this strategy, the US channeled support to the leaders of the Thai military and helped them to consolidate their hold on the government and, military leaders responded with enthusiasm. From the late 1940s, they discovered that the more they paraded anti-communist sentiments, the more money the US gave them. To achieve the second aim, the US encouraged Thai military leaders to embark on programs of economic development based on private capital (Phongpaichit & Baker, 2002).

As indicated by Phongpaichit and Baker (2002), US military aid began in 1951 with a grant of US$4.5 million and by 1953, it had risen to US$56 million a year. In all, between 1951 and 1975 the US channeled around US$2.5 billion into Thailand in the form of direct military aid, investment in military installations, and upkeep of troops. Non-military US aid ran parallel, and between 1951 and 1975 a further US$627 million was invested. These transfers, amounting in total to over US$3 billion, had an enormous impact on the Thai economy as they eased Thailand’s balance of payments position. Moreover, they stimulated local demand and inflated government revenues.

With military dominance, the Government of Field Marshal Thanom Kittikachorn (1963-1969) pursued economic policies from the Thanarat Government as described below.

Field Marshal Sarit established the NEDP for economic development of Thailand. My Cabinet and I are dedicated to this Plan and are determined to do our utmost to accomplish its objectives and targets (The National Economic and Social Development Board, 1967).
During the 1960s, the USA increased its role in the development of the Thai economy through aid projects aimed at winning the war in South East Asia\textsuperscript{31}. Table 5.1 shows the total grant by donors was 2.88 million baht, with the United States providing 2.13 million baht. The United Nations Specialized Agencies and the Colombo Plan member nations also contributed to the aid program; other countries combined provided 4\% of the total. The aid included project assistance to agricultural cooperatives, industry, mining, power, transport, communications, community facilities, social welfare, public health, education and other non-project assistance. From 1964, Thailand provided bases for the US air force and committed its own troops to action in Vietnam and Laos.

**Table 5.1 Grant and Technical Assistance by Donor during First Six-Year Plan**

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>U.S.A</td>
<td>309.99</td>
<td>364.84</td>
<td>496.91</td>
<td>178.50</td>
<td>215.71</td>
<td>564.66</td>
<td>2,130.62</td>
<td>74.0</td>
</tr>
<tr>
<td>U.N.</td>
<td>32.48</td>
<td>55.75</td>
<td>31.65</td>
<td>66.41</td>
<td>65.96</td>
<td>68.01</td>
<td>320.27</td>
<td>11.1</td>
</tr>
<tr>
<td>Colombo Plan</td>
<td>24.64</td>
<td>22.24</td>
<td>48.88</td>
<td>53.08</td>
<td>76.46</td>
<td>91.99</td>
<td>317.29</td>
<td>11.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>376.77</td>
<td>455.57</td>
<td>591.80</td>
<td>312.98</td>
<td>388.05</td>
<td>755.60</td>
<td>2,880.80</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: (The National Economic and Social Development Board, 1967, p. 16)

The Government of Prem Tinsulanonda (1980-1988) contributed to accelerate the development of the Thai economy after the economic recession of the mid 1970s. By this time, Thailand became significant commercial power by manufacturing goods such as computer parts, textiles and footwear. This generated revenue rather than relying on agricultural products such as rice and rubber as the country’s leading exports. Tourism developed rapidly and became a major foreign exchange stream after the wars in South East Asia. The population of the country also continued to grow rapidly, particularly in urban areas.

\textsuperscript{31} Indochina is the former name of a region of Southeast Asia, which dates from the period when it was a colony of French under the full name of French Indochina. Vietnam War, a prolonged war (1957-1975) between the communist armies of North Vietnam who were supported by the Chinese and the armies of South Vietnam who were supported by the United States.
The Thaksin era between 2001 and 2006, resulted in far-reaching changes that integrated Thailand into the world economy through several reforms in the private and public sectors. These changes contributed to the rapid growth of the Thai economy and included populist policies which aimed at improving standards of living particularly in poor rural areas. A universal healthcare program, the 30-baht scheme, and ‘One-Tambon-One-Project’ (Archival records 3) are examples of these policies. In addition, infrastructure was improved and investment was made in roads, public transport, and Suvarnabhumi airport, the largest international airport in Southeast Asia, which was opened in 2006. Public sector debt fell from 57% of GDP in January 2001 to 41% in September 2006 (Bhaopichitr et al., 2003; The National Economic and Social Development Board, 2006). Thailand’s economy was booming and becoming upscale with more sophisticated manufacturing available for the local, rapidly expanding domestic middle class and export market.

All debts with the IMF were paid off in due time and the level of corruption had fallen, with Transparency International’s Corruption Perception Index improving; from 3.2 to 3.8 between 2001 and 2005. As a result of these changes, an accounting and auditing environment developed that was assisted by the presence of US multinationals in Thailand during this period.

Importantly, the Tak sin Government ushered in a complete change in government policies through initiating the concept and management role of a CEO in the public sector. Wongchaisuwan (2006) observed that:

The Prime Minister Taksin, the Thai Rak Thai party attempted to control all political powers using a centralization policy. The parliament was organized to receive command from the Prime Minister in the corporation meetings. Any disagreed opinions will be revoked from their position or decrease their role in the government. This created public debates on the Thaksin government that this kind of management is suitable for corporations but not for the government sector. This is an autocratic government (Wongchaisuwan, 2006).

The centralization of political power in the Thaksin Government led to several corruption charges. Examples are the Suvarnabhumi airport megaproject and public transportation projects. The Thaksin Government ended as the result of a number of scandals that included conflict of interest, corruption and the ensuing protests by the People’s Alliance for Democracy in 2006.

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http://archive.transparency.org/policy_research/surveys_indices/cpi/2005
Political changes from 1948 to 2004 show weakness in the development of democratic systems in Thailand. Although Thailand had 12 constitutions during this period, the political situation was unstable due to several issues that are described previously in this section. Thanasathit (2009) observed that Thai culture relates to military power, bureaucratic systems, and patron-client relationships and these are crucial factors in the development of the Thai democratic system and can be observed in each Government. To strengthen Thai democracy, Thanasathit (2009) suggested that sufficient and appropriate education is the most important vehicle to transfer democratic knowledge to Thai society.

By the end of the 1940s, political changes were a crucial factor in determining the emergence of an accounting organization. This evidence is shown in archival documents from the FAP website that describes the evolution of a professional accounting body.

Two pioneers who played a significant role in the development of accountancy were Phya Jaiyos Sompati, in the MOF and Luang Damri Issaranuwat, the chairperson of the Audit Council of Thailand. These people who obtained the government scholarships to study in the UK during the reign of King Rama V (reign 1868-1910) attempted to establish a professional organization of Chartered Accountants during the Government of Field Marshal Plaek Pibulsonggram in 1937, but this initiative failed due to the lack of qualified practitioners. The Government realized training needed and hence introduced accounting education programs at university level (Punkrasamee, 2009, p.17).

The idea to establish the organization for Chartered Accountants was inspired by Sompati and Issaranuwat who obtained their accounting qualifications from the ICAEW. However, accounting knowledge at that time was underdeveloped in Thailand and there were only a few accountants. In 1948, there were 52 students who obtained an advanced diploma degree and 102 students who obtained a bachelor degree in accounting (The Institute of Certified Accountants and Auditors of Thailand, 1998a).

It was noted in archival material that:

The Prime Minister’s Office has considered and agreed with the promotion of accounting education. The time was not ripe for establishing the Accounting Council. We should offer accounting education in Thammasart University or Chulalongkorn University at graduate level. Also, vocational colleges have to be responsible for offering this discipline at high-school level (Archival records 4, 1937, p.1). The Thai version of this archival record is provided in Appendix 1.

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33 Audit Council of Thailand was the government agency responsible for auditing government accounts, under the direction of its president (The Office of The Auditor General of Thailand, 2011).
The Government decided to promote accounting education at university level, instead of providing it at the professional accounting body level. A small group of accountants, who were pioneers, formed an institution of accounting professions. The first accounting organization in the private sector in Thailand was established in 1948 which was called the Institute of Thai Accountants (ITA) and its aims were to assist the accounting and auditing professions to reach international standards (Techamontrikul & Chimchome, 2005).

The institute was formed by a voluntary group of accountants and registered with the Culture Council of Thailand. Its permission number is T.440/91, and dated the 27th September, 1948. In the early development stage of the institute, the demand for accounting activities was low due to small number of expert accountants at that time. As a result, the accounting community did not emerge until eighteen years after the formation of the institute. The first accounting convention was held on the 21 and 23 January 1966. About 650 accountants participated in the convention and in 1975 the ITA subsequently changed its name to the Institute of Certified Accountants and Auditors of Thailand (ICAAT) as the representative institute of both accountants and auditors (Punkrasamee, 2009).

5.3.4 Emergence of the Thai Economy with National Economic and Social Development Plans from 1948 to 2004

An accountant (Interview, No.7) commented that the economic renovation of Thailand between 1948 and 2004 was aligned with politics. It was not only the Government policies of each Government, but also Government leaders, who played a significant role in the development of the Thai economy.

In 1950, the Prime Minister, Field Marshal Plaek Phibunsongkram established the National Economic Council (NEC) to make recommendations to the Government on national economic issues. Subsequently, in 1959 the NEC was restructured and renamed the Office of the National Economic Development Board by the Prime Minister Field Marshal Sarit Thanarat. It is known today as the National Economic and Social Development Board (NESDB).

The NESDB provides opinions and recommendations on national economic and social development programs to the Government and also scrutinizes the National
Economic and Social Development Plan (NESDP). From 1948 to 2004, there were nine NESDPs implemented in Thailand.

The First Economic Development Plan 1961-66
The first NESDP was implemented in 1961 (see Appendix 6) with the aim of improving the quality of life in Thailand. In addition, the State attempted to promote commercial competition in the private sector through state regulations to ensure free competition. This strategy included cooperation with other countries that supplied similar primary products in the maintenance of prices in the world market. Another important element of the commercial policy was to encourage more Thai nationals to participate in trade and commerce. As a result, the GDP over the planned period increased by more than 53% against the planned target of 30%. Economic expansion was at a faster rate between 1964 and 1966, with the real growth rate averaging 7.8% per annum compared with 6.5% during the first three years. For the entire planned period, the average was 7.2%, exceeding the net growth in population of around 3.2% per annum by 5%. As a result, per capita income rose from 2,137 baht in 1961 to 2,787 baht in 1966, or in terms of real income per person it was almost one-third higher than in 1961 (The National Economic and Social Development Board, 1967).

The development of the social, political and economic environment in Thailand during the first NESDP led to the growth of business activities. This created the demand for accounting services which were necessary for business to accurately maintain transactions for development and tax purpose. Therefore, the Auditor Act 1962 (details of this act is provided in Section 5.5) came into effect during this period under pressure from state authorities such as the MOC. This was a starting point and necessary step to increase transparency and fulfill the requirements of the first accounting regulations. These are described in the Accounting Act 1939 (details of this act is provided in Section 5.5) which aim to (1) maintain standardization of bookkeeping in business, (2) protect business stakeholders such as investors, creditors, and customer, and (3) support the RD in the collection of taxes (Board of Supervision of Auditing Practice, 1985b, p. 2).

The Second Economic Development Plan 1967-71
The second NESDP (1967-1971) focuses on economic growth with the aim of improving the overall quality of life including relief from poverty and access to education. The State allocated more resources to building stronger economic and social foundations in rural
areas and included the transportation system, irrigation, electricity, health services and education. The development of the Thai economy during the second plan was a result of the increased role of the private sector. A need for a capital market was highlighted in this economic plan to encourage corporate investments by the public. The impact on business and accounting development will be discussed further in Section 5.3.4.1. However, international factors such as the fluctuation in world market prices of major Thai export commodities, particularly of rice and rubber, the slow increase in government revenue, the decline in U.S. military spending in Thailand, and the decline in foreign investment contributed to the instability of the Thai economy during the second half of this period.

The world economic recession of 1974 impacted the economic development in many developing countries including Thailand. The NESDP attempted to prevent the slowdown of the Thai economy by implementing several government policies that were aimed at improving the efficiency production to meet market demand, promote exports and improve import infrastructure, promote agricultural production, promote industry in remote rural areas, introduce family planning, and promote education and training.


The success of the implementation of the first two economic development plans highlighted the acceleration of economic growth through the diversification of investment in infrastructure projects, including road, electricity, and water supply networks. It contributed to a series of economic development plans; the 3rd (1972-1976), 4th (1977-1981), 5th (1982-1986), 6th (1987-1991), 7th (1992-1996), 8th (1997-2001), and 9th (2002-2006). During the Plan period (shown in Table 5.2) several important developments had taken place such as the establishment of the Securities and Exchange Commission (SEC) in 1992, the Public Limited Companies Act in 1992 and the Bangkok International Banking Facilities (BIBF) in 1993. Thailand became a member of WTO in January 1995, an event that contributed to the development of the accounting profession as the country progressed through several transitions until arriving at the open economic market.

Rapid economic growth during the 1960s impacted all aspects of Thai society such as food culture, language, dress, education, and gender status. Social problems, such as population growth (see Section 5.2) and income distribution, became significant issues faced by the Thai Government. As a consequence, the Third Plan emphasized the reduction of population growth and income redistribution. During the Fourth Plan,
political uncertainty and an energy crisis ensued, bringing about severe balance of trade and current account deficits. In light of these circumstances, the Fifth and Sixth plans emphasized economic stability, economic structural adjustment, as well as poverty eradication. A worldwide economic recovery, however, brought about a rapid expansion of the economy, causing it to overheat and exceed its absorption capacity. The Seventh Plan subsequently began the shift to a sustainable development paradigm. This paradigm emphasize maintaining a sustainable economy, stability, increasing income distribution, developing human resources, and enhancing the quality of life and protecting the environment (The National Economic and Social Development Board, 2001). The Eight and Ninth Plans have revised the development concept, shifting from growth orientation to people-centered development.

The NESDPs, whose aim is to maintain economic growth, have accelerated the development of human resources, enhanced the quality of life and contributed much to the development of the Thai economy and society. Promsorn (2012) observed that the first two NESDPs focused on the economic growth rate of the country, whereas the later NESDPs were more concerned with the development of the educational system, in particular the fourth NESDP.

Educational development during the Forth Plan (1977-1981) aims at reforming every type of education at every level to ensure that the education provided is consistent with the existing realities and to fulfill the basic needs of society and national development by improving manpower quality and increasing the efficiency of the work force. At the same time, educational development has to be in line with government policies concerning the improvement of the quality and efficiency of the population (The National Economic and Social Development Board, 1977, p. 243).

Interviewees observed that a result of implementing NESDPs contributed to business development. The requisition of accountants to serve business expansion was incorporated into the NESDPs. The State allocated budgets for education improvement and research programs including accounting education.

Chulalongkorn University, expansion and improvement will be made in teaching, research and training of graduates at the bachelor, higher certificate, and master degree levels in engineering, medicine, pharmacy, commerce and accountancy, sciences, arts, education, architecture, public relations, economics, political science, law, veterinary science, and practical chemistry. According to the target, it is estimated that at the beginning of the Plan, 3,320 new students will be admitted at
the bachelor level and lower, and 3,550 at the end of the third NESDP. It is estimated that during the last year of the Plan there will be a total 15,110 students at the bachelor level and below and 2,800 postgraduate students, 15,074 first degree and certificate holders and 4,970 higher than first degree holders. The total budget is 766.41 million baht (The National Economic and Social Development Board, 1973, p. 273).

The economy grew rapidly at an average rate of 10.5% per year during the Sixth Plan period, compared with the Plan target of 5%. Although there was a rise in inflation rates, trade and current account deficits remained high during the Seventh Plan period. Government revenue collection was significantly higher than targets, increasing from 15.1% of GDP in 1986 to 19.7% of GDP by 1990. The Government, although it had significantly increased investment spending in infrastructure projects, faced obstacles. The Government’s cash balance was in surplus and the physical reserve was as high as 184 billion baht in June 1991. The foreign debt burden had been declining consistently during this period and there was an increase in savings in the public sector from 0.3% of GDP during the Fifth Plan period to 6.0% of GDP during the Sixth Plan period. In addition, the amount of international reserves reached 17 billion US dollars by mid-1991. However, household savings remained at a low level although the Government implemented a number of physical policies to stimulate savings (The National Economic and Social Development Board, 1992, p. 27).

Development of the financial market during the 1980s, the monetary structure was became more flexible and stable by putting an end to the interest rate ceiling for deposits over one year, adjusting the interest rate ceiling for loans granted by financial institutions, accepting Article 8 of the IMF and liberalizing foreign exchange transactions.

These strategies contributed to making the monetary system more efficient and flexible and as a result rapid national economic changes and world financial fluctuations could be accommodated. This flexibility enabled Thailand to move towards becoming the financial center of the region and (The National Economic and Social Development Board, 1992) evidence from the seventh NESDP shows that:

Key factors which have brought about the high growth rates include growth of the export sector, investment and tourism, all of which had grown considerably faster than the projected rates. World economic conditions were also conducive to Thailand’s economic expansion, in particular the lower oil prices and lower interest rates. At the same time, increase in world commodity prices and the realignment of this period. Comparative advantages in natural and human resources, and the reasonably low wages, made Thailand highly competitive in the world market,
leading to further expansion of investment and exports (The National Economic and Social Development Board, 1992, p. 1).

This indicates that the Thai economy had become more open, internationalized and increasingly dependent on the foreign trade sector. These developments created demand for efficiency in business decision making and reliable delivery timelines to attract foreign investors during the opening up of the economy. However, the accounting profession in Thailand was in its early stages and needed more training and experience to cope with the requirements of business development. Interviewees stated, (Interview, No.15, 20, and 21), that Thai accounting standards (TAS) were developed on US General Accepted Accounting Principles and applied voluntarily to Thai business. These standards were adapted to local conditions with little impact due to inadequate financial reporting processes combined with low quality TASs and the inability of accountants to interpret and apply standards to business diversification. In addition, most business owners attempted to interact with the accounting function for the purpose of tax minimization as asserted by the representative of RD (Interview, No.27 and 28). As a consequence, an effective professional accounting body was required to manage the accounting profession on a national scale.

Professor Yook Na Thalang, the President of ICAAT during 1955 to 1965, expressed his view in the 40th ICAAT anniversary book that:

Economic growth under the economic development plans where industrial sector has been developed significantly. These development leads to the improvement of accounting education to catch up with business development. This includes the expansion of commerce and accountancy program to financial management, banking and marketing program (Punkrasamee, 2009, p. 32).

Prayoon Thalengsri, the President of ICAAT during 1973 to 1975 and 1979 to 1981 said that,

In 1962, economic development under the implementation of the first NESDP put more pressure on the quality of auditing practice in terms of the accounting qualification. The Government passed the Auditor Act 1962 which prescribed the qualification for professional accountants in the first time. At the same time BSAP was established to protect and control professional accountants. Some cooperation between ICAAT and BSAP were existed in form of development and promulgation of accounting and auditing standards (The Institute of Certified Accountants and Auditors of Thailand, 1998a).
This interviewee was knowledgeable about the details of the accounting environment and its developments. As stated by this interviewee, the rapid economic growth during the implementation of the national plans contributed to the development of the accounting profession in terms of human resource development. The country required expertise in different fields including professional accountants to stabilize the Thai economy. However, the Government plan focused only on the development of infrastructure for expansion in educational institutions from the central area to regional areas with minimal concern about content of the accounting program (Interviews, No. 15, 19, 20 and 21). This implies that the accounting profession was under development during the early stages of NESDPs.

As the Thai economy was connected to the world economy in the early 1990s through indirect investment (a discussion on the Emergence and development of the Thai capital market is provided in section 5.3.4.2) and direct investment (FDI details are provided in section 5.3.4.3), it became necessary to manage the financial administration of the country appropriately. Foreign capital became a significant source of finance to activate the Thai economy through the real estate, petrochemicals, steel, and pulp and paper sectors. The capital market was weakened and put pressure on the Thai baht once foreign investments flowed out. This caused sudden and significant depreciation in the value of the Thai baht, and many companies with foreign debts experienced significant losses as a result of their foreign currency exposure. The crisis, which was considered to have started in Thailand, quickly spread throughout the region and became known as the Asian Financial Crisis (1997-98) (A discussion on the AFC is provided in section 5.3.4.5).

Table 5.2: Chronology of Major Political and Economic Reforms in Thailand 1948–2004

<table>
<thead>
<tr>
<th>Decade</th>
<th>Events</th>
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<tbody>
<tr>
<td>1950s</td>
<td>Establishment of Thailand Board of Investment in 1954</td>
</tr>
<tr>
<td></td>
<td>Military power and autocracy</td>
</tr>
<tr>
<td>1960s</td>
<td>Implementation of the First NESDP in 1961</td>
</tr>
<tr>
<td></td>
<td>Establishment of the Bangkok Stock Exchange in 1962</td>
</tr>
<tr>
<td>1970s</td>
<td>The economic crisis due to oil issue impacted from the OPEC</td>
</tr>
<tr>
<td></td>
<td>Establishment of the Stock Exchange of Thailand(^{34}) in 1975</td>
</tr>
<tr>
<td></td>
<td>Establishment of the Public Company Act in 1978</td>
</tr>
<tr>
<td>1980s</td>
<td>The official exchange rate regime was changed from fixed (with U.S.</td>
</tr>
</tbody>
</table>

\(^{34}\) The previous name of the Stock Exchange of Thailand is the Securities Exchange of Thailand.
dollar) to a basket of major currencies. Thai baht effectively devalued by
15% against the U.S. dollar.

- Development of tourism service in 1983
- Implementation of the value added tax policy in 1987
- The Financial Institution Development Fund (FIDF) was established within
  the BOT to gain more flexibility in providing assistance to ailing financial
  institutions.

1990s
- Establishment of the Securities and Exchange Commission (SEC) in 1992
- Public Limited Companies Act in 1992
- Thailand has been a WTO member since 1 January 1995.
- Asian Financial Crisis 1997

2000 -
- Financial scandals of international company such as Enron, Sumbeam,
  Adelphia, and WorldCom
2004 -
- Recovery after the Asian Financial Crisis

These developments influenced traditional Thai business and lead to a modern
society. Thailand was integrated into the world economy through the development of a
capital market during the 1960s (discussed in section 5.3.4.2) and improvements in the
financial sector. This included the influence of international agencies such as the IMF, WB,
and the ADB (discussed in the section 5.3.4.4) and accounting firms (discussed in the
section 5.3.4.6) that played a significant role in the transformation of the accounting
profession in Thailand between 1948 and 2004.

The interrelationship between these factors created demand and developed the
accounting profession to a position from where it could perform as a stabilizing influence
on Thai society. It began with the requisition of financial statements; these had to audited
by professional accountants as prescribed by state laws and regulations such as the Civil
and Commercial Code, 1929 (amended in 1953), the Accounting Act 1939 (replaced by
Accounting Act 2000), and the Auditor Act 1962. Subsequently, the Government
accelerated demand for accountants and auditors through the development of business and
regulatory bodies that became responsible for ensuring transparency and best practice. The
development of regulatory authorities put pressure on Thailand to increase the
organizational independence of the accounting profession by adopting a similar structure to Western countries.

This shows a linkage between economic and political changes and the development of the accounting profession in order to answer the second sub-research question. ‘How do economic and political changes impact on the development of the accounting profession in Thailand?’

5.3.4.1 The Diversification towards the Private Sector of Business Operations and Ownership

Prior to the 1950s, the traditional Thai economy was based on agriculture and State Owned Enterprises (SOEs). The State invested in and controlled most businesses and necessary infrastructure such as transportation, power, and financial institutions. It is evident that a military group dominated Thai politics and economy as mentioned below:

The military group launched schemes to free the peasant from the domination of the businessman. They promoted co-operative societies. They laid plans for Government-run agricultural extension services. They set out to drive back both colonial economic influence and foreign Chinese business domination by founding new industries under Government direction…The post-1932 rulers argued that only the government had the ability to raise the large sums of capital necessary to start modern manufacturing and service businesses (Phongpaichit & Baker, 2002, pp. 122-123).

This is similar to the system that has existed in China during the centrally planned economy where the state controlled and managed business development and the requisition of accountants was incorporated into the national plan. There were no public accountants under the planned economy. The education and training plan for accountants was based on the demands from a variety of organizations, universities and colleges and other considerations (Hao, 1999, p. 290).

A free economic system was promoted during the 1950s by the Government of Field Marshal Sarit Thanarat, with support from the USA. From 1961 to 1986, the number of SOEs in Thailand declined from about 100 to less than 70 (The National Economic and Social Development Board, 1987, p. 193). This transformation contributed to more development in the private sector. The accounting profession became a significant instrument to support business development. The State was aware of the need for accuracy in corporate financial information which was necessary for investors and State owned
interests, in particular taxation. Therefore, during the early stages of the development of the accounting profession, the State claimed that:

(1) To control all professional accountants, the state recommended that to establish the institution for the accounting profession in form of the committee (BSAP) is more suitable to the Thai situation which is similar to other professions in Thailand such as engineering and law.

(2) In the early state of the development of BSAP, committee member should be appointed and controlled by the MOC rather than election from the professional accountants (The Federation of Accounting Professions under the Royal Patronage of his Majesty the King, 2011b).

It was beneficial for the state to improve the quality of professional accountants and enforce accounting standards in the Thai businesses. Some interviewees claim that:

The state control over the accounting profession was appropriate for the Thai situation at that time (1940s-1960s) because Thailand lack of accounting knowledge and experience in the development of the accounting profession (Interview, No. 15).

Although the number of SOEs decreased, their operating and investment expenses increased from 72% of the government budget in 1977 to 109% in 1986. The investment budget of the SOEs had been increasing by an average of 20% per annum from 1953 (The National Economic and Social Development Board, 1987, p. 193). For example, during the period of the Fifth NESDP, State enterprises invested nearly 170,000 million baht in transport, communications and energy sectors compared to 89,000 million baht during the period of the Fourth NESDP (The National Economic and Social Development Board, 1987, p. 196). It appears that the operating expense and the investment budget of the SOEs exceeded the Government budget so domestic and foreign loans became an essential source of finance for the SOEs.

Change in economic structure increased the role of the private sector as shown in Table 5.3. It appears that Limited liability Companies, Limited Partnerships and Registered Partnerships increased from 13,226 in 1960 to 586,226 in 2010. In addition, listed companies increased from 9 in 1980 to 904 in 2010. With referenced to business operations, the major change during the period of economic renovation was the emergence of joint stock companies.
Table 5.3 Growth of Business Entities in Thailand between 1960 and 2010

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<tbody>
<tr>
<td>Limited Company, Limited Partnership, Registered Partnership</td>
<td>13,226</td>
<td>36,753</td>
<td>83,146</td>
<td>209,338</td>
<td>430,540</td>
<td>586,226</td>
</tr>
<tr>
<td>Public Limited Company</td>
<td>0*</td>
<td>0*</td>
<td>9</td>
<td>30</td>
<td>641</td>
<td>904</td>
</tr>
<tr>
<td>Total</td>
<td>13,226</td>
<td>36,753</td>
<td>83,146</td>
<td>209,368</td>
<td>413,181</td>
<td>587,130</td>
</tr>
</tbody>
</table>

*The Public Company Act was established in 1978

Sources: (Department of Business Development, access 1 June 2012, http://knowledgebase.dbd.go.th/DBD/BRA/braSummaries.aspx)

The diversification of businesses contributed to the demand for accounting and auditing services. Although there aren’t any records detailing demand for accountants and auditors in the public sector, most Government offices required graduate accounting students to obtain both a bachelor degree and diploma certificate to work in central and regional offices. There are 20 ministries located in Bangkok and other Government entities are located throughout 75 provinces, 877 districts, and 7,255 Tambol in Thailand (Archival Records 5). In addition, 587,130 private sector business entities also required accounting and auditing services to support their operations. This indicates that demand for accounting and auditing services had increased.

Tertiary educational institutions throughout the country also required a number of graduate students with undergraduate and post graduate degrees to work as academics and administrative staff. There are 173 tertiary educational institutions under the MOE, OHEC including public and private universities, vocational collages and 415 technical and vocational colleges under OVEC. This indicates that in Thailand, since the need for accounting education and training started to increase, authorities have taken special attention to develop this area.

Since 1960, there have been many business developments that required updated accounting knowledge. Many interviewees asserted that the existing system under State control was incapable of improving and sustaining the development of the accounting profession to meet the economic dynamic. To catch up with the trend of globalization, the

35 Public Limited Company differs from limited company in many aspects such as number of founders, and the purpose of the company in offering shares for sale to the public.

36 Tambol is a local government unit in Thailand.
accounting profession required active organization to promote knowledge throughout Thai society (Interview, No. 5).

This development implies that the inter-relation between the State principle and market principle created the need for accountants and auditors. In Thailand, the professional market can be divided into two broad potential markets; (1) accountants and auditors for publicly accountable entities (listed companies such as Dharmniti Public Company Limited, Banpu Public Company Limited)\(^{37}\) and (2) accountants and auditors for non-publicly accountable entities (small and medium enterprises such as Kitong Company, SP Audit Company Limited, and Precha Advertising Limited Partnership). All professional accountants must obtain their qualification from the regulatory body (BSAP). However, the first group of professional accountants required permission from the SEC in order to provide services to the capital market. This created a double standard for the professional accountants (details of this issue are discussed in the next section).

5.3.4.2 Development of Securities Market

The transition process of the Thai economy in the 1960s created a demand for finance for the emerging corporate sector. A capital market was introduced between 1961 and 1962 by a private sector group that established an organized stock exchange as a limited partnership. The group later became a limited company and changed its name to the ‘Bangkok Stock Exchange Co., Ltd’ (BSE) in 1963. It failed to stimulate Thai business due to ineffective management coupled with a lack of Government support. Importantly, there was limited investor awareness and lack of education about equity markets (The Stock Exchange of Thailand, 2011). The history of the organization shows that:

Despite its well-intended foundation the BSE was rather inactive. Annual turnover value consisted of only 160 million baht in 1968, and 114 million in 1969. Trading volumes continued to fall sharply thereafter to 46 million baht in 1970 and then 28 million baht in 1971. The turnover in debentures reached 87 million baht in 1972 but stocks continued to perform poorly, with turnover hitting an all-time low of only 26 million baht. The BSE finally ceased operations in the early 1970s (The Stock Exchange of Thailand, 2011).

However, the State was concerned with the importance of the capital market as a key to stabilizing the long term capital requirements of the Thai economy. The

\(^{37}\) There were 547 listed company reported on 11 January 2008 (The Stock Exchange of Thailand, 2007).
Government also planned to develop the capital market as described in the Second National Economic and Social Development Plan (1967-1971).

During the Second Plan period, the Government continued its policy to encourage the development of the capital market to enable it to generate more savings in the private sector. The Government promoted the establishment of specialized financial institutions to diversify choice, increase the number of financial intermediaries and to lengthen the process by which funds can be diverted to their ultimate users (The National Economic Development Board, 1968, p.46).

In 1969, as recommended by the World Bank, the Government employed a financial consultant - Professor Robbins of Columbia University, USA to study and assist in the formation and development of the Thai capital market. Due to the success of this strategy, in 1974, the Government enacted the Securities Exchange of Thailand Act to stabilize the corporate sector of the economy. This was followed by revisions to the Revenue Code at the end of the year allowing the investment of savings by the general public in the capital market (The World Bank, 2008).

The SET officially commenced trading on 30 April 1975 and this played a crucial role in the development of the Thai economy. However, the SET was operationally unstable and unsuccessful due to the involvement of several regulatory bodies (the MOF, the MOC, and the BOT) in its operations. Realizing the difficulties encountered by the SET to stabilize its operations, the Limited Companies Act in 1992 established a statutory organization, the SEC, to oversee and regulate the Thai capital market. The SEC was established under the framework of the Securities and Exchange Act 1992 to serve this purpose. The SEC’s objective was to develop and supervise Thai capital market operations to ensure efficiency, fairness, transparency, and integrity (Securities and Exchange Commission, 2010).

Consistent with new arrangements to monitor capital market operations, the SEC was assisted by the MOC. From 1992, the SEC and the MOC have become the principal statutory agencies concerned with the regulation of accounting practice in Thailand. These two organizations enforce accounting and auditing standards to ensure that all corporations and registered partnerships maintain proper accounting records and have their financial statements audited by independent licensed auditors on an annual basis (Akathaporn et al., 1993, p. 261).

The capital market provides a significant source of finance for business developments by issuing and offering diversity in securities to raise funds for their...
operation and investments. To strengthen the capital market, investor protection, business innovation, and fair competition are important to increase the competitive advantage of the country (Corporate Affairs Department, 2010). The SEC played a significant role in the development of the accounting profession in Thailand mainly through the development of listed companies in terms of 1) enhancing the disclosure of financial reporting, 2) enforcing accounting standards, 3) control of auditor, 4) consult, cooperate, and support the accounting professional body (Corporate Affairs Department, 2010).

From 1975 to 2004, the Thai capital market had been developing under the influence of domestic factors, in particular the political changes as mentioned in Section 5.3.3. In addition, international factors such as the oil crisis in 1979, the Persian Gulf War in 1990-91, financial scandals in the USA (such as Enron and WorldCom), AFC in 1997-98, an epidemic of respiratory infection, Severe Acute Respiratory Syndrome (SARS) in 2003, and the world economic recession also influenced on the development of Thai economy during this period. Figure 5.3 shows the growth of a number of listed securities from 1975 to 2004, which gradually increased from 27 companies in 1975 to 125 companies in 1987. The number increased dramatically from 125 companies in 1987 to 579 companies in 1997. This shows that the capital market began to play a significant role in the Thai society.

The SEC requires its corporate members to prepare quarterly and annual financial statements and disclose specific accounting information. For example, there was a mandatory requirement that all Quarterly reports were to be audited by a certified auditor within 45 days of the end of each quarter including income statements and balance sheets for the most recent quarter and equivalent calendar quarter of the previous year. For annual reports, all listed companies must submit audited financial reports by a certified auditor within three months from the end of the accounting period (Archival records 6).
Figure 5.3: Growth of Listed Securities between 1975 and 2004

Source: (The Stock Exchange of Thailand, 2008)

To protect the public interest, the SEC set up an Accounting Supervision Department to ensure compliance by listed companies with accounting standards. The SEC, the BOT, and the OIC have signed a Memorandum of Understanding to share information discovered in their various regulatory roles. This information focuses not only on observance of prudential regulations, but also on accounting and auditing requirements. On a practical level, such exchanges do not appear to take place on a regular basis due to the absence of a more formalized arrangement.

Section 5.3.2 of the Accounting the Securities and Exchange Act 1992 states that auditors who provide accounting service for a listed company must be approved by the SEC Office. The SEC approves auditors to audit registered entities for a five-year period. As stated in the archival records:

Approved auditors have the authority to perform and audit work and affix signature in giving opinions on the auditing such as a company applying for an offer for sale of newly issued securities, a mutual fund, a private fund as specified by the SEC and a trust under the law governing trust for transactions in the capital market (Archival records 7).

To be an auditor of a listed company, candidates must obtain the SEC requirements such as maintaining a valid CPA license, being a partner of an auditing firm or equivalent\(^{38}\) and not possessing any prohibited characteristics\(^{39}\). It appears that the SEC is

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\(^{38}\) The audit firm whose auditors have been approved as auditor in the capital market shall have the following characteristics: 1) having audit quality control system which is sufficient and reliable for supervising its auditors’ work performance to comply with the professional standards on a continuous basis, 2) having
not only concerned with the competence of individual auditing practitioners but also with quality assurance arrangements in the firm where the individual auditor is employed. In addition, the SEC requires rotation of auditors every five years (Archival records 7). This rotation requirement applies to the individual licensed auditors and not auditing firms. Therefore, a listed company is able to select another CPA from the same firm. The Senior Assistant Director, Accounting Supervision Department in the SEC stated that:

The SEC has an action plan to visit and evaluate the quality system of the accounting firms who provide service for listed companies. In 2010, we completed visiting 3 accounting firms and the remainder we aim to finish within 2013. Therefore, every auditing firm will be in the assessment process at least once within 3 years (Interview, No.29).

This means CPAs who provide accounting services for listed companies in Thailand are monitored by two organizations, (BSAP and SEC) while others are controlled by BSAP. This created public debate on the redundancy of the SEC and was addressed in the ninth accounting convention organized by the ICAAT and the BSAP in 1985.

There are several state agencies such as BSAP, SEC, RD, and BOT involved with the professional accountants as a regulatory body. These organizations claimed their legitimate authority to control the accounting profession through relevant laws and regulations. Monitoring and penalty regulated by these organizations created confusing and unfairness for practitioners. The professional accountants should be under control by a single organization such as the accounting professional body under the cooperation with state agencies (Board of Supervision of Auditing Practice, 1985a).

Although the above issue was debated in 1985; 25 years later these issues still exist as observed by many interviewees.

Between 1948 and 2004, the accounting professional body failed to protect and control its members from the sanction of state agencies. This includes the independence to organize their accounting activities such as issue of accounting and auditing standards. It is the ripe time for reorganization of the accounting profession. The accounting profession should have more power under the State back up to manage the national accounting profession (Interview, No.15).

certified public accountants whose licenses are till valid or are not currently suspended nor revoked by the ethical standards committee under the law governing accounting professions, and having assistant auditors who have minimum academic qualification of a bachelor’s degree in accounting and are member of the FAP, in the total number of not less than five persons who shall work full-time for the audit firm.

39 Prohibited characteristics such as 1) being under receivership by the courts order or being an insolvent, incompetent or quasi-incompetent person; 2) being a certified public accountant whose license is being suspended or was suspended by the ethical standards committee, and 3) being named in a compliant by the SEC office or subject to any legal proceeding following the criminal complaint initiated by the SEC Office.
In summary, the development of the Thai capital market and the SEC between 1948 and 2004 shows a crucial link between the Thai capital market and the development of the accounting profession. Firstly, the increasing number of public companies created demand for accounting and auditing services with more advanced knowledge regarding specific accounting standards. Secondly, the development of the Thai capital market created demand for accountants to serve listed companies and auditors approved by the SEC. Thirdly, promoting transparency and corporate governance in the Thai capital market of the SEC influenced on accountants and auditors’ performance in terms of preparation and presentation of true and fair financial reports. Fourthly, the integration between the Thai and world economy through the development of a capital market strengthened the competitive advantage of Thai businesses. This development required Thailand to follow international rules and standards to support both Thai and international investors. In addition, the involvement of the SEC with professional accountants created the demand for improvement to the organization so that it could adequately serve Thai society. This implies that the accounting development process in Thailand was influenced by market principles where demand for the profession was imposed by the capital market.

5.3.4.3 Foreign Direct Investment

Liberalization and free trade were adopted to connect the Thai economy to the world economy. The Government actively promoted foreign investments to develop skills, technology and innovation for Thai people. Through the Board of Investment, the Government offers a range of tax incentives, support services and import duty exemptions and reductions to an extensive list of promoted activities (Thailand Board of Investment, 2011).

Pongpaichit and Baker (2002) observed that:

After the finalization of the investment promotion regulations, foreign investment flowed in at around one billion baht a year in the late 1960s, and at around 1.5 billion baht a year during the 1970s. At first, the major source of foreign investment was the US, accounting for almost half of the total. Much of the US investment was in 100% foreign-owned firms in areas such as petroleum and chemicals. American capital showed little interest in Thailand as a source of raw materials, or a base for manufacturing. The only major extractive investment was a monopoly on tin smelting granted to Union Carbide in joint venture with Sarit’s group. Most US manufacturing ventures produced consumer goods (tyres, toiletries, Coca Cola) for the domestic market (Phongpaichit & Baker, 2002, pp. 141-142).
FDI inflows into Thailand increased substantially from the 1980s to the present. For example, investment value increased from 284.9 billion baht in 1998 to 304.11 billion baht in 2004. Countries with a high volume investment are Japan, China, USA, and Singapore (Thailand Board of Investment, 2009). The growth of FDI after the AFC was characterized by a dramatic increase in mergers and acquisitions as foreign firms took over Thai companies that faced severe debt and liquidity problems (The Brooker Group plc., 2002). This demonstrates that FDI made an important contribution to the Thai economy beyond simply generating employment. It saved many jobs during the crisis by helping to capitalize failing local industries. Other less evident benefits include introducing new technology and industries to spur competitiveness, improving corporate governance and working conditions, strengthening local capabilities though linkages, and assisting with polity reforms and industrial restructuring (The Brooker Group plc., 2002). Penetration of foreign companies required high skill and standards of accountants and auditors who have ability to work in the international environment and where English language is necessary. IASs and taxation knowledge were crucial for the new generation of accountants in the interests of proving and qualifying legitimate costs for services and created commercial opportunities for international accounting services (discussed in the section 5.3.4.6). Therefore, developed accounting and auditing services were needed to serve the diversification of businesses that arose from the development of FDI in Thailand.

5.3.4.4 The Commencement of Internationalization of Economic Activities

As mentioned in previous sections, politico-economic development processes in Thailand between 1948 and 2004, including the development of capital market and FDI, connected Thailand to the world economy. The world economy has become more knowledge based and technology driven with new agreements on international trade and investment. Regional trade groupings at bilateral and multi-lateral levels became necessary and were expected to increase. Therefore, Thailand needed to undertake the necessary structural reforms to further develop human resources. Also, there was an urgency for Thailand to restructure its economy to a large scale based on the adoption of an appropriate national economic policy, which would strengthen Thailand’s international competitive position (The National Economic and Social Development Board, 2001).

To increase its competitive advantage, Thailand participated in the WB and the IMF in 1949 as a member country through the MOF. These organizations contributed a number of benefits to the development of Thai society through loans and economic aid.
projects. In terms of the development of the accounting profession, the WB provided funding for improving TASs and the structure of the accounting profession as indicated by Tawee Noonpakdee, the President of ICAAT from 1981 to 1985.

WB perceived that corporate financial reports in the private sector in Thailand provided insufficient information for investors. Therefore, the WB supported Thailand to improve the accounting standards in form of funding (Punkrasamee, 2009, p. 192).

Thailand participated in the Asian Development Bank (ADB) as one of a founder member country in 1966. The ADB was established with the aim of improving people’s lives in Asia and the Pacific through economic aid agreements in the forms of loans, grants, policy dialogue, technical assistance and equity investments (Asian Development Bank, 2012). From 1998 to 2004, 10 economic aid projects were approved by the ADB to stimulate the development of Thailand.

With an open-door policy, Thailand has been a World Trade Organization member since 1 January 1995. The WTO is a trade organization for where member governments provide arbitration and conciliation over trading issues (The World Trade Organization, 2012). In turn, the free trade policies followed by Thailand led to the development of several accounting procedures that applied specifically to the open economic system. This put more pressure on the local accounting profession to compete with other countries.

Discussions in the 16th accounting conference arranged by the MOC and ICAAT in 1999, indicated Thailand was not ready to adopt open accounting services to suit free trade requirements at international level (Department of Business Development, 1999). The Thai accounting profession needed fundamental changes in terms of new knowledge, technology, and the English language skills (as indicated in interviews, No.15, 18, 19, and 24). Technical assistance and funding aid from international organizations were crucial to improve the quality of the national accounting due to the challenges of globalization. Professor Thawat Phusitpoikai, the President of ICAAT during 1993 to 1997, said that:

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40 The WTO was born out of negotiations, and everything the WTO does is the result of negotiations. The bulk of the WTO’s current work comes from the 1986-94 negotiations called the Uruguay Round and easier negotiations under the General Agreement on tariffs and Trade (GAAT). The WTO is currently the host to new negotiations, under the ‘Doha Development Agenda’ launched in 2001.
ICAAT received funding from the WB to improve a quality of the accounting profession in terms of accounting and auditing standards. This is beneficial for a better understanding of the financial information produced in Thailand (The Institute of Certified Accountants and Auditors of Thailand, 1998a, p. 202).

Internationalization of economic activities impacted on the development of Thai accounting through the WTO in terms of the commercialization of the accounting profession. It created pressure for Thailand to improve the quality of local accountants and auditors to be able to compete on the international stage. The rapid development of the profession came from international professional accounting bodies such as AICPA, and IFAC with particular reference to the determination of accounting standards.

5.3.4.5 The Asian Financial Crisis
The rapid economic growth of Thailand, especially in 1995 and 1996, resulted in more activity in the capital market including an influx of increased foreign investment. With more inflows of foreign currencies, the foreign interest rate fell while the domestic interest rate increased. This resulted in the expansion of economic activity especially in major industrial sectors such as real estate, petrochemicals, steel, and pulp and paper, which were significantly funded by an inflow of foreign capital. The capital market was relatively weakened which put pressure on the baht by an outflow of foreign capital. This caused a sudden and significant depreciation in the value of the baht, and many companies with foreign debts suffered significant losses as a result of their foreign currency exposure. The crisis which was thought to have started in Thailand quickly spread throughout the region (Techamontrikul & Chimchome, 2005).

Phonpaichit and Baker (2002) assert that the collapse began in 1996 when the property market began to collapse. The construction sector slowed and over eighteen months, 350 small property companies applied for bankruptcy. In October, the Somprasong Property Group defaulted on its European loan. The stock market index sank over the year, from 1281 to 832 and more significantly, export growth faltered from mid-year. After a decade of export growth of around 20% a year, 1996 ended with zero growth. Economists debated the causes: Thailand faced increasing competition from countries with a cheaper labor, particularly China, which had devalued the Yuan in 1994; the regional electronics industry was going through a low point of its business cycle; the Japanese economy, which had stimulated much of the region’s dynamism, was in a deepening recession. Certainly, Asia as a whole faced the consequences of increasing competition for
export markets, and declining growth in the key market of Japan (Phongpaichit & Baker, 2002).

The finance industry also began to collapse. Much of its rapid expansion in the early and mid-1990s had been predicated on leveraging rising asset prices. Once asset prices started to fall, the balance sheets of financial firms deteriorated. In March, the Government warned ten firms to increase their capital, triggering a run on deposits. Officials from the IMF paid frequent visits, attempting to persuade the Thai Government to modify its policy stance. Instead, the Government attempted to defend an indefensible position with disastrous results. Firstly, when the currency speculators attacked the baht in March 1997, the Government mobilized its reserves in defense. Initially, this strategy was successful, until speculators became more determined in June. Then, Bank of Thailand committed virtually the entire reserve in a defensive attempt. Secondly, the Bank of Thailand allowed the crumbling finance industry access to the Financial Institutions Development Fund (FIDF) to replace their diminishing deposits. By mid-year, the FIDF had lent 500 billion baht to finance companies and small banks (Phongpaichit & Baker, 2002).

With foreign reserves exhausted by mid-1997, the Thai Government sought help from other countries in the region. The Finance Minister visited Japan, but returned empty-handed. Thailand was forced to call on the help of the IMF. On 2 July 1997, the baht was floated and immediately began to slip downwards. Subsequently, an IMF package was announced in late July 1997 and made available US$17.2 billion to supplement the depleted reserves. The IMF moved quickly to the second stage of the program which was financial restructuring and privatization. By the time of the float, ninety-one finance companies had taken loans from the FIDF to balance the outflow of deposits. The first element of the IMF financial package suspended fifty-eight financial firms, and cut off access to the FIDF. Government subsequently closed down fifty-six firms, and suspended two small banks which had become dependent on infusions from the FIDF (Phongpaichit & Baker, 2002).

The economic crisis was responsible for several negative impacts on the quality of life of Thai people. Poverty and income disparities have increased. Absolute poverty, which had been continuously reduced prior to the crisis, increased from 11.4% of the total population, or 6.8 million people, in 1996 to 15.9% of the total population, or 9.9 million people, in 1999. Income distribution slowed. The combined income of the bottom 20% of households, the country’s poorest, dropped from 4.2% to 3.8% of GDP, while the top 20%
of households saw their combined income rise from 56.5% to 58.5% of GDP. In addition, the number of unemployed also increased, from the period preceding the crisis, to almost one million people (The National Economic and Social Development Board, 2001).

An academic observed that:

It is a turning point for the accounting community to be aware about the quality of accounting services and professional accountants. Accounting standards, which were adapted mainly from the US GAAP to fit with local conditions and was inappropriate with the current situation of Thailand under the transition of politico-economic context. This led to the quality of corporate financial reports during 1990s. As the result, these financial reports were unable to provide a significant warning to investors (Interview, No 15).

The President of ICAAT, Prayoon Thalerngsri (2009), (between 1973-1975 and 1979-1981) argues as follows:

The accounting profession is not the main cause of the financial crisis but mismanagement of businesses and ineffective nature of the governance policies. However, accountants often were blamed about their independence and the domination of business sectors. Therefore, ICAAT should be concerned about the weakness of the accounting profession in Thailand and actively take any action to improve the national accounting profession in particular the shortage of quantity and quality accountants and auditors (Thalerngsri, 2009, p. 222).

Many interviewees agreed that the AFC had a significant influence on the accounting profession. Some of them claimed that:

When the business declined, many companies began to reduce and cut their training budgets in particular accounting training. In addition, most business lay off accountants even though they have overload of routine jobs. Accounting activities such as training also declined, there was less development and was brought to a standstill (Interview, No.4).

Some interviewees (Interviews, No.7, 14, 15, 17, and 23) asserted that BSAP focused only on providing CPA licenses and approving accounting standards which were developed by ICAAT in the first place. Most BSAP members were governance officers whose accounting knowledge was limited. Without appropriate experience and accounting knowledge, it was very difficult for BSAP to manage a national system for the profession.
The AFC put more pressure for BSAP to adjust them to establish an effective mechanism to enhance transparency and good corporate governance in the Thai businesses. However, with limited resources of BSAP, it is difficult to create effective accounting activities to achieve its goal (Interviews, No. 7).

I would like to see BSAP have more cooperation with ICAAT and universities to improve the quality of accounting education. They should have more dynamic roles more than the arrangement of CPA examination and CPA license (Interview, 14).

This indicates that the AFC put more pressure on the accounting community to become proactive about organizing the profession throughout the country.

The empirical evidence shows that the AFC contributed to the overall development of the accounting profession (Interviews, No.18, 20, 21, 22, 23). This confirms the statement that Thailand urgently needed an improved and autonomous accounting organization to monitor and control accountants and auditors (Kuasirikun, 2005). This implies that the market principle in terms of economic factors (the AFC) had a significant link to the development process in Thailand.

5.3.4.6 The Influence of International Accounting Firms (The Big Four)

As mentioned in section 5.3.4.1, the number of registered businesses increased from 13,226 in 1960 to 586,226 in 2010, and listed companies increased from 9 in 1980 to 904 in 2010. This increase created demand for accountants and auditors to participate in business development as described by accounting law and regulations. The Civil and Commercial Code 1929, the Auditing Act 1962 and Ministerial regulations describe the responsibilities of accountants and impose uniformity which is essential for good governance because auditing firms can operate in a variety of forms, as sole proprietors, partnerships or as a limited company.

International business expansion put more pressure on the State to protect careers for Thai people. In 1972, the State passed the Notification No.281 which was amended in 1999 to the Alien Business Act B.E.2542. This regulation prescribed prohibited careers for foreigners in Thailand such as businesses that related to security of the nation, culture and traditional handicraft, and natural resources. This included businesses that Thai people have an inability to compete with foreigner in such as law, engineering, and accounting except with State permission. International accounting firms were not satisfied with this regulation. In addition, accounting titles were protected by the Auditor Act 1962 (details are provided in Section 5.5). Although the international accountings firms were allowed to
operate in Thailand with the permission of the State, they were not eligible to provide audit opinions. Therefore, they sought to establish a joint venture with a local firm.

International accounting firms began to operate in Thailand during the 1970s in cooperation with local accounting firms. For example, Deloitte Touche Tohmatsu Jaiyos is an example of cooperation between Jaiyos & Co. and the Deloitte Touche Tohmatsu’s global network in 1977 (Deloitte, 2011). International accounting firms have increased their role in the development of the Thai economy. During 1990s, international accounting firms such as Deloitte Touche Tohmatsu Limited, PricewaterhouseCoopers, Ernst & Young, KPMG, and Arthur Andersen, were operating in Thailand. However, Arthur Andersen, which was involved with the Enron scandal, collapsed, mainly due to conflict of interest. This also impacted on the SGV Na Thanlang accounting firm which cooperated with Arthur Andersen.

The Big Five accounting firms became the Big Four in 2001 after the collapse of Arthur Andersen. It appears that the USA began to play a significant role in the development of the accounting profession by establishing the Sarbanes-Oxley (SOX) Act of 2002 with the aim of reforming public company accounting to protect investors. As a result, audit firms have become more conservative with respect to client retention because associated risks have increased significantly (Rama & Read, 2006). For example, the Act altered the regulatory regime of auditing by shifting the oversight of audit firms from the private-sector, AICPA, to the quasi-government Public Company Accounting Oversight Board. Also, insurance and other liability-related costs increased significantly in the post-SOX period. For these reason, it is expected that auditors changed their views on issuing audit opinions since the enactment of the SOX (Ryu et al., 2009).

The case study of Arthur Andersen created public debate on the conflict of interest issue and the accounting profession in the USA. Limtongkul (2002) claimed that:

American accounting model appeared to be ineffective and deviated from the corporate governance principle. A consulting service which generated more money became a dominate service over the auditing for accounting firms. Conflicts of interest such as management level of the Enron used to work in the Arthur Andersen and providing consulting service and auditing and assurance service for the same client. This impacted to auditing performance and public confidence in using financial reporting (Limtongkul, 2002).

The collapse of Arthur Andersen impacted on auditing throughout the world and especially on the auditing profession in Thailand. Regulatory bodies such as BSAP, SEC,
and ICAAT reviewed the quality of the local accounting profession (as indicated by interviews, No. 8, 9, 10 and 21).

The enactment of SOX in USA, has influenced the development of the accounting profession in Thailand when the SEC was concerned about quality of the Thai accounting and auditing for listed companies. The SEC encouraged ICAAT to improve TAS based on IASs and enforce listed companies to comply with those accounting standards (Interview, No.21).

Another interviewee noted:

A series of seminars on corporate governance, audit committee, modern accounting rules, professional Code of Conduct, and new securities and financial market regulations were arranged to acknowledge various developments in the Thai society (Interview, No.8).

Most accounting firms attempted to provide quality services and as well, give themselves a competitive advantage through merging. Instead of a partnership, the Big Four firms organized themselves as a limited company to strengthen their operations. For example, Earnst & Young Office Limited, PricewaterhouseCoopers ABAS Limited, KPMG Phoomchai Audit Limited and Deloitte Touche Tohmatsu Jaiyos Audit Co., Limited registered in 1992, 1998, 2002, and 2006 respectively. These accounting firms were established in Thailand during the transitional economy to meet the demand of multinational corporations, which had increased significantly. The reason was the increase in international transactions such as international trade, international banking, and the stock exchange. These transactions required the sophisticated knowledge of professional accountants to manage business transactions effectively. There was a demand for advanced knowledge to meet the needs of business development as local accounting services had not been able to supply the expertise required by international companies. As a result, international accounting firms had an opportunity to expand their services and generate revenue for their parent companies. This shows that market principles played a significant part in the development of the accounting profession in Thailand.

According to Puxty et al. (1987), a market principle stimulates the growth of both entrepreneurs, who maximize profits, and consumers who are satisfied with the material benefits derived from competition. This is especially true in the case of Thailand. The presence of international accounting firms increased corporate confidence and the quality and variety of available accounting services. With their advanced knowledge and reputations, the Big Four firms played a dominant role in the Thai capital market. This
created pressure for local accounting firms to increase their expertise and quality of services to enable them to compete with international firms. This exerted a positive influence on the overall development of the accounting profession.

The demand for Thai graduate students to support local and international businesses has increased dramatically. For example, KPMG in Thailand employs more than 1,100 people, who work together to help clients think beyond the present, see beyond borders, and achieve long-lasting success. (KPMG International, 2011, p. 24) Over 1,100 are required to work in PwC Bangkok-based office. (PwC, 2011) Most employees are staff auditors, senior auditors, audit managers, and partners in the Big Four firms. Foreign staff is permitted to work in Thailand for an overall audit, including the coordination of the partner review and any further correspondence with headquarters. However, foreign staff are not eligible to sign the audit review because the titles and designations of the accounting profession are protected under Thai law; the Auditing Act 1962\(^{41}\) (details of this act are provided in the Section 5.5).

As a part of the accounting community, some representatives of the Big Four firms are involved with ICAAT. They are members of committees such as the Accounting Standards Committee (ASC) and the Auditing Standards Committee (AuSC) (as indicated by interviewees, No.3, 4, 15, 16, 18, 19, and 25). This participation contributes to the development of the accounting profession in terms of sharing knowledge, and in particular, the development of TASs (Interview, No.18).

As mentioned in previous sections, the AFC impacted on the Thai economy. Many businesses including financial institutions collapsed. The unemployment rate increased. The quality of financial information was debated publically especially in terms of investor confidence. To recover public confidence, the Big Four firms played a significant role in the development of the accounting profession through instigating the Code of Conduct in their respective firms.

The Big Four firms attempted to encourage accountants and auditors, in particular their own staff, to be concerned about the values of the profession and ethics. An auditor from one of the Big Four firms expressed his opinion that:

\(^{41}\) Auditing Act 1962, Section 14, 15, and 18
Ethics is the most important for this profession. In our firm, we have ethical process to ensure about the conflict of interest of staff and client. Auditing teams have to declare their independent before providing auditing services to any client (Interview, No.9).

Another interviewee noted:

To ensure compliance with the Code of Conduct, we have penalty arrangement such as letters of warning, deduction of salary or benefits, and finally firing (Interview, No.10).

This implies that the Big Four firms are concerned with professional values; therefore, a Code of Conduct is encouraged in their organizations. However, enforcing the Code of Conduct is difficult due to the different background of some staff and their unfamiliar attitudes and behavior. Training in ethics needs to start during childhood at family level, and continue through school, university, and into the work place. (As indicated by interviews, No.10, 16, and 19).

The role of the Big Four firms created demand for accountants and auditors and contributed to the development of accounting in areas such as the determination of standards, professional examinations, training and education, and the Code of Conduct. During the economic transition, the Big Four firms became part of the accounting community of Thailand due to their comprehensive knowledge and established reputations. Interviewees (Interview, No.19, 21, and 26) stated that several representatives from the Big Four firms participated on ICAAT committee during 1948-2004.

Some of the representatives from the Big Four firms were involved in the development of accounting and auditing standards. A senior lecturer claimed that:

I believe that the Big Four firms come to dominate in Thailand because their international network and continuously updated accounting knowledge with particular IASs. Without these firms, the development of the accounting profession would have been extremely slow (Interview, No.20).

Another senior academic added that:

Mainly due to globalization of business the Big Four firms have dominated the world accounting and auditing market. Particularly in Thailand it is obvious that most companies such as multinationals use the services of Big Four because most of the companies in Thailand have their head offices either in the US or European countries (Interview, No.26).
This accounting environment was similar to that of Greece during the same period. For example, Caramanis examined the interconnections between international politics and accounting professionalization at the local level in Greece. The narrative examined a particular episode in the long and intense intra-professional conflict over the jurisdiction of statutory auditing in Greece. This was against a background of advancing neoliberal thinking and the increasing internationalisation of the world economy. The episode took place between 1993 and 1997 and refers to an abortive attempt by the local accounting body to reverse the ‘liberalisation’ reforms of 1992 that applied to statutory audits (Caramanis, 1999).

With reference to training and education, the Big Four accounting firms played a significant role in the sharing of knowledge. Their staff became resources; they were deployed as guest speakers for seminars and as part-time university teachers. This contributed value to accounting education through integrating theoretical and practical knowledge.

However, the combination of demanding auditing work and the low salaries of educational institutions meant it became difficult to find CPAs as accounting teachers particularly for universities in remote areas. It is a widely accepted fact that accountants who have experience in auditing firms, through in-house training, for example, are essential to the development of quality academics. In addition, students gain knowledge of the real world through internship in accounting firms.

Between 1948 and 2004, it appears that the Big Four firms influenced the development of the accounting profession based on market principles. These accounting firms created a demand and market for local as well as international firms. To compete with other rivals, including local auditing firms, the Big Four firms created an international network where new knowledge could be shared between accounting firms and clients. Updated knowledge, advanced technology and an impressive reputation lead to their dominant position in the Thai capital market as well as in the accounting profession.

The international accounting firms in ASEAN nations, as a matter of company policy performed annual international quality reviews from 1948 to 2004. Only a few countries such as Indonesia and Malaysia required internal quality reviews, whereas Singapore mandated peer quality reviews among accounting firms (Favere-Marchesi, 2000, p. 141). Thailand did not have a requirement for accounting firms to conduct internal quality reviews during this period.
5.4 State Influence and the Accounting Profession in Thailand

Development of the accounting profession under State dominance, laws and institutions such as the SEC, MOC, BSAP, DBD, MOF, RD, MOE, OHEC, OVEC, and the TCC (see Figure 5.4) has a long history. These institutions were involved with the development of accounting through the design and implementation of relevant laws and regulations. For example, the Auditor Act 1962 empowers the BSAP to control all professional accountants. The Securities and Exchange of Thailand 1992 empowers the SEC to maintain an orderly market; ensure investor protection, foster business innovation, and promote competition. It approves professional accountants who provide accounting services for public companies as mentioned in Section 5.3.4.2. The National Education Act 1999 (Amended in 2002), empowered the OHEC to oversee education at university including accounting programs. In addition, the RD has the responsibility for collecting tax from individuals and business ventures. All business entities are required to prepare and submit their financial reports to the RD for taxation purposes. A financial report is required to be audited by a CPA as prescribed in the Civil and Commercial Code 1929. This regulation prescribes that:

The auditors may be shareholders of the company; but no person is eligible as an auditor who is interested otherwise than as a shareholder in any transaction of the company, and no director or other agent or employee of the company is eligible as an auditor during his continuance in office (Archival Records 8).

Several interviewees agree that progress in the accounting profession was achieved through the enforcement of state laws and regulations. An academic confirmed that:

The accounting profession in Thailand has developed continually throughout each historical period. Mostly, it was developed through the implementation of relevant laws and regulations (Interview, No.20).

This shows that State agencies took a dominant position over the control of accounting education and entry to the profession, and through determining accounting laws and regulations, enabled the emergence of the accounting profession. This situation is similar to China (Hao, 1999; Helen Yee, 2009) and Cambodia (Huot, 2007) where the State played a crucial role in the development of the accounting profession in these respective countries.
Figure 5.4: Legislative and Institutional Framework for the Accounting Profession in Thailand 1948-2004

<table>
<thead>
<tr>
<th><strong>Main Government Acts</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Civil and Commercial Code, 1929 (Amended in 1953)</td>
</tr>
<tr>
<td>2. Accounting Act 1939 (replaced by Accounting Act, 2000)</td>
</tr>
<tr>
<td>3. Auditor Act, 1962</td>
</tr>
<tr>
<td>4. Ministerial Regulation No.2, 1986</td>
</tr>
<tr>
<td>7. Ministerial Regulations No. 4, 1991</td>
</tr>
<tr>
<td>8. Securities and Exchange of Thailand, 1992</td>
</tr>
<tr>
<td>11. Accounting Act, 2000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Institutions and their main functions</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ICAAT</strong> - Promulgate Accounting and Auditing Knowledge through Seminars and Training - Provide Consultancies to the Government on Accounting and Auditing Issues - Support the ASC and AuSC activities</td>
</tr>
<tr>
<td><strong>Accounting Standards Committee (ASC)</strong> Develops accounting standards</td>
</tr>
<tr>
<td><strong>Auditing Standards Committee (AuSC)</strong> Develops auditing standards</td>
</tr>
<tr>
<td><strong>Securities and Exchange Commission (SEC) 1962, 1975, 1992</strong> - Oversees the Thai Stock Exchange - Approved CPA (CPA license from the BSAP) Who Provide Accounting Services for listed Companies - Administers the Securities Act</td>
</tr>
<tr>
<td><strong>Ministry of Commerce (MOC)</strong> (1) <strong>Board of Supervision of Auditing Practice (BSAP)</strong> - Qualify Professional Accountants - Approve Accounting and Auditing Standards - Support the ASC and AuSC activities - Administers the Accounting Act - Support ICAAT (2) <strong>Department of Business Development (DBD)</strong> - Administers the Companies Act</td>
</tr>
<tr>
<td><strong>Ministry of Finance (MOF)</strong> (1) <strong>Revenue Department (RD)</strong> - Administers the Taxation Act - Qualify Professional Accountants for Small Business (called Tax Auditor)</td>
</tr>
<tr>
<td><strong>Ministry of Education (MOE)</strong> (1) <strong>Office of the Higher Education Commission (OHEC)</strong> - Oversee Accounting Education at University Level (2) <strong>Office of Vocational Education</strong></td>
</tr>
</tbody>
</table>

147
ICAAT has a minimal role in the development of the accounting profession in terms of protecting and maintaining the professional rights of accountants in Thailand. It acts as a consultant to the State to promulgate accounting and auditing knowledge. In other words, ICAAT operates as a consultative arm of the State. This would suggest that during the central planning period, nothing more could have been done in terms of self-regulation of accounting functions. At the time, only a small group of accountants and auditors were involved with the organization however, the number of members increased from 1,138 in 1987 to 4,769 in 1998 as shown in Figure 5.5. This number is low compared to business development as mentioned before. For example, there were about 430,540 companies and 641 listed companies in 2000 but ICAAT's membership was only about 4,800 (approximately). Although ICAAT operated 9 branches between 1994 and 1998 in 9 provincial regions, it was not successful in increasing membership and this implies the accounting community was not a cohesive group during this period.

**Figure 5.5: Evolution of ICAAT membership**

Source: (The Institute of Certified Accountants and Auditors of Thailand, 1998b)
A small number of the ICAAT membership did not contribute financially in support of its operations. Former Committee member of the Accounting and Technology Committee of ICAAT and FAP stated that:

All committee members joined the institution on voluntary basis. There was no salary or any fixed payment for attending the meetings… but only a nominal fee was paid for attending the meeting. There was no any incentive for the members to provide any positive contributions towards the development of the accounting profession at that time (Interview, No.26).

A Dean from the School of Accounting at a private university asserted that:

We are not supported by the Government budget – such as Government agency BSAP. The association is a not for profit organization and we could not gain money but we have to give and support the profession to develop it further as a social function to develop the younger generation of accountants and to develop the financial management of the country (Interview, No. 21).

This implies that ICAAT had less power and was under resources because the State did not want the accounting association to develop independently. Hence, it dominated the profession through its regulations and laws. This situation highlights the plight of the profession and links the state to its lack of development. It answers the first sub-research question, ‘How does the state and regulations influence the development of the accounting profession in Thailand?’ In addition, the following sections present the argument that state laws and regulations had a strong relationship to the development of the accounting profession from 1948 to 2004. This situation is similar to the professional development of accounting in China during this period. The Chinese government did not permit a professional body to handle the accounting and auditing functions mainly due its communist ideology. Similar cases can be seen in Czech Republic (Seal et al., 1996) and in Cambodia (Huot, 2007) and in Vietnam (Bui et al., 2011).

5.5 Accounting and Auditing Regulations

As shown in Figure 5.6, from 1948 to 2004, there were several laws and regulations about the development of the accounting profession. Although the Government passed regulations in order to support the emerging economy under the NESDP, due to the political and ideological structure mentioned in Section 5.3., it must be stated that these were orders from the King of Thailand. Most of the regulations were related to accounting
in terms of establishing a business, the responsibility of business to keep accounts and prepare annual financial statement for auditing and taxation purposes. Thus, the accounting body (ICAAT) did not handle these issues and it was not empowered to perform such duties.

As stated in the Civil and Commercial Code 1929 (the first regulation), limited companies have to appoint auditors every year at an ordinary meeting.

The auditors may be shareholders of the company but must not have any involvement in the company such as being directors, agents, and employees (Archival Records 8).

This regulation describes in general terms, the auditor requirements for limited companies but does not provide details about accounting and auditing qualifications.

Figure 5.6: Accounting Regulatory Framework between 1948 and 2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Act/Regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948</td>
<td>Accounting Act 1939</td>
</tr>
<tr>
<td>1953</td>
<td>Accounting Act 1953</td>
</tr>
<tr>
<td>1956</td>
<td>Auditors Act 1956</td>
</tr>
<tr>
<td>1961</td>
<td>Notification No.261, 1972</td>
</tr>
<tr>
<td>1974</td>
<td>The Securities and Exchange of Thailand Act 1974</td>
</tr>
<tr>
<td>1992</td>
<td>Public Limited Company Act 1992</td>
</tr>
<tr>
<td>1992</td>
<td>Accounting Act 2003</td>
</tr>
</tbody>
</table>

Source: developed for the study.

The Accounting Act 1939, which was amended in 1953, is recognized as the first accounting regulation (Appendix 9). This regulation contains broad provisions that include advanced accounting concepts for companies and partnerships. For example, an organization must maintain accounting books, records and prepare annual financial reports (Appendix 9). It described the kinds of business that have to maintain records and include real estate, hospitality, agencies, transportation, auction services, foreign exchange, banks, and insurance services. These businesses have to prepare financial reports at least once a year and keep records for at least 10 years. The accounts can be prepared in the English language but need to be translated into the Thai language.
The second Accounting Act 1953 defines additional requirements for business bookkeeping and includes monitoring by the MOC. The monitoring process required business to verify accuracy and be signed off by the MOC.

An accountant asserted that:

The Government passed the Accounting Act 1953 because of the increasing tax evasion during 1950s. Many businesses prepared two sets of bookkeeping for tax purposes and another one for business decision making (Interview, No.8).

This statement describes the accounting environment that existed in Thailand during the 1950s. The Auditor Act 1962 was the most significant law to contribute to the development of the accounting profession. The highlight of this Act was the establishment of the regulatory body, BSAP to control professional accountants. The Auditor Act 1962 and the parties involved in the formulation of the Act were the MOC and ICAAT (as indicated by interviews) that were to control the accounting profession (Appendix 5).

The Auditor Act 1962 was enacted because the State believes that auditing is an independent profession which is not only great importance in ensuring the corporate governance and transparency, but also essential for the economic development. In addition, there were an increased number of accountants educated from the universities and other educational institutes such as technical and vocational colleges with no laws to control and monitor auditing activities at that time in Thailand. Therefore, there was an urgent need to setting up of standardized qualifications for auditing profession and to establishing a supervisory board (Interview, No 19).

As mentioned previously, this Act empowers BSAP, which was placed under the MOC to control all professional accountants. Figure 5.7 shows the State control over all accounting activities such as accounting, auditing and bookkeeping. The State dominated the accounting profession from1948 to 2004 as indicated in interviews.
Figure 5.7: Board of Supervision of Auditing Practice

Source: Tay (1989)

To control accounting practitioners, BSAP designed Ministerial Regulation No.2 in 1968. This Code of Conduct describes 17 regulations (Archival Records 9) such as the necessity to appoint external auditors to ensure transparency, limitations on equity, property and position; professional standards; and confidentiality. The Code of Conduct was revised and replaced by the Ministerial Regulation No.4 of 1991. The reason behind this decision was the Code of Conduct had been applied for 23 years and considered obsolete. Therefore, the Code of Conduct was revised and divided into five groups; integrity, knowledge and performance standards, client ethics, professional ethics, and general ethics. This transformation was due to cooperation between BSAP and ICAAT (observed by an academic, Interview, No.15) and describes the intent of government regulations and establishes its dominance over the accounting profession in Thailand.

As mentioned in section 5.3, the Thai political landscape was unstable with changes in Government occurring mainly through military force. In 1971, after the political revolution, which was led by Field Marshal Thanom Kittikachorn, the National Executive Council was established and was in power for 394 days. The Council was concerned that the Accounting Act 1939 and the Accounting Act 1953 were obsolete compared to the development of business; especially those with a duty to maintain accounting records (Tassanaprasert, 2001). Therefore, Notification No. 281 and No.285 were put in place by the National Executive Council in 1972.

Notification No.281, 1972 was amended and became known as the Foreign Business Law of Thailand Act 1999. Its aim was to prohibit foreigners from specific
business activities however; the free trade policy of the 1990s, meant Thailand was open for international trade. In 1989, at the 50th anniversary of ICAAT, the Director-General of the DBD stated that:

> Foreigners have a permission to operate their business in Thailand such as the establishment of accounting firms. For example, most international accounting firms (Big Four) have operated in form of joint venture with the local firms. Management levels of those international accounting firms are allowed to invest and operate in Thailand with the aim of transferring knowledge to improve the country accounting services. However, only Thai CPAs are eligible to perform the auditing services due to titles and designations of the accounting profession are protected in Thai laws such as the Auditor Act 1962 (The Institute of Certified Accountants and Auditors of Thailand, 1998a, p. 238).

This implies that international accounting firms began playing a significant role in Thailand with their reputation, world-wide network, and advanced auditing services.

Notification No.285, 1972 defined the responsibility of companies and partnerships to maintain their bookkeeping based on TASs. In addition, financial reports were required to be audited annually. This regulation replaced the Accounting Act of 1939 and 1953 and was used until 2000 before the State enactment of the Accounting Act 2000.

With motivation to accelerate the Thai economy, as prescribed by the first two NESDPs, the Government took a further step to establish the Thai capital market though the enactment of the Securities and Exchange of Thailand Act 1974 (The Stock Exchange of Thailand, 2011). However, development of the Thai capital market was not without problems due to the number of State agencies involved with its operation, such as the MOF, MOC, and BOT. A Senior Assistant Director, Accounting Supervision Department in the SEC (Interview no. 29) stated that problems included redundant operations and lack of a unified and continuous development strategy. Subsequently, the Government passed the Securities and Exchange of Thailand Act 1992 with the aim of enforcing unity, consistency, and efficiency in the supervision and development of the Thai capital market (Corporate Affairs Department, 2010).

The Thai capital market developed when the Government enacted the Public Limited Company Act 1992 that prescribed the formation of a publicly limited company that would offer shares for sale, hold statutory meetings, hold shareholder meetings, keep accounts and reports, be available for inspection, increase and reduce capital, dissolve and liquidate. A significant link between this Act and the accounting profession is the requirement of an audited financial statement through the establishment of State authorities.
Section 120, the annual ordinary meeting shall appoint an auditor and determine the auditing fee of the company every year. In appointing the auditor, the former auditor may be re-appointed.

Section 121, the auditor shall not be a director, staff, employee or person holding any position or having any duty in the company.

Section 122, the auditor has the power to examine the accounts, documents and any other evidence relating to the revenues and expenditures including the property and debts of the company during the working hours of the company. In this regard, the auditor shall also have the power to interrogate the directors, staff, employees, persons holding any position or having any duty in the company and agents of the company, including them to clarify any matter or to deliver documents or evidence in connection with the operation of the business of the company (The Public Limited Company Act 1992, Section 120, 121, and 122).

The development of the Accounting Act 2000 is an important development and landmark in the evolution of the accounting profession in Thailand. The Accounting Act 2000 prescribes general provisions such as the duty to keep accounts and penalty provisions. This Act (Section 8) requires that a registered partnership, a limited company, a limited public company and a joint venture under the Revenue Code, keep accounts and provide bookkeeping of business operations in accordance with the details, rules and procedures prescribed. Bookkeepers must prepare and present financial statements according to TASs and all accounts and documents relevant to the business must be kept for no less than five years from the date of closure of accounts. Financial statements must be audited and an expert opinion from an authorized auditor must be expressed about them.

The Accounting Act 2000 prescribed that the person with the duty to keep accounts must give them to a bookkeeper who has the qualifications required by the Director-General. The bookkeeper must keep accounts that show details of operations, financial status or changes in financial status, that are supported by relevant documents used in the entry of accounts. The bookkeeper must maintain accounts in the Thai language, or in a foreign language translated into the Thai language, or in an accounting code provided with a translation into the Thai language. It must be written in ink, typed, printed, or entered by any other method with similar results (The Accounting Act 2000, Section 19, 20, 21).

A comparison between the Notification 285, (1972) which was used for 28 years and the Accounting Act 2000, suggests that many issues had been amended to facilitate business development. Firstly, the Accounting Act requires that a juristic person keeps accounts (the Accounting Act, Section 8). Secondly, the Accounting Act prescribes greater
penalties for accountants if they fail in their duty to keep accurate accounts (the Accounting Act, Section 27, 32, 34, 35, and 36). Thirdly, the Minister of Commerce has control of the implementation of the Accounting Act and has the power to issue Ministerial Regulations (the Accounting Act, Section 5). Fourthly, the duration for keeping accounts and relevant documents was reduced from 10 years to 5 years. Finally, business entities must apply TASs which was approved and developed by BSAP and ICAAT.

However, most interviewees claimed that the establishment the Accounting Act 2000 was the result of the AFC (as indicated by Interviews). For example, a private sector accountant claimed that:

Before 2000, the financial reports prepared by Thai companies were unable to provide any signal to remind investors about the over valuation of the financial status. Necessary information such as contingent liability and impairment of assets were not disclosed in the financial reports (Interview, No.11).

Many businesses prepared their financial reports in order to obtain credit facilities from financial institutions without considering proper accounting standards (Interview, No.7).

Therefore, to improve the quality of accounting systems in the country, this act was enacted by the State.

In summary, the State played a significant role in the development of the accounting profession through state regulations as shown in the Civil and Commercial Code of 1929. Specific changes to auditor requirements are evident in the Accounting Act 2000 which focuses on the quality of financial reports as well as the qualification of accountants. However, significant regulations that improved the accounting profession between 1948 to 2004 were the Auditor Act 1962, the Notification No.285 (1972), Ministerial Regulation No.2 (1968) , Ministerial Regulation No.4, (1991) and the Accounting Act 2000 which described professional qualifications, pathways and the Code of Conduct. This legislation shows the influence of State laws and regulations on the development of the accounting profession in Thailand and implies that the profession was in its early stages and not as developed as its Western counterparts.

The state and market are difficult to differentiate during this period as a virtual monopoly and hierarchical authority were in place simultaneously. An assumption that there was autonomy between state, market and the profession cannot be sustained. Under these circumstances, the functionalist view, that professional status results from undertaking highly skilled tasks crucial to the integration and smooth operation of society
as a whole, does not seem to apply or be appropriate to Thailand at the time. The state apparatus was both the dominant consumer and also the regulator of accountancy, and it assessed the quality of services provided by international accounting firms. This accounting environment was quite similar to that of Brunei Sultanate during the same period (Yapa, 1999).

The development of accounting in Thailand can be compared to that of the Czech Republic. Since the role of the state and the growth of markets are so closely intertwined in professional accounting, it is difficult to decide whether the first point of departure should be the creation of markets (which provide the opportunity for professional transactions) or the role of the state which plays an important regulatory role in the market it has created. Polanyi’s terminology (1957), the expansion of markets and the regulatory response of the state may be seen as a ‘double movement’. Indeed, the exploitation of expanding markets and state regulation are likely to be part of a two pronged strategy of professional mobility by accounting and auditing activities (for example, Seal et al., 1996).

5.6 Accounting Organization and Regulatory Body

As stated earlier, ICAAT was the only institution for the accounting profession and BSAP was the significant accounting regulatory body between 1948 and 2004. These two organizations played a significant role in the development of accounting, in particular the control over entry to the profession, professional licensing, professional training, the development of a code of conduct, and the determination of accounting standards. However, BSAP, which was placed under the MOC, dominated the profession through the Auditor Act 1962. BSAP claimed that it had legitimate authority to manage the profession, whereas, ICAAT, which was organized by a voluntary group of accountants and auditors, had no legitimate authority to control the accounting profession. ICAAT, through the support of BSAP, acted as the institution of the accounting profession in the transfer of accounting knowledge. This was a unique relationship and different to the Western institutionalization approach. It demonstrates that the development of professional accounting in Thailand cannot be compared with that of its Western counterparts.

There is a perception that ICAAT failed to protect and control the accounting profession due to lack of funding and effective human resources. A senior academic claimed that:
Yes, of course. The accounting association had a financial problem because the Government did not provide funding for its operations. Its funding came from membership fees and member’s training seminars. There were many problems regarding employing full-time staff such as salary, qualifications, and other benefits as described in the relevant regulations (Interview, No 26).

However, for fifty six years, ICAAT, contributed to the development of the accounting profession and some interviewees said that ICAAT and BSAP served the emerging Thai economy well.

For the accounting regulatory bodies, I think The Board of Audit Supervision (BSAP) and ICAAT have played their roles well in the development of the accounting and auditing profession. Whilst ICAAT drafted accounting regulations, BSAP introduced these regulations. In practice, I think these two regulatory bodies need to acknowledge people about the new regulations (Interview, No.4).

ICAAT increased its role at the international level and became a member of the IASB, the IFAC and the AFA. These international accounting organizations played a significant role in the development of the accounting profession, in particular with the determination of accounting and auditing standards. From 1948 until 1979 there weren’t any accounting standards used in business reporting in Thailand. In practice, accounting and auditing systems were adopted from the UK and USA, and used in professional education. As mentioned by the interviewees (Interviews, No. 15, 16, 17, 21 and 23), academics who studied in the UK chose to teach British standards and those who qualified in the USA chose to teach US standards during the period 1939 to 1979. Business transactions were recorded based on individual judgments and this created a diversification in accounting methods.

In 1970, the Third Accounting Convention initiated the idea to develop TAS. However, a discussion on the development of TAS was raised again in the Sixth Accounting Convention in 1979 which included several issues such as whether ICAAT should be responsible for preparing TAS which would be approved by BSAP; the need for a public hearing with the participation of accountants and auditors; ICAAT should be responsible for the promulgation of TAS; TAS should be applied to Thai businesses; CPAs should be compulsory members of ICAAT; ICAAT should cooperate with the AFA in terms of academics issues and TAS should be developed based on IASs (Hongsirirat, 1998). This shows that the accounting community had a significant role in determining and promoting local accounting standards.
TAS was developed in 1979 and the parties involved were academics from public and private universities, representatives from accounting and auditing firms, representatives from regulatory bodies such as SEC, BSAP, and RD and representatives from the private sector (as cited by Hongsirirat, 1998). The development process of TAS, began with a translation of IASs into Thai and then adapted to fit local conditions. From 1979 to 1998, there were 31 effective TASs and 18 drafts of TAS.

In this context an interviewee mentioned:

The international force from the IFAC (IASs and IFRSs) has influenced on the development of the Thai accounting profession. However, some standards are not proper for the Thai situation because of the differences in business environment (Interview, No.23).

As the member of the IFAC, the FAP has played a role in the development of accounting education. The curriculum protocol and accreditation requirement are based on the guideline of the IFAC (Interview, No.21).

After the AFC, IASs had influenced the development of TASs. Accountants and auditors were keen to learn more in order to have professional maintenance in accordance with the CPD, which prescribed by the Accounting Act 2000 (Interview, No.19).

In addition, the AFA played a significant role in the promulgation of accounting and auditing in the ASEAN region. The AFA arranged conferences to share knowledge among member countries as shown in Table 5.4 and the conference topics show the development trends of the accounting profession in the ASEAN region.

The influences of international organizations improved the standard of accounting systems in Thailand and also encouraged the accounting community to become innovative in terms of economic development. The next section describes the roles of international accounting bodies on the development of the accounting profession as addressed in the third sub-research question.
Table 5.4: A Summary of AFA Conference (1978-2004)

<table>
<thead>
<tr>
<th>No.</th>
<th>Year</th>
<th>Host Country</th>
<th>Conference Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1978</td>
<td>Philippines</td>
<td>The Role of ASEAN Accountants in Regional Development</td>
</tr>
<tr>
<td>2</td>
<td>1980</td>
<td>Singapore</td>
<td>ASEAN in the 80’s</td>
</tr>
<tr>
<td>3</td>
<td>1982</td>
<td>Thailand</td>
<td>Professional Responsibilities of ASEAN Accountants</td>
</tr>
<tr>
<td>4</td>
<td>1984</td>
<td>Indonesia</td>
<td>Accountancy in a Changing Environment</td>
</tr>
<tr>
<td>5</td>
<td>1986</td>
<td>Malaysia</td>
<td>Accountability Facing: Tomorrow’s Challenge Today</td>
</tr>
<tr>
<td>6</td>
<td>1988</td>
<td>Philippines</td>
<td>Expanding Horizons for ASEAN Accountants</td>
</tr>
<tr>
<td>7</td>
<td>1990</td>
<td>Singapore</td>
<td>ASEAN Accountants in an Emerging Economic Region</td>
</tr>
<tr>
<td>8</td>
<td>1993</td>
<td>Thailand</td>
<td>AFTA: New Challenge for ASEAN Accountants</td>
</tr>
<tr>
<td>9</td>
<td>1995</td>
<td>Indonesia</td>
<td>Quality Assurance in the ASEAN Accounting Profession</td>
</tr>
<tr>
<td>10</td>
<td>1997</td>
<td>Malaysia</td>
<td>Liberalization and Corporatization in ASEN Economies- Accountants Response</td>
</tr>
<tr>
<td>11</td>
<td>1999</td>
<td>Philippines</td>
<td>The ASEAN Accountant – Posturing for the 21st Century</td>
</tr>
<tr>
<td>12</td>
<td>2001</td>
<td>Singapore</td>
<td>Challenges Facing ASEAN Accountants in the new Economy</td>
</tr>
<tr>
<td>13</td>
<td>2003</td>
<td>Thailand</td>
<td>Making ASEAN the Voice to Global Accounting Profession</td>
</tr>
</tbody>
</table>

Source: Punkrasamee (2009, p. 50)

5.7 Professional Accounting Training for Practitioners

It is necessary for accountants to acquire appropriate knowledge and expertise to well serve the public interest. Therefore, the educational level attained by this group is an important criterion on which to judge whether professionalism has been attained. In this study, education attributes require accountants to have an accredited university education in a relevant discipline (accounting/commerce) and pass an assessment set by a professional accounting body (CPA) to meet this standard (Gaffikin, 2008; Lightbody, 2010). From 1948 until 2004, accounting education played a crucial role in producing professional accountants to serve business developments in Thailand.
The first Accounting education at the university level was introduced in 1938 at Thammasat and Chulalongkorn universities.\(^4\) Chulalongkorn University was only university authorized to offer doctoral degrees in accounting since 1987. Recently, there are 79 public universities and 40 private universities offer accounting programs at university level. Moreover, more than 300 vocational colleges and technical institutes offer certificate and diploma degree in accounting in Thailand (Pholkeo & Yapa, 2012, p. 4).

Accounting education is framed by legislation, mainly though the National Education Act, 1999 (amended in 2002). This Act prescribes the structure of the educational system and guidelines for the development of Thai education. The education programs in Thailand are monitored by the MOE. The Basic Education Commission set up by the MOE is responsible for developing primary and secondary level education. OVEC is responsible for developing the upper level of secondary education where certificate and higher certificate degrees are provided. The OHEC is responsible for undergraduate to postgraduate levels (including PhDs).

After the graduation, accounting students are eligible to work as an accountant in both public and private organizations. However, working as a statutory auditor, a graduate student must meet the requirements defined by BSAP (which is similar to the accrediting body in Western countries). A senior academic from a public university said that:

> In order to be a certified public accountant, candidates must have a relevant degree from a State approved institution of 4 years program or equivalent, internship and pass the professional examination set by BSAP (Interview, No. 15).

As described in the interviews, the model of entry to the profession is shown in Figure 5.8. This model is similar to countries such as France and Germany. However, the quality of professional accountants varies and depends on the knowledge base of each candidate and the quality of their tertiary education.

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\(^4\) The two oldest universities in Thailand, Chulalongkorn University (CU) and Thammasat University (TU) were established in 1917 and 1934 respectively by the state. In early stage of their development, CU offered education in four disciplines: medicine, public administration and engineering, arts and science, and law whereas TU focused on moral science and politics.
Figure 5.8: Model of Entry to the Accounting Profession in Thailand

Figure 5.8: Model of Entry to the Accounting Profession in Thailand

Tertiary Education

Undergraduate degree 4 year-program in accounting

Advanced Diploma 2 year-program in accounting

Equivalent Undergraduate degree 2 year-program in accounting

Complete:

Examinations arranged by BSAP

Practical experience with a mentor

Your are a CPA

Source: developed for the study

Figure 5.8 shows the path to becoming a CPA (Thailand) between 1948 and 2004. Graduate accounting students from a university approved by the OHEC are eligible to apply for the CPA examination. Both four year-programs and two year-programs (equivalent undergraduate) are accepted by BSAP which had the responsibility to manage the professional examination. BSAP did not have detailed knowledge of the accounting curriculum at each university; however it set the core course that each student must pass to be eligible to apply for the CPA examination (see Table 5.5). All candidates had to pass BSAP examinations and must have practical experience with a mentor from an auditing firm.

Table 5.5: Prerequisite subject requirement of BSAP

<table>
<thead>
<tr>
<th>Subject</th>
<th>Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction to accounting and Intermediate Accounting</td>
<td>3</td>
</tr>
<tr>
<td>Advanced Accounting</td>
<td>1</td>
</tr>
<tr>
<td>Cost Accounting</td>
<td>1</td>
</tr>
<tr>
<td>Auditing</td>
<td>1</td>
</tr>
<tr>
<td>Taxation</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7</strong></td>
</tr>
</tbody>
</table>

Source: Archrival records 15.
Some opinions of the interviewees show that:

Quality of accounting education in each university is obviously different in terms of instructors, students and teaching processes. However, I could say that accounting education in Thailand has improved because now we have the quality assurance programs in place (Interview, No.24).

An accounting manager of a company expressed the view that:

Only few leading universities have the ability to train their students in the discipline of accounting to meet the requirement of large companies (Interview, No.1).

This was confirmed by an accounting manager from a listed company that:

I believe that only a few leading universities such as Chulalongkorn University, Thammasat University and Assumption University of Thailand produced qualified accountants who had systematic thinking in accounting and ready to work (Interview, No2).

The report on the observance of standards and codes by the WB (2008) reports that:

The leading Thai universities have internationally comparable accountancy curriculum and teaching. The students at the leading universities often use United States text books for learning purposes and this is the result of many instructors receiving their higher education in foreign countries, mainly the USA (The World Bank, 2008).

An accounting academic explained that:

BSAP arranged the first professional examination for certified public accountant in Thailand in 1970. Initially, content of the examination consisted of 3 subjects; accounting, auditing law and regulation in auditing profession. Then, the examination paper was divided into 5 subjects by separating Auditing paper examination into Auditing 1 and Auditing 2 and adding computer used in accounting. In addition, internship requirement was increased from 2 year or 2000 hours (in 1968) to 3 years or 3000 hours (Interview, No.15).

This development created critical issues for the accounting community that was discussed on the public web (Pantip Board) and through social networking. It was claimed that changing the rules and procedures of the CPA examination was a political strategy to control supply for the accounting profession. However, most accounting

academics argued that all accounting communities, including BSAP and ICAAT, attempted to improve the quality of the profession. An academic observed that:

Each paper of the examination contains 3 to 5 questions, while the details of each subject is increased based on business development in the globalization. Most new knowledge is required for professional accountants to apply in the real world. Therefore, it is necessary to separate examination paper from 3 papers into 5 papers. This assists candidates to improve their knowledge in more details (Interview, No.15).

In addition, many interviewees agreed that three years accounting experience is appropriate to meet CPA requirements. However, the process of internship registration is ineffective because of the limited resources of BSAP. Some interviewees complained that:

Many candidates failed to collect practical hours with the mentor. They used personal relationship to make up evidence. With limited manpower, BSAP used a random technique to check internship details of candidates. As the result, BSAP approved the CPA license for some of unqualified accountants (Interview, No. 8).

This shows that the monitoring process completed by BSAP requires improvement. To improve this process, most interviewees claimed cooperation between State agencies (OHEC, BSAP) and the accounting profession (ICAAT) is necessary. With more experience of the accounting profession, ICAAT has the capability to manage and cross check CPA candidates.

In terms of professional training, between 1948 and 2004 there was not any requirement for Continuing Professional Development (CPD) and it was voluntary for accountants and auditors to update their accounting knowledge. However, most interviewees (Interviews, No.1, 2, 3, 5, 15, 16, 17, 18, 20, 24, and 25) described accounting training during this period as insufficient and expensive. An academic expressed his view that:

Seminar and training arranged by ICAAT is quite expensive compared to the one that organized by the DBD. This is a result of lack of resources due to the FAP is non-profit organization. Main revenue of ICAAT comes from member and seminar fees (Interview, No.15).

An accountant observed that:

Content and topic of the accounting seminar is not attractive. Training companies are not providing relevant seminar topic or new issues related to business development. It is hard to find a good seminar (Interview, No. 2).
Due to insufficient provision of accounting seminars through which to share knowledge, it was very hard to improve the quality of professional accountants during the period of social and economic development. Due to lessons learnt from the AFC, the accounting community attempted to put more pressure on ICAAT and relevant organizations about the necessity for awareness about the importance of professional education and training. Interviewees also suggested that ICAAT, BSAP, and training companies should cooperate in the provision of quality accounting seminars that are available at a reasonable price. This shows some concern within the accounting community about the development of the profession.

All activities relating to the preparation of public accountants were overseen by State agencies. For example, the OHEC accredited accounting education and BSAP granted CPA licenses. The FAP arranged accounting seminars for its members. Thai university trained accountants on limited resources. This shows a missing link between the accounting profession and accounting education at university level in Thailand between 1948 and 2004.

5.8 Summary

This chapter examined the major events and changes associated with political and economic circumstances during the period from 1948 to 2004 (during the period of ICAAT), and the formulation of the regulatory framework and its implications to the development of the accounting profession in Thailand. As described, accounting is a product of its social and operating environment. Social values, political and economic factors and global pressure, impact upon the implementation of accounting systems and practices in a particular environment. In Thailand, His Majesty the King has influenced the accounting profession to engage with the State and this resulted in several positive developments between 1948 and 2004. The State initiated the idea to formulate the accounting and auditing process of the public sector in an attempt to manage the financial administration of the country. Subsequently, the State attempted to accelerate economic growth by promoting the private sector through diversification of business including foreign direct investments mainly from the USA and the accounting profession became necessary to support both the public and private sectors. A major characteristic of the accounting profession is the involvement of the State and, the determining factor regarding
the Thai accounting profession between 1948 and 2004, was State domination through laws and regulations. Developments in accounting, such as the emergence of the profession, control over entry to the profession, professional examinations, professional licenses, control of education and the Code of Conduct, are controlled by the regulatory body, BSAP.

Overtime, the regulatory body (BSAP), the professional body (ICAAT), and other relevant organizations (such as the SEC, the RD, and the BOT) were involved with the development of accounting and auditing as State dominated professions. This situation was unique to Thailand and doesn’t have counterparts in the West. The Thai profession has some similarities with Chinese, Cambodian and Vietnamese accounting developments during the period of this study. During 1948 to 2004, the State claimed the legitimate authority to control the profession through laws such as the Auditor Act 1962. The professional body (ICAAT) was the weakest element in the development of accounting and appears it contributed little to enrich the profession or to safeguard the public interest. As postulated by a sociologist, functionalists and critical theorists, describe professionalism as a way of organising occupational specialists to perform functions that are vital to the society as a whole or to significant parts thereof. In Thailand, the relationship between ICAAT (as a representative of the profession) and the Government and non-government enterprises was weak or unbalanced. As an operation, ICAAT had a long way to go before it could perform effectively as a national accounting body according to Willmott (1986); for example, ICAAT did not succeed in achieving exclusive access to particular areas of accounting work for its members.

ICAAT, as a representative of the accounting community attempted to increase its role in the development of the profession but it was without power to control due to lack of legitimate authority. Another reason was that only a small number of accountants and auditors participated in ICAAT activities. Therefore, the professional body was ineffective compared to Western accounting professional bodies. Finally, it is important to note that the influence from international agencies such as the WB and the IMF influenced, through aid programs in the aftermath of the AFC, better accounting systems from 1948 until 2004. The next chapter will critically explore the development of the accounting profession in Thailand from 2004 to 2010.
Chapter 6 the Accounting Profession in the Transition Economy from 2004 to 2010

6.1 Introduction

The previous chapter provided information about the influence of politics and economic on the development of the accounting profession in Thailand. Events that occurred between 1948 and 2004 impacted on the state, the market and the accounting community. This chapter traces the development of the accounting profession from 2004 until 2010 during which a new accounting professional body, the FAP, emerged and several reforms occurred.

Thailand is perceived as a country with a medium-level human development ranking that steadily increases. The human development index of Thailand in 2005 stood at 0.778, which ranked the country 73rd among 177 countries; above China and Vietnam but below Japan, Republic of Korea, and Singapore. With reference to education, access and retention has improved; the average years of schooling has increased to 8.5 in 2005 and there are increased opportunities for life-long learning. However, the capacity to adapt and apply knowledge is still at a low level. The quality of education is inadequate for the transition to a knowledge-based economy and society and counteracting this problem is a matter of priority for the future. Even though the proportion of the Thai workforce with education above the primary level has increased to 39.8% in 2005, the productive efficiency of Thai labor remains low in comparison with Malaysia, Korea, Singapore, Taiwan, and Japan. The work force with medium to high educational attainment remains deficient in both quantity and quality. Investment in research and development remains at only 0.26% of GDP, a seventh of the global average. The commercial application of knowledge is still at a low level, which is a weak point for Thailand in its attempts to increase innovation and research for development. It also hinders international competitiveness (The National Economic and Social Development Board, 2006).

At the same time, Thailand faces a crisis of values which is the result of the inflow of foreign culture though mass media and information technology. There is not any filtering or selection of what is beneficial, resulting in a decline in virtuousness and morality, especially among children and youth. As a result of changing lifestyles, the institutions of family, schooling, and religion have a lesser role in raising, educating,
imparting knowledge, and instilling ethical standards and values. As a result, values and behavior are increasingly marked by materialism and consumerism. In addition, Thailand is in transition from a rural to an urban society. As a result of the compartmentalized development of urban and rural areas, there is imbalance in the development of rural communities. However, more community participation in development and better management of knowledge have resulted in communities uniting (The National Economic and Social Development Board, 2006).

This chapter is organized as followed. Section 6.2 and 6.3 describes the changes in the political and economic context and the development of the accounting profession. Section 6.3 discusses the development of accounting and auditing regulations. Section 6.4 presents a case study of the FAP, the new accounting professional body after the closure of ICAAT. Section 6.5 discusses the development of the accounting profession, accounting education and training for practitioners from 2004 until 2010. Section 6.6 provides a summary of the chapter.

6.2 Changes in Political and Economic Context

Changes in Political Environment
As indicated earlier, a number of commentators have drawn attention to the increasing importance of trading and other politico-economic organisations for the national management of the state in the age of ‘globalisation’ (Held, 1991; Hirst & Thomson, 1992, 1995). Such organisations may limit the state’s autonomy and ability for self-determination. This is particularly so in the case of emerging countries (Gilpin, 1987), although the nation-state may retain a mediating role between local and national interest groups and powerful international actors (Hirst & Thompson, 1992, 1995).

From 1932 to 2010, there were a series of amendments to the Constitution. The recent Constitution is the 18th, and was enacted in 2007. It prescribes the state ideology which promotes and protects people’s rights and liberties, encourages participation in the administration of the country, checks and examines the use of the state power; controls the mechanisms of the legislative and administrative branches and keeps them well-balanced and effective in a democratic parliamentary structure with the King as Head of the State. It also promotes the right and liberty to engage in an occupation (Part 6, section 43); a person can engage in an enterprise or an occupation and participate in fair and free competition.
This implies that the new Constitution influenced the transformation of several areas of State policies including foreign investments, market economic policies and tax collection.

The Constitution of the Kingdom of Thailand laid the foundation for changes to Thai society. With regard to the political reform, the Constitution stimulated democratic processes and decentralization, allowing more citizen participation. In terms of social reform, the emphasis was on human development by means of educational and public health reform, social protection and the conservation of natural resources and environment coupled with local wisdom. During the past decade, attempts were made to implement strategic plans for effective administration as mentioned in the eighth (1997-2001) and the ninth (2002-2006) NESDPs. Thai society at all levels was more enthusiastic about fostering good governance in the administration of its own sectors and this is reflected in the bureaucratic reform and promotion of good governance in the private business sector. (The National Economic and Social Development Board, 2006)

Although the Constitution intends to foster transparency, accountability, and political, governmental and financial decentralization in politics and administration, the deep-seated patronage system remains a hindrance. Coupled with a lack of quality and public consciousness, it results in an inability to separate individual benefit from public benefit, leading to more complex problems of corruption (The National Economic and Social Development Board, 2006). This challenges the development of the accounting and auditing profession in its attempts to work ethically with State ideology in practical situations.

As mentioned, Thai politics is unstable and brittle and often leads to the violent protests for example protests in Bangkok between 2006 and 2010. This impacted to the development of the accounting profession for example, decrease number of members in accounting seminar and training programs, cancelation of professional examination, a number of absent candidates in examinations, and inconvenience about communication between FAP and its members (Interview, No. 19).

In addition, Thailand experienced the crisis of its Monarchy and this is debated publically on many websites such as www.eastasiaforum.org (accessed 15th December 2012) that:

The 2006 coup put Thailand’s monarchy in the political spotlight as never before. It was planned and executed by figures close to the monarchy, and many commentators argue that its real aim was to secure the primacy of the monarchy in the face of Thaksin Shinawatra’s electoral popularity. Additional attempts at
shoring up the monarchy against the danger of electoral politics have been evident since the coup. The dramatic increase in the budget and powers of the Royal Thai Army, the legal dissolution of two of Thaksin’s parties, the five-year ban from politics for their leading politicians, and the drafting of a new constitution which curtails the powers of elected governments all point in this direction (Jory, 2012).

With the King’s advanced age and poor health, much speculation now surrounds the succession. The first issue is who should succeed the King. According to the constitution, the succession will take place according to the 1924 Palatine Law enacted when Thailand was still an absolute monarchy. The Palatine Law rules that the monarch’s eldest son, Crown Prince Vajiralongkonr, succeeds to the throne (Jory, 2012). In this respect the following is important:

Yet it is no secret that the crown prince is deeply unpopular, with opposition extending to the highest levels of the Thai establishment. The Privy Council Chairman General Prem Tinasulanonda, fellow Councillor Siddhi Savetsila and palace favorite and former Prime Minister Anand Panyarachun view the crown prince as unfit to inherit the throne. Their concern is that if the succession were unsuccessful it could threaten the survival of the monarchy itself (Jory, 2012).

The issue of the Monarchy and politics is beyond the scope of this study except that His Majesty the King monitors the accounting profession.

As mentioned in Chapter 5, His Majesty the King is the sole authority to approve laws, and accounting laws are treated in the same manner. A study of legislation and regulations between 1948 and 2004 describes the relationship between the Monarch and the profession. From 2004 to 2010, the Monarch had increased His role in the profession when a new professional body (FAP) was placed under the Royal Patronage of His Majesty, the King.

Kesree Narongjej, the President of the FAP during 2008 to 2010 expressed her view that:

More than a half century that the accounting community including president and committee from ICAAT in each era attempted to establish and promote an accounting autonomous organization under the state back up. Successfully, His Majesty the King rectified the Accountancy Profession Act 2004 to establish the Federation of Accounting Profession (FAP) and admitted the FAP into the royal patronage on 6th September 2005 (Punkrasamee, 2009, p. 66).
Under the Royal Patronage, the Monarch monitors the accounting profession. His Majesty, the King receives the performance report of the FAP and provides advice in the development of the accounting profession. Evidence from the FAP newspaper shows that:

On 4th of June 2009, Her Royal Highness Princess Maha Chakri Sirindhorn visited and opened the FAP’s building in Bangkok. This building is used to harmonize the accounting profession where the accounting community can come together for sharing knowledge. In addition, Her Royal Highness, Princess Maha Chakri Sirindhorn attended an award ceremony to honor those who contributed the great value in the development of the accounting profession. The FAP News reported that 27 accountants received those awards (The Federation of Accounting Professions under the Royal Patronage of his Majesty the King, 2009b, p. 1).

This builds moral for all accountants and auditors of the Thai accounting profession.

**Economic Context**

Implementation of the NESDPs stimulated the development of the Thai economy and contributed to the transformation of the society.

The GDP, which modestly grew by 4.3% in 2007 from 5.0% in 2006 and 4.5% in 2005, was driven mainly by relatively strong export growth. Total exports topped US$130 billion, with exports of labor-intensive manufactured products growing steadily. Like in other countries in the region, the current account surplus and capital inflows are continued in 2007. These balance of payment inflows led Thailand to use capital controls early in 2007, most of which are now withdrawn; but the impact on market confidence lingers (The World Bank, 2008, p. 1).

Economic growth from 2004 to 2010 underscored a number of changes to Thai society such as the transformation to new economic structures, the banking system, and improvements to infrastructure. The business sector developed and caught up with the pace of globalization, the social sector remained under resourced. The influence of foreign culture through mass media and information technology resulted in a decline in virtuousness and morality, especially among children and youth as mentioned before. These changes affected the attitude of people in the business world as it is challenging to promote accountability and transparency in business given the crisis in values. Therefore, State control through laws and regulations are necessary as indicated by many interviewees (Interview, No.1, 17, 18, and 19).

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44 Her full ceremonial title is ‘Somdet Phra Theppharatratu Chao Fa Maha Chakri Sirindhorn Ratthasimakihunakornpiyachat Sayamborommaratchakumari’. She is the third child of King Bhumibol and Queen Sirikit in the Chakri Dynasty.
Interviewees agreed that economic development is a significant driver in the development of the accounting profession; in particular the determination of accounting standards necessary to support the emerging economy.

Changing in the Thai economic structure where the industrial sector has been developed significantly and become a significant source of revenue of the nation contributed to the development of the accounting profession in terms of determination of accounting and auditing standards coupled with global pressure to support business development (Interview, No. 14).

Another interviewee asserts that:

Currently, accountants must understand business and economics in order to provide useful information for management level in the transition economy (Interview, No. 9).

Moreover, an interviewee states that:

In the past, there was only one subject for CPA (Thailand) examination. Then, it was separated into 5 subjects. Currently, there are 7 subjects that all candidates must be passed (Interview, No.15).

This anecdotal evidence indicates that professional accountants are required to develop and align their knowledge with the changing economy and specifically towards market orientation. The development of accounting and its influence on business cannot be understated and the two cannot be isolated from each other.

6.2.1 The Expansion of Internationalization of Economic Activities

The empirical research states that the large international accounting firms, conquered the market through providing superior technical expertise, unrivalled quality of service and a sophisticated understanding of market needs (e.g. Daly & Schuler, 1998). As mentioned in the previous section, the Thai economy was a success story until the AFC. Significant developments between 2004 and 2010 were the expansion of international businesses; 7-Eleven from the USA established more than 5,100 branches in 2009 and SAS, also from the USA, produces software solutions. These companies not only created job opportunities for local employees but also generated profits for their parent companies. This shows some aspects of free trade between Thailand and other nations. However, unsuccessful MNCs such as Carrefour from France, Family Mart from Japan and Petronas from Malaysia led to complex business transactions that included mergers and acquisitions. These challenges
contributed to business development and increased expertise within the accounting profession and assisted in the determination of accounting standards. To that end, later TASs were more concerned with financial consolidation, liquidation, and segment reports. The professional body had a significant role in updating knowledge of professional accountants to manage the complicated transactions as shown in the following expressions.

We have an open economy, economic liberalization and there are a number of investors. They need useful financial information, which is accurate, reliable, and comparable with other companies. We have to be concerned about this issue. We have to develop the accounting system in order to support Thai users to compete in the Free Trade era (Interview, No.9).

Thailand is open for the west with the expansion of the capital market. Increasing in foreign investment and MNCs in Thailand forced us to apply the IASs to our corporations. Our standards are better. Most of the 30 TASs are based on the IASs (Interview, No.15).

We are in the globalization era, it seems that international investment or trading is not far from our daily life. In the competition, it is not only local companies that compete with each other but also with transnational corporations. The global economic system rapidly changes. Therefore, it is unavoidable to develop ourselves and follow the trend of the world. We have to learn from other countries. Then, look back to our profession and what we can do to develop the profession (Interview, No.29).

These statements imply that economic development during the liberalization period impacted on accounting in different ways. One development was the stated intent expressed regarding accounting standards and the other was the structure of the institution for professional accountants.

Internationalization included direct investment (such as FDI where an individual or company in another country invested in production or business in Thailand) and indirect investment though the capital market which is called foreign portfolio investment. To stabilize development, the State was required to improve infrastructure to support the business development. The WB, the ADB and the IMF are a influential international organizations that assist the economic and social development of member countries, including Thailand through loans, consultancy, and aid agreements. In 2008, the WB and the IMF cooperated with the aim of assisting member countries to strengthen their financial systems and comply with internationally recognized standards and codes (The World Bank, 2008). As a result, Reports on the Observance of Standards and Codes (ROSC) is provided after research has been conducted on member countries.
The Thailand ROSC assessed the status of the accounting profession in Thailand including institutional frameworks, professional education and training and accounting and auditing standards. The WB and the IMF recommended that:

1. The authorities should consider creating a multi-disciplinary working group, including relevant public and private sector stakeholders, to review relevant provisions of the existing laws in order to update the statutory framework. This includes audit practice review of quality assurance arrangements of audit firms and public-interest entities’ full compliance with all IFRS.

2. The need for an independent audit quality review arrangement for all practicing auditors. The FAP should carry out IFAC-recommended disciplinary activities for ensuring that the professional accountants in the country comply with applicable accounting, auditing and ethical requirements.

3. The FAP should continue to pursue its efforts to implement international good practices in Thailand, and step up its program to fully comply with the IFAC Statements of Membership Obligations.

4. Issue practical application guidance on accounting and auditing standards.

5. Strengthen monitoring, investigation, and disciplinary processes at the FAP.

6. Improve audit quality, by developing and disseminating practical guidance on the implementation of auditing standards.

7. Strengthen arrangements for practical training of the prospective auditors.

(The World Bank, 2008, pp. 23-27)

These recommendations were useful for regulatory bodies and the professional body to improve the accounting profession in Thailand. Moreover, it indicates that international organizations were beginning to have an influence on the Thai society. As stated by interviewees, it implies that financial information had increased its role in economic decision-making under the influence of globalization, technology, and the expansion of international investment in the Thai capital market.

The international organizations such as IFAC and International Organization of Securities Commissions (IOSCO) have a significant role in the development of the accounting profession in Thailand. The FAP is the organization member of the IFAC and the SEC is also a member of IOSCO. As the result, we have to adopt IASs and IFRS in our listed companies (500-600 companies) (Interview, No.15).

This impelled Thailand to improve the quality of the accounting profession as a matter of urgency to enable it to compete with other countries through free trade policies.

Many Asian countries such as Hong Kong, Singapore, Malaysia have developed and are prepared for the free trade in 2015, which need to open more in service sectors. We could not ignore this transformation (Interview, No.9).
I have seen accountants from neighboring countries such as Vietnam, Myanmar, Malaysia, India, who work in international companies in Thailand, they can get a job easily. Their English is better than our accountants. They are proactive in learning and fast adapting. It is different from our country. We are proud that no westerners have ever colonized us, but we lack communication skills in particular the English Language, which has been used around the world (Interview, No.13).

With the demand for competent accountants who could be able to communicate internationally, the number of programs tends to increase as a result of the new trend in accounting education growth. Leading universities such as Thammasat University and Chulalongkorn University also offer the international programs where accounting students are taught in English language using the accounting text books from western countries- mainly from the U.S. This is beneficial for students to work with MNCs. The English program strengthens the potential of a new generation of Thai accountants to secure employment in MNCs.

However, it is perceived that Thailand suffers from an inadequate number of qualified accounting instructors (Akathaporn et al., 1993; Sitchawat, 2005).

An academic confirmed that the economic development that has taken place in Thailand during the last couple of decades has increase a number of international companies in Thailand. These companies need more locally qualifies accounting manpower with an adequate knowledge in the subject matter as well as in English language. Eventually, the accounting education needs to be reformed to produce accountants who meet the market expectations (Interview, No.8).

In conclusion, expansion of international activities created the demand for the development of the accounting profession to compete at an international level. Determination of accounting standards to stabilize the Thai economy was based on international organizations such as the IASB, the IFAC, the WB, and the IMF.

**6.2.2 Reform after the Asian Financial Crisis**

As mentioned in Chapter 5, the AFC negatively impacted on the quality of life for Thai people. For example, poverty rates increased from 11.4% in 1996 to 15.9% of the total population in 1999. In addition, unemployment also increased from the period preceding the crisis by almost 1 million people (The National Economic and Social Development Board, 2001, p. 5). After the crisis, Thailand attempted to improve economic growth through several strategies including implementation of the NESDPs.
The implementation of economic recovery policies after the economic crisis enabled Thailand to achieve a good measure of stability. In 2005, the unemployment rate stood at 2%, which was in accordance with the expansion of the economy and did not put pressure on inflation. At the end of 2005, public debt accounted for 46.4% of GDP which was lower than the expected 50% set in the sustainable financial framework (The National Economic and Social Development Board, 2006).

Many stakeholders from the public and private sectors attempted to resolve this problem and reinvigorate the Thai economy. A significant reform after the crisis was the State attempt to establish corporate governance at all levels of the public and private sector. Efficiency, transparency, and accountability became the key words in the recovery process of the economy (Indicated by interview, No.15, 18, and 20).

As mentioned in Section 5.3.4.5, the AFC impacted on all area of Thai businesses and people lives; including a high unemployment rate. The Government attempted to rebuild the economy and asked for assistance from international organizations such as the WB and the IMF. Durongkaveroj described the requirements of the IMF for Thailand that it:

1. Manage Non-Performing Loan in the Financial institution
2. Trade liberalization
3. Amend laws and regulations to increase the proportion of shareholding in Thai corporation
4. Promote transparency in capital and financial market
5. Privatization and SOEs
6. Apply float exchange rate system
7. Develop relevant laws and regulations to recover Thai economy
(Durongkaveroj, 2012)

These requirements put more pressure on the State to restore Thai business confidence as a matter of urgency. The specific reforms of the accounting profession included amendments to accounting laws and regulations to ensure the quality of Thai corporate financial reports and the accounting profession. As a result, the State enacted the Accounting Act 2000 (see Chapter 5) and the Accounting Profession 2004 (details of this act are provided in Section 6.3).

Moreover, the State reorganized the existing accounting profession so it could enforce a high quality of accounting standards, promulgate new accounting knowledge,
and control of all professional accountants. As a result, the FAP emerged under the Accountancy Profession Act 2004. This reform strengthened the accounting profession; its more autonomous organization enabled it to improve accounting activities (details of this reform also discussed in Section 6.2.3).

Other state agencies such as the SEC, the DBD, and the professional accounting body also attempted to promote corporate governance in Thai business through the promotion of the revised TASs which were based on IASs. Statements from a newspaper show that:

Lessons from economic crisis around the world and the AFC in particular put the pressure on the SEC to improve the quality of financial reports to serve investors and public interests. The SEC attempted to enforce top 50 listed companies to comply IFRS in 2013 and will expand to top 100 listed companies (Naewna Newspaper, 2009).

A Chief Financial Officer from a listed company expressed her view that:

I agree that listed companies should comply by the IAS and IFRS because most of these companies are MNCs or have Western parent companies. However, it is challenging for corporate accountants to work because English language is a big barrier for our local accountants (Interview, No.4).

A senior accountant in a State enterprise claimed that:

Enforcing the IFRS in Thailand is not easy due to accounting standards are recognized as the accounting law which needs to be written in Thai language. This also needs to be passed by the parliament that may take at least one year. As a result, after accounting standards are approved they probably out dated due to the fact that IASB often revise the IFRS to suit with global business changes (Interview, No.21).

However, it is unavoidable for listed companies to comply with these standards. Therefore, we should prepare our accounting students to be ready to adapt changes (Interview, No.16).

This implies that the TASs, which were based on the American GAAP, were unable to provide high quality corporate financial reports during the economic transition. Therefore, development of the standards was based on IASs with the advice and support from the WB and the IMF. Until 2010, the ASC under the FAP, issued 31 TASs which were published in the Government Gazette (The Federation of Accounting Professions under the Royal Patronage of his Majesty the King, 2011a, p. 33).
Paradoxically, this implies that the AFC not only contributed to the damage to the Thai economy but also had a positive influence on the development of the accounting profession. The regulatory bodies, such as the SEC and the accounting profession were concerned with the quality of the profession. This was an indication that changes in professional standards were occurring; in particular to auditing standards that were necessary to improve the quality of financial reports in the private sector.

6.2.3 The Continued Changes of the Government’s Role from 2004 to 2010

As mentioned in Chapter 5, the State assumed a dominant position from 1948 to 2004 and controlled professional accountants through the state agency, BSAP. As a result, the accounting profession had developed slowly due to lack of necessary resources, in particular academic staff to provide effective accounting education. There were only a small group of accountants who had participated in the accounting education hence knowledge was limited to ICAAT members. It was difficult to facilitate cooperation between professional accountants which was needed to establish a national accounting profession. As a result, it was difficult to improve accounting standards to the level required to assist business development. The quality of corporate financial information was inefficient and this highlighted the lessons learnt from the AFC. The general public was trying to put pressure on the Government to reorganize the accounting profession in order to create transparency and best practices in corporate governance in business organizations. Therefore, the State role from 2004 to 2010 was to focused on market economic policies which would as a consequence, shift its role from one of control to one of monitoring the accounting profession.

Government Initiatives for the Development of the Accounting Profession

Professional associations can occupy jurisdictions only when they find a vacancy. A jurisdictional occupation could take place when previous tenants move to other jurisdictions; new tasks are created; and/or an occupational group dislodges another in a struggle for turf. The relative power of clients, the State and competing occupations determine a profession’s ability to realize closure. For instance, jurisdictional claims are influenced by client choice. Thus, client power has the potential to restrain professional power (Abbott, 1988, p. 140). Similarly, in contexts where the market system is not well-developed and/or the state serves as a major player in the economy, the state as a major
client defines professional services and shapes the development of professions (Krause, 1991). Upon realizing this fact, the Government attempted to improve the Thai economy through law reforms, regulations and procedures about economic and social development to balance the allocation of benefits from development (as indicated by interview, No. 30). For example, the Government improved the bureaucratic procedure for administrative performance and amended relevant regulations to establish the professional body (FAP) for promoting transparency and accountability. The MOC, with support from the DBD, the BSAP, and ICAAT, attempted to establish the FAP in 2005, with the intent of strengthening accounting competencies and expertise in Thailand.

The MOC, whose objective was to stabilize the Thai economy and in order to guarantee the well-being of the population (Ministry of Commerce, 2013) is the main actor in the development of accounting systems throughout the country. The MOC designed several accounting laws and regulations (as discussed in Section 6.3) to manage the financial status of the public and private sectors. On 23 February 1999, the Government agreed to amend the draft of the Accounting Act which was under consideration by the Office of the Council of State of Thailand (OCS). In 2004, the President and Committee members of ICAAT, consulted the MOC and the OCS in order to improve the draft of the Accounting Act. The MOC and the OCS agreed with ICAAT to include more stakeholders, in particular the private sector in the monitoring process of the FAP. Consequently, the state passed the Accountancy Profession Act 2004 and it was ratified by the King on 23 October 2004. The most difficult part of this process was the regulation of expiations and accounting principles to non-accountants in the OCS (The Federation of Accounting Professions under the Royal Patronage of his Majesty the King, 2011b).

ICAAT fully supported the MOC’s idea to establish the Accountancy Profession Act 2004 and the FAP to stabilize the Thai economy. This was a result of ICAAT’s intention to establish an autonomous organization with legitimate authority to manage the accounting profession. It is not only ICAAT policies that were transferred to FAP but also ICAAT committees and staff.

This indicates that the emergence of the Thai accounting profession was initiated by the State; it was 56 years before there was a professional, autonomous national accounting body. This is different from the development of accounting in Western countries, in particular the UK and the USA. For example, the AICPA was formed by the

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45 Office of the Council of State of Thailand (OCS) known as Krisdika Commission is a central government law agency of Thailand.
accounting community without the State sanction and most interviewees (Interviews, No. 1, 2, 4, 5, 8, 15, 18, and 29) were satisfied with the emergence of the profession, although it took more than a half century (from 1948 to 2004). Some interviewees expressed their view on the emergence of the profession as follows:

I think the FAP emerged with autonomy to operate and oversee its members. I don’t feel that the Government tries to interact with this profession (Interview, No.18).

After the FAP was established, I felt that there were several regulations involved in the development of the accounting profession, and in my opinion this organization is a key to the success of the accounting profession (Interview, No.4).

I think the FAP attempted to shift TASs to be equivalent to the IASs (Interview, No.1).

As evidence suggests, accounting regulation and organization in Thailand has been revised as an incremental construct. It is important to understand that the development of the accounting profession in Thailand was largely the work of the Thai Government. As Hao (1999, p. 293) pointed out the Chinese Government did similar by organising CPAs and who not proactively organize themselves into a self-regulating body. Any step forward was the result of State regulations. It was unlikely that the FAP would have emerged at the time if regulations and supportive market conditions had not been established by the State. Hao (1999, p. 292) also compared the difference between the PRC and other Western countries. In many Western countries the accounting profession has been promoted by practitioners and professional associations that are relatively autonomous from the state. Even when the associations entered into ‘corporatist’ arrangements with the state to regulate accounting practitioners or accounting practice, they did so as autonomous entities. It is important to understand that in Thailand the situation is very different. It is the State which brings public accountants into the limelight and many important regulations affecting the development of the profession were promulgated by the Thai Government between 1990s and 2010.

This implies that the State retains a significant role in the emergence and development of the accounting profession through State laws and regulations that established an improved and autonomous organization for accounting. However, a degree of self-regulation means something different in the West and this is discussed in the next section.
Reducing the Role of the State and the Accounting Profession

What gives additional interest to the study of the Thai accounting profession during the 1990s, while the country’s institutions and organizations adapted to the imperatives of the free market model, is the uniqueness of the situation. No other profession in Thailand (doctors, engineers, and lawyers) experienced—in anywhere near the same measure—the market changes and confusion that the Thai accounting profession went through. The rapid economic and legislative developments indicate that there was a demand, or potential demand, for the services of accountants. The development of MNCs produced a demand for business services, among which could be those provided by accountants. There was also a potential demand for accounting skills and knowledge arising from legal requirements dealing with accounting, auditing and taxation; even if the relevant laws were not as developed as they might have been in respect to accounting requirements.

Once the State reduced its control over the accounting profession, it acted as a monitoring body and as a result, the BSAP was closed and all duties (such as qualifying professional accountants, approval of accounting and auditing standards, overseeing accounting education, and administration of regulations) of the BSAP were transferred to the FAP. The diminishing role of the State on the accounting profession contributed to the development of an autonomous organization. Evidence can be identified in the Accountancy Profession Act 2004, section 59 as shown below:

Section 59, there shall be the OCAP consisting of the followings:
(1) permanent Secretary of the MOC as Chairperson;
(2) ex officio members, viz., the Director-General of the Department of Insurance, the Director-General of the Department of Revenue, the Auditor General, the Governor of the Bank of Thailand, the Secretary-General of the office of Securities and Exchange Commission, the President of the Federation of Accounting Profession, the Chairperson of the Federation of Thai Industries, the Chairperson of the Thai Banker’s Association and the Chairperson of Thai Chamber of Commerce;
(3) qualified members appointed by the Minister; two of which from persons having knowledge and skills in accountancy and one of which from a person having knowledge and skills in law.

According to Section 59, some interviewees asserted that the State did not reduce its role in the accounting profession. The State remains its power as a dominant player in the OCAP through various state agencies (see, Figure 6.1), in particular through the role of permanent secretary of the MOC who acts as a chairperson of the OCAP.
Compared to Western systems of the accounting profession, the Thai profession is structured in a unique way. For example, in the West the accounting professional bodies are represented by a council which consists of industry leaders, Auditors General and some representatives from the Stock Exchange. The ACCA Council has 36 members who are elected by worldwide members and 1 co-opted member (ACCA, 2013). In Thailand, the Oversight Committee is the main committee that manages the FAP. The committee members are from the public and private sectors who are appointed by the Accountancy Profession Act 2004 (see, Figure 6.1).

Figure 6.1: Organizational Structure of FAP under the Accountancy Profession Act 2004

Source: Narongdej (2008, p. 11)
Figure 6.1 shows 50% of the committee comes from the State agencies and the remainder comes from the private sector. In Australia, for example, the council is a mixture of elected, co-opted and ex officio appointments, as set out in Chapter VI of the principal by-laws (ICAEW, 2013). Some interviewees (Interviews, No. 1, 2, 5, 8, 15, 19, 20 and 29) are satisfied with the organizational structure of the FAP. They believe that cooperation between the public and private sector in the accounting profession could assist the FAP operate successfully to attain a better profession. This might be true if the FAP can exercise its power and to control all professional accountants through its self-regulations.

However, in practice, although State agencies such as the SEC, the DBD, the RD, the BOT, and the OIC participated in the OCAP, they still claimed their legitimate authority to control professional accountants (Interview, No.15). For example, the SEC, the BOT, and the OIC approved CPAs who provided services relating to their employer which shows a conflict of interest and confusion among professionals. An academic expressed his view that:

The establishment of the FAP is it idea to minimize the conflict between the accounting profession and the state agencies. A mixture of representatives from the public and private sectors as appointed by the Accountancy Profession Act 2004 is beneficial in organizing the accounting profession. However, the state remains claimed legitimate authority to interfere in the development of the accounting profession (Interview, No.15).

An auditor spoke about the conflict between the profession and the State that:

The SEC claimed relevant laws and regulations to approve CPAs and to monitor the quality assurance at the accounting firm’s level. This overlaps the duty of the FAP (Interview, No. 15).

As a membership of the IFAC, the FAP is committed to follow the SMO in terms of delivering quality assurance, dated on 8 September 2009 as mentioned in Section 6.4. The FAP was dissatisfied with the interference of the SEC and the FAP attempted to protect the existing organization and its monopoly of the statutory audits market. However, the SEC insisted that the SEC would be only be involved with accounting activities that related to the capital market to ensure the transparency and protect all investors (as indicated by the representative from the SEC, Interview, No. 29).
Another example of the conflict between the accounting profession and the State implies that:

According to the RD published document, T.293/2550, the RD initiated the idea to establish a Certified Public Tax Accountants (CPTA). The aim of this development is to support taxation of the state. The CPTA will be trained and required to practice focusing on laws and regulations of the RD rather than accounting standards. The FAP is not satisfied with this development and insisted that RD should not interfere with the accounting profession (Interview, No.6).

As described by interviewees, the CPTA is a professional accounting role created by State to support its interest, with specific reference to taxation which was derived from Japan. In this light, CPTAs contribute to accurate and efficient management of the self-assessment scheme, and secure tax revenue, which forms the basis of national finance (Japan Federation of Certified Public Tax Accountants' Associations, 2012). Government officer in RD, Director, Bureau of Tax Auditing Standards, said that:

The existing system of the accounting profession has inability to provide true and fair value of the financial report of the Thai business. Many business owner attempted to avoided taxation and dominated over the professional accountants. We believe that CPTA is a possible way to strengthen the business development where accuracy and transparency are being concerned (Interview, No.28).

In contrast with the above empirical evidence, the President of the FAP (during 2005 to 2010) claimed that:

According to the Accountancy Profession Act 2004, Section 4, the Accounting Taxation is including under the accounting profession. Procedures and rules should be defined by the FAP rather than the RD. In addition, CPTA may create confusing to general public with the definition of CPA. We disagree with this initiative (The Federation of Accounting Professions under the Royal Patronage of his Majesty the King, 2010).

This indicates that the FAP attempted to protect the existing professional organization and its monopoly of the statutory audits market; as well, State agencies attempted to protect and control their interest. This conflict remains and requires a resolution. It is possible that the emergence of the new accounting profession was complicated through State influence.

In Thailand, the BSAP was closed and transferred all accounting activities such as registering accountants, approval of CPA license, and administration of accounting laws and regulations to the FAP. It implied that State control had ceased but that was not the case and the emergence of the FAP was merely to reorganize the profession; it combined ICAAT and the BSAP and the State retains a dominant position of OCAP under the
direction of the MOC through the chair person (as prescribed by the Accountancy Profession Act 2004). This situation is similar to the case study of Greece where two accounting professionals claimed that liberalization could protect the professional organization and its monopoly of the statutory audits market.

In the private sector, the State also attempted to promote and enhance transparency, ethics, and morality. In addition, the Board of Governors of the Stock Market of Thailand, the Board of Trade of Thailand, the Federation of Thai Industries and the Association of Thai Committee Institutions were encouraged to provide knowledge and understanding to private businesses, directors/committees, shareholders and ordinary people to realize the benefits of ‘good corporate governance’. This is an initiative by His Majesty the King (see example in the Appendix 7), and many points of the Royal address encourage Thais to be concerned about honesty and fairness. It is applicable to apply in all disciplines including the accounting profession and underlines the relationship between the Thai Monarchy and the profession.

Other State roles between 2004 and 2010 were the development of the public sector including (1) creating learning process, civil culture and value according to the principles of administration under the democratic form of Government with the King as Head of the State, (2) support to educational institutions, both formal and informal institutions, universities and other academic institutions, and (3) provide an opportunity for people to participate in decision making concerning national development in the form of committees and subcommittees with the public sector (The National Economic and Social Development Board, 2006). These State roles were addressed in the tenth NESDP which had also been involved in a more general way in improving the quality of the accounting profession. This is similar to other developing country for examples; China, Greece, and Indonesia where the State attempted to manage the accounting profession.

6.2.4 The Role of International Accounting Firms (the Big Four)

This study empirically explores the interconnectedness of national politics with regional and global forces and the implications of this interaction on the regulation of the accounting profession, market and the State–profession relationship in Thailand. The capitalist period in Thailand was between 2004 and 2010, during which free trade became a significant part of the society. MNCs sought out business opportunities in Thailand and expanded their manufacturing base and branches to increase market share. This influenced
the way of life, culture, and social values of the new generation of Thais. In the same way, the international accounting firms expanded their services with advanced knowledge networks and sophisticated technology through joint ventures with the local firms.

Many interviewees agree that the Big Four firms occupy a dominant position in terms of market share in the Thai capital market due to their advanced knowledge and established reputation. With more than 50% of CPAs approved by the SEC, the Big Four firms have the capability to serve more clients.

I think the Big Four accounting firms dominate the Thai capital market due to their comprehensive knowledge of IASs that is readily available through their companies’ international network (Interview, No.27).

Of course, most of the members of the Accounting Standards Committee come from one of the Big Four firms and they hold a dominant position in the Federation of Accounting Professions (Interview, No.24).

I believe that the Big Four firms came to dominate the market Thailand because they have continuously updated accounting and auditing knowledge with particular reference to IASs. Without the Big Four firms, I think the development of the accounting profession would have been extremely slow (Interview, No.20).

This evidence suggests that as a result of the expansion, service provision in the Thai business sector, is dominated by the Big Four firms. This suggests that Big Four operations were moving towards a Western type of accounting profession, with self-regulation, during this period. However, the problem was that the current institutional setup in Thailand was not conducive to a Western type of profession. The MOC was still in power and determined accounting professional developments in Thailand and in order to improve and sustain the development of the profession; the Big Four participated on committees of the FAP to promote the accounting as a State organized profession. This cooperation shows that the Big Four was well positioned within the international economic system. However, they were not capable of mobilising every powerful international politico-economic actor to overcome the resistance of local players and (weaker) nation states, as found in the case study of Greece (Caramanis, 2002).

This was similar in Thailand and it demonstrates that the market principle had influence on the professional market. Demand for the international accounting firms was derived from parent companies of the MNCs in Thailand. In addition, with more complicated accounting transaction through international trade, high quality of accounting services was needed. There were few local firms that had the ability to support those
demands. Therefore, it was unavoidable that the Big Four firms would dominate business due to their knowledge network and updated technology.

The local accounting firms still need more development their manpower to have more potential both ability to apply IASs and IFRSs in the international transaction and communication skill, in particular English language (Interview, No.11).

This put more pressure on the Thai accounting community to accept the importance of accounting education and training. The Big Four firms, as a part of the accounting community, contributed to the development of the accounting profession in terms of sharing knowledge.

Representatives from the Big Four firms participated in various committee of the FAP to support accounting activities such as development of accounting standards and training and seminars (Interview, No. 10).

Cooperation between the FAP and PriceWaterhouseCoopers (PWC) to arrange seminar for sharing knowledge with neighboring accounting professional body, the Vietnam Association of Accountants and Auditors (VAA) is organized on 26 October 2006, for 19 participants. PWC allowed the participants to have a site visit in their premises (The Federation of Accounting Professions under the Royal Patronage of his Majesty the King, 2006).

This empirical evidence shows the continuance of the dominant role played by the Big Four over the Thai capital market in terms of market share. With their advanced knowledge and reputation, the Big Four were able to capture more market share in Thailand. This created competition in the professional market and more pressure for local accounting firms to increase their competency. Instead of confrontation with the State to secure their monopoly of practice in the market as in Greece (Caramanis, 2002, 2005), the Big Four gradually became recognized as the Thai accounting community by participating in the local accounting profession. In this way, the Big Four were able to observe the momentum of the accounting profession as the FAP coordinated all professional accountants. In addition, State laws and regulations that could have affected their operations were discussed by the committee of the FAP which assisted them to adapt to State requirement.
6.3 Accounting and Auditing Regulations

The previous chapter describes the dominant role of the State over the accounting profession through laws and regulations during 1948 until 2004. Between 2004 and 2010, laws (see Figure 6.2), such as the Securities and Exchange of Thailand Act 1992, the Public Limited Company Act 1992, and the Accounting Act 2000, played a significant role in the development of the profession. Currently, the Accountancy Profession Act 2004 which was recognized as the most crucial laws for the profession, contributed to the emergence and development of the national accounting professional body. This issue of public/state policy has attracted a great deal of interest both locally and internationally (see, for example, Caramanis, 1999, 2002, 2005; Freidson, 1970; Johnson, 1982; Perera et al., 2001).

Figure 6.2: Regulatory Framework between 2004 and 2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Law Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>The Securities and Exchange of Thailand Act 1992</td>
</tr>
<tr>
<td>2005</td>
<td>Public Limited Company Act 1992</td>
</tr>
<tr>
<td>2006</td>
<td>Accounting Act 2000</td>
</tr>
<tr>
<td>2007</td>
<td>Accountancy Profession 2004</td>
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<tr>
<td>2008</td>
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<tr>
<td>2009</td>
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<tr>
<td>2010</td>
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Source: developed for the study

The Accountancy Profession Act 2004

The Accountancy Profession Act 2004 was developed under pressure from public interest for the State to create an efficient organization to protect and control professional accountants that would also serve the transformation of national politics and economics. The transformations included well-defined investment policies that focused on liberalization and free trade (Thailand Board of Investment, 2012). To compete in the global economy, knowledge-based, information technology became a significant factor for increasing the competitive advantage of the nation (The National Economic and Social Development Board, 2001, p. 6). Therefore, a systematic well-organized accounting profession was needed to contribute value in support of this development. Professor Hiran Radeesri, the President of ICAAT during 1977 to 1979 said that:
The accounting profession is needed to be developed under the state back up through accounting laws. Fortunately, the AFC contributed another pace on the development of the accounting profession when, the WB encourage Thailand to improve an accounting autonomous organization for self-regulation as in Western countries (The Institute of Certified Accountants and Auditors of Thailand, 1998a, p. 217).

To be recognized by the state, we need legitimate authority to support the institution for the accounting profession. The existing professional body is cooperated with the BSAP to improve the accounting regulation with the aim to control professional accountants (The Institute of Certified Accountants and Auditors of Thailand, 1998a, p. 212).

These archival records indicate the need for States intervention to develop the accounting profession in Thailand.

An academic confirmed that:

Without the state back up, it is very difficult to enforce accounting and auditing standards including Code of Conduct to maintain the quality of the accounting profession in Thailand. It is the right time to establish the FAP to control all accounting practices in bookkeeping, auditing, administrative accounting, accounting system design, tax accounting, accounting education and technology and services related to other accounting practices as prescribed in the Ministerial Regulation (Interview, No.20).

The Government agreed with the idea to establish the FAP according to the parliamentary report of 29th December 1998. However, the Government requirement was that the OCAP must consist of Government agencies which would have authority to oversee the accounting profession. The draft of regulations to establish the accounting profession was supported by the MOC and revised many times before being passed by the parliament in 2004.

The Accountancy Profession Act 2004 empowers the FAP with legitimate authority to develop the Thai accounting profession as defined in Section 7.

Section 7, the FAP shall have the powers and duties as follows:
(1) to promote education, training and research in accountancy profession;
(2) to strengthen unification and preserve honor of members, and to provide welfare and assistance among members;
(3) to establish accounting and auditing standards and other standards related to accountancy profession;
(4) to lay down Code of Conduct of accountancy profession practitioners;
(5) to accept registration for the request to conduct accountancy profession practitioners;
(6) to certify accounting degrees or diplomas of any educational institutions for the purpose of admission of its members;
(7) to certify the curriculum of training course for the specialists in accountancy profession and that of continuous learning in any fields of accountancy profession practitioners… (The Accountancy Profession Act 2004, Section 7)

Most interviewees (Interviews, No.1, 15, and 20) claimed that objectives and duties of FAP are similar to that of ICAAT which is to promulgate accounting knowledge and improve the quality of its members. However, there are a lot of additional objectives and duties of the FAP that prescribed in the Accountancy Profession 2004, Section 7 (4), (5), (6) and (7). This shows distinctive aspects between these two organizations, in particular the duty to grant CPA licenses, to accredit accounting degrees or diplomas of any educational institutions, to certify the curriculum of training courses. By reviewing these developments at the FAP, it appears that some element of self-regulation in the accounting profession between 2004 and 2010.

In my opinion, there is no difference between ICAAT and FAP. It depends on people who manage the association. What are they focusing on? Both of these associations are continually developing TASs (Interviews, No.1).

In the details, ICAAT and FAP are no different in their vision, mission, and objectives (Interviews, No.15).

The similarity between ICAAT and FAP is the objective to improve quality of the accounting profession (Interview, No.20).

Under the enactment of the Accounting Act 2004, the FAP is only the national accounting profession. The FAP has authority to manage the accounting profession as mentioned above. In this light, customer of the FAP are varying from accountants, auditors, educational institutions, and training companies. This implies that the state created the market for the accounting profession in Thailand.

Furthermore, corporate accountants and auditors are required to be a member of the FAP as mentioned in the Act, Section 38 and 44 (Section 6.2.3 also discussed about this point). In addition, to be a member of the FAP, candidates should also have Thai nationality and have enough Thai language knowledge (Accountancy Profession Act 2004, Section 13, 44, and 45). Therefore, designation and titles of professional accountants are protected by this Act which is similar to the Auditor Act 1962 as mentioned in Chapter 5). Therefore, the Big Four are allowed to provide consultative services and technical
assistance to Thai CPAs as well as to operate auditing firm in Thailand. Therefore, these firms need to set up joint ventures with local firms or to incorporate local firms as member firms in order to apply for a provisional operation licenses from the MOC. This situation is similar to many countries such as China, Cambodia, Vietnam, due to accounting titles are protected in the national Laws.

**Accounting and Auditing Standards**

Since the Thai economy has been connected to the world economy during the transitional period (1960-1990) and follow by the capitalism (1990 onward), the concept of accounting became more significant in the development of the private sector in Thailand. The Thai Government through the MOF, MOC, and Bank of Thailand exercises a supervisory interest in the operation of the capital market with assistance from the US as mention in Chapter 5; the SEC was established to stabilize the Thai economic development. The SEC has played a leading role to support the development of the accounting profession. To promote transparency and fairness in the capital market, the SEC encourages all listed companies to apply accounting standards strictly.

The requirement for the development of Thai accounting and auditing standards is not only come from the state agencies such as SEC but also international influence such as IFAC and Big Four. As mentioned in Section 6.4, the FAP is committed to the IFAC to adopt international standards, related practice statements and other papers issued by the IAASB. This is a significant influence on the development of the Thai accounting standards. Furthermore, the Big Four has played a significant role in supporting the MNCs. These MNCs are needed to follow the same accounting standards with their parent companies. The Big Four which participated in the FAP also attempted force the development IAS in Thai accounting standards.

Determination of the accounting standards has changed from 2005 onward. Instead of the standard setting established by ICAAT and approval by the MOC-BSAP, FAP has claimed the state authority to develop and promulgate their own accounting standards. This shows that the professional body has more independence than in the past. The state has moved from a direct role in the controlling of the accounting profession through the BSAP to act as the state back up of the FAP.
The TASs which heavily rely on the IASs are good because western countries are the pioneer in the development of these standards. It saves our resources to develop these standards. However, most of the TASs have been translated from an English version into Thai language which will influence the understanding of local practitioners. The weakness of the translation might lead to misunderstanding in the standards. Therefore, the FAP should have a proactive role in the dissemination of accounting knowledge (Interview, No.30).

The international force from the IFAC (IASs and IFRSs) has influence on the development of the Thai accounting profession. However, some standards are not proper for the Thai situation because of the difference in business environment. Our FAP should have a role in the international professional organizations to share knowledge and comments on the inappropriate accounting standards or guideline (Interview, No.23).

We have to be concerned about the adoption of IASs as the learning process of local accountants. We follow, not produce the accounting standards. Therefore, it takes times to gain an understanding including the effect of each accounting standard before implementation (Interview, No.9).

This implies that determination of the accounting standards in Thailand is heavily based on international force such as IASB/IASC and IFAC. However, English language is a significant barrier in adopting international standards in the Thai society. An Auditor expressed the view that;

While we have to adopt IASs, our accountants lack the understanding in using it. I am not worried about the concept of accounting but about the implementation. I am afraid that each person will interpret in a different meaning (Interview, No. 14).

With the free trade policy where Thailand is connected to the world economy, international standards became significant factor that most countries have to follow to stabilize their economic growth. In terms of accounting, international organizations also play a significant role in the accounting development process in Thailand.

6.4 The Federation of Accounting Profession

As mentioned in the previous sections, the FAP emerged from various pressures (politico-economic milieu, the Thai accounting community, WB, IMF) on the state to improve the autonomous organization as mentioned in Section 6.2.1. This development contributed to the development of the accounting profession in Thailand between 2004 and 2010. This section examines the FAP performance and its ability to operate successfully to sustain a
better professional ascendancy in Thailand. Specifically, budget, human resources, technology, and member relationship issues are discussed in this section.

As mentioned before, the FAP is a new accounting professional body which was established for 5 years (from 2005 to 2010) under the state back up. An accountant expressed the view that this organization is doing well in their responsibility in developing accounting standards to equivalent of IASs (Interview, No.1).

The FAP as a national accounting professional body contributed a number beneficial to the Thai society. For example;
(1) Arrangement of the charity events and dedicated 1,000,000 million to His Majesty the King in his 84th birth day
(2) Approval of the establishment of the 11th FAP branch in Mahasarakarm Province
(3) Investigation of 41 cases about Code of Conduct issues
(4) Development of 31 accounting standards which will be effective in 2011
(5) Development of accounting software to support small and medium enterprises
(6) Development of website to promulgate accounting knowledge
(7) Revision of auditing standards according to IFAC guideline under the IAASB Clarity Project
(8) Arrangement of seminars and training to updated accounting and auditing knowledge
(9) Participation in the international conferences
(10) Approval of additional 8 accounting programs during 2010
(11) Recognition of the MOE regulation, Thai Qualifications Framework for Higher Education (TQF) which prescribed the accreditation process dated 30th September 2010. At least a representative from the FAP is required to participate in the development of any accounting program of any university. In addition, accounting curriculum must have content as defined by the FAP.
(12) Development of a Code of Conduct for accountants and auditors
(13) Cooperation with the IFAC as a member body and recognition of the Program and Statements of Memberships Obligations (SMOs)46

(The Federation of Accounting Professions under the Royal Patronage of his Majesty the King, 2011b)

This shows that the FAP contributed to the development process of the accounting profession in Thailand. However, to sustain better professional ascendancy in Thailand, there are many factors involved such as limited budget, human resources, and member relationship.

46 IFAC Member Body Compliance Program & Statements of Membership obligations consist of SMO 1: Quality Assurance; SMO 2: International Education Standards for Professional Accountants; SMO3: International Standards, Related Practice Statements and Other Papers Issued by the IAASB; SMO 4: IFAC Code of Ethics for Professional Accountants; SMO 5: International Public Sector Accounting Standards and Other PSC Guidance; SMO 6: Investigation and Discipline; SMO 7 International Financial Reporting Standards
The FAP may have the following income to support its operations:

1. membership fee and other fees;
2. subsidy from Government’s budget;
3. benefits incurred from assets management and the performance of powers and duties of the FAP;
4. money and properties donated to the FAP;
5. interest incurred from money and assets under (1) (2) (3) and (4).

(The Accountancy Profession Act 2004, Section 8)

Lessons learnt from the failure of ICAAT shows that sufficient budget is a crucial factor for the development of accounting activities (Akathaporn et al., 1993). The end of ICAAT and BSAP in 2004, all accounting activities such as registration of professional accountants and approving CPA license were transferred to the FAP without supporting funding and manpower from the BSAP. As mentioned, the main sources of FAP income come from membership and seminar fees. The FAP with this insufficient budget impacted the ability to provide the best value to its members. An academic expressed her view about FAP activities that:

Seminar and training fees arranged by the FAP are very expensive. Graduate students and many accountants are unaffordable to attend these seminars to update new knowledge. As a result, it is very hard to improve the quality of the accounting profession through a whole country (Interview, No.18).

In addition, many interviewees (Interviews, No. 3, 6, 15, 17, 18, 19, 20, 24, and 26) claimed that insufficient funding impacted the ability to arrange the accounting seminars and training to promulgate accounting knowledge, the development process of accounting and auditing standards, the ability to maintain customer relationship, and updating new knowledge. Therefore, supporting from the state, in terms of funding, is crucial for the development of the accounting profession. This shows another link between the profession and the state.
**Human Resources**

Another significant problem of the FAP is insufficient human resources to support its operation (Interview, No.11, 16, 20, 21 and 26).

In my view, the FAP needs a lot of improvement. They lack the necessary resources, in particular full-time academic staff that have ability to provide services for its members efficiently. To have full-time academic staff, there are a number of issues that the FAP has to be concerned such as salary and pension because we have labor law (Interview, No.26).

According to the organization chart of the FAP, staff consists of various committees (see Appendix 7) such as the Committee of the FAP, Committee on Ethics, Committee of Accounting Standards-Setting, Sub-Committee on the Bookkeeping, Sub-Committee on the Accounting, Committee on the Accounting Systems, and Committee on the CPA registration. The committee members are accountants, auditors, and accounting academics. Most of these committee members come from the private sector including Big Four and local firms, academics from public and private universities, and private corporations. In addition, they are working voluntarily and they are dedicated their time after their routine job. This crated ineffectiveness of the operation of the FAP. Only a small group of committee members are involved with the FAP meeting and activities.

The FAP also has 41 full-time staff reported in 2005 (The Federation of Accounting Professions under the Royal Patronage of his Majesty the King, 2006). Most of these staff is administrative staff. They are lack of knowledge and experience in the development of the accounting profession under the economic dynamic where updated accounting knowledge is required. An FAP member expressed her view that:

> It is difficult for the FAP to recruit a high qualify employees because of low salary compared to the private corporations. The reason behind this is that the FAP is non-profit organization. Most revenue comes from membership and seminar fees. Therefore, the FAP is unaffordable to pay a high salary as in the private company. Low incentive contributes to low motivation to work with the FAP (Interview, No.20).

This is normal in the market principle where demand and supply are involved. Low incentive created low attractive to work with the accounting professional body. This issue rose in the case of ICAAT and remained in the case of the FAP. Solving this problem will increase the ability of the FAP to provide the best value to the Thai society.
FAP Performance and Member Relationship

The FAP is a new organization which was established in 2005. Lack of knowledge and experience leads inefficiency of the management of the national accounting professional body. However, lessons learnt from ICAAT, FAP have more ability to adjust its organization under many conditions such as limited budget and insufficient human resources to support the development of the accounting profession. As mentioned before, Thailand ROSC indicated that:

The FAP is the self-regulatory professional body, which is a member of the IFAC. The FAP is also the standard-setter, perhaps overly stretched with many responsibilities covered by the volunteer efforts of its members. The FAP develops and reviews accounting standards, as well audit and ethics standards in line with international good practices (The World Bank, 2008, p. i).

This shows that the FAP has made a great effort over the past five years to improve the quality of accounting and auditing standards. Considering progress has been made on various accounting activities as mentioned before, contributed to the FAP ability to move towards in serving the development of business development in the emerging economy. However, many interviews (such as, Interview, No.7, 13, and 17) have a negative view on the FAP performance and member relationship. They claimed that:

I perceived that the FAP is a large organization but could not play its role well on the development of its members (Interview, No.7).

I think that the roles of the FAP are not different from the Institute of Certified Accountants and Auditors of Thailand, for example, membership or service from this organization. However, after becoming the FAP, it seems that this organization has more power to develop any regulations and to oversee its members (Interview, No.13).

I am not satisfied with the FAP’s performance. It should provide more knowledge and information for its members. To strengthen the accounting profession, it should not only focus on generating revenue from its members but also encourage the accounting community where accountants and auditors can share their knowledge (Interview, No.17).

These expressions imply that the accounting profession failed to support the development of its members. This reorganization of the professional body remains the negative view from the previous professional body.
An academic argued that:

Due to the FAP’S lack of necessary resources, IT decreases the ability of the FAP to establish and maintain a good customer relationship. However, FAP still contribute many benefits for the members. For example, FAP membership has right to receiving a discount (10% for one-year membership, and 20% for three-year or five-year membership) in buying text books from the FAP. In addition, a member can attain seminars and training arranged by the FAP with A special price (Interview, No.15).

Another reason that contributed to the FAP performance to support its member is limited resources and the increasing of FAP members (see Figure 6.3).

Figure 6.3 presents the growth of FAP’s members from 2005 to 2010. In the first years of FAP’s operation, it had 50,804 accountants in 2006 (The Federation of Accounting Professions under the Royal Patronage of his Majesty the King, 2006). It seems that the FAP membership has increased rapidly due to the transfer of the duties of ICAAT membership and registration of accountants and auditors from the DBD. There were about 50,000 accountants and 6,000 auditors to be registered and overseen by the FAP which was transferred from the DBD.

**Figure 6.3: FAP Members**

<table>
<thead>
<tr>
<th>Year</th>
<th>FAP Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>50,804</td>
</tr>
<tr>
<td>2007</td>
<td>43,334</td>
</tr>
<tr>
<td>2008</td>
<td>44,506</td>
</tr>
<tr>
<td>2009</td>
<td>47,548</td>
</tr>
<tr>
<td>2010</td>
<td>49,466</td>
</tr>
</tbody>
</table>

Source: Source: (The Federation of Accounting Professions under the Royal Patronage of his Majesty the King, 2006, 2007, 2008, 2009a, 2010)

Moving forward from the state control (DBD) to the FAP is more convenient for the FAP to improve the quality of accountants and auditors. Under the FAP control, many interviewees (Interviews, No. 1, 2, 4, 5, 8, 15, 18, and 29) believe that accountants and auditors will be well-trained with updated knowledge because the FAP is a center of accounting community. It unified all accounting practitioners together where they can
share knowledge and common value of the profession. Whereas, limited Government officers in the DBD have limited resources and experience in the management of the profession. Therefore, this development process is appropriate for the development of the accounting profession between 2004 and 2010. FAP performance as mentioned before proved that the accounting profession has been developed significantly.

The increasing number of FAP members is a positive sign for the betterment of the profession in Thailand. This shows that the FAP has more power to harmonize the all professional accountants. However, the FAP is only the accounting professional body in Thailand. There is no rival to compete with the FAP. Using the market principle as a development mechanism will accelerate overall development of the accounting profession in Thailand.

In 2007, FAP members declined sharply from 50,804 to 43,334 could be a result of adjusted the rule of FAP membership as indicated by interviews (No.15, 19). There are no lifetime members where the member required paying a member fee only once as in the ICAAT era. A new rule of FAP membership required all members to renew their membership every three years or five years depended on their preference. This contributes to increasing the power of FAP as its funding comes predominantly from membership fees and members’ training seminars. However, this policy effected to the number of FAP members due to only active accountants and auditors are registered with the FAP.

It is noticed that the international professional bodies such as ICAEW, CMA, and ACCA have not much activity in Thailand (Pholkeo & Yapa, 2011). Although the FAP and the ACCA have cooperation to develop 2 courses (The Foundation Certificate in Technical Accounting and The Certified Accounting Technician) in 2009, the programs are not popular as in other neighboring countries such as Malaysia, Singapore and Vietnam. The majority of interviewees have not heard about this cooperation between the ACCA and local professional body - FAP. Only nine people who are committee members of the FAP have heard of such a corporation but could not provide any detail about these programs. Therefore, the ACCA has no much influence on accounting education in Thailand. This may be due to the influence of US educational models operating in Thailand. The main reason of this trend could be the result of economic assistance programs and international trading relationships including MNCs between the United

47Membership fee for ordinary and extraordinary member are 500 baht per annum, 1,500 baht for 3 years, and 2,500 baht for 5 years.
Membership fee for associate member are 300 baht per annum, 900 baht for 3 years, and 1,500 baht for 5 years.
States and Thailand. Most manufacturing companies such as computer, machine parts and accessories are US based. The interviews say that:

Accounting education is very much dominates by the US model (Interview, No.3).

This development shows the imbalance between the FAP resources and increase numbers of the FAP. This is not only impacted to the ability of the FAP to improve the quality of the accounting profession but also the ability to establish and sustain the betterment of the profession. This also implies that the state created the market for accountants and auditors. There is no competition for market by accountants like in the west. This is a unique situation of the case study of the accounting profession in Thailand without the influence of the British professional bodies such as ACCA. While ACCA qualifications have a high popularity among neighboring countries such as Vietnam, Brunei, Cambodia, and Laos, this is not popular in the Thai society. This was the result of the state policies that attempted to preserve the accounting profession for Thai people as mentioned in Chapter 5. These policies included economic aid agreements from the US. As the result, the US accounting profession influenced on the development of the accounting profession. It is not only name of the profession (American Institute of Certified Public Accountants VS Institution of Certified Accountant and Auditor of Thailand) but also accounting concepts (US GAAP) and the accounting education systems.

6.5 Accounting Education and Training for Practitioners

6.5.1 University/Professional Relationships between 2004 and 2010

As mentioned before, Thailand is in the economic transition where knowledge-based information is necessary to strengthen the business development. The existing system of the accounting profession in Thailand has not been able to support the business development efficiently. This is the result of low less accounting knowledge and experience in the development of the profession. However, lessons learning from ICAAT and AFC put more pressure for the state to aware about the important of well-organized in the accounting profession to enhance transparency and accountability in the Thai businesses. Accounting education is a significant factor that the state and the accounting community recognized as the first priority to improve with the aim to accelerate the national accounting profession (Interview, No.26).
The missing link between university and the accounting profession from 1948 to 2004 as detailed in Chapter 5 contributed to the ability of universities to produce the number of qualified accountants to serve demand of the professional market. The main problem in the development accounting education during 2004 to 2010 is the differences of standards between large and small universities, new and old universities, and city universities and regional universities throughout the country. Many interviewees (Interview, No.5, 23, 25 and 26) expressed their views that accounting education is required the improvement urgently:

The overview of accounting education in Thailand has not shown an impressive development because there are differences between universities in terms of quality of accounting education. It is not only the quality of accounting education in a big city and other regions but between public and private universities as well. I agree that the Government or the FAP should make some dramatic changes in the development in this area (Interview, No.5).

This shows that the accounting community concerned about a difference between local universities in terms of quality of education. Most interviewees are not worried about the leading university which has a long formation, reputation, and ability to control the quality of accounting students. Whereas, the local universities and new university faced a challenge situation in the development of accounting programs to meet the professional standards. This problem includes lack of sufficient resources, updated curriculums, and qualified accounting teachers. Insufficient knowledge and experience in organizing accounting education properly impacted the quality of accounting students. This also leads to a small number of professional examinations in Thailand as evidence in Table 6.1.

Figure 6.1 shows small passed number of candidates in each subject from 2005 to 2010. In 2005 and 2006, the requirement of CPA examination set by the FAP is 5 subject examination papers. From 2007 onwards, the FAP divided Accounting subject into Accounting 1 and Accounting 2 with the aim to increase the quality of CPA Thailand (The Federation of Accounting Professions under the Royal Patronage of His Majesty the King, 2007). This development created pressure for professional accountants. An auditor expressed his view that:
Increasing number of papers in the examination is not the effective way to improve the quality of professional accountants. The FAP should comprehend the real problem which is the quality of accounting education at university where outdated curriculum, low quantity of qualified academics, insufficient of learning facilities, and outdated text books and material (Interview, No.12).

Table 6.1: Number of Candidates who Passed Professional Examination during 2005 and 2010

<table>
<thead>
<tr>
<th>Subject</th>
<th>Number of Candidates who passed</th>
<th>2010</th>
<th>Enrolled Candidates</th>
<th>Passed Number</th>
<th>Passing Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005 2006 2007 2008 2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting</td>
<td>605 1,595 282 - - - - - - - - -</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting 1</td>
<td>32* 227 507 3,207 548 17%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting 2</td>
<td>167* 337 662 1,874 496 26%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditing 1</td>
<td>1,360 193 434 714 248 2,705 643 24%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditing 2</td>
<td>987 479 319 518 738 2,090 438 21%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Law and Regulation in Auditing Profession</td>
<td>1,121 670 877 547 406 6,259 656 10%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer Auditing</td>
<td>610 329 891 255 835 1,899 450 24%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Accounting paper is divided into two papers; Accounting 1 and Accounting 2 from 2008 onward.

Source: (The Federation of Accounting Professions under the Royal Patronage of his Majesty the King, 2006, 2007, 2008, 2009a, 2010)

In addition, in 2010, the passing rate of the CPA examination remains lower than 50% of total candidates participated in each subject. This reflects the ability of the accounting professionals to apply accounting knowledge in the examination. Many interviewees (Interviews, No.15, 16, 17, 19, 20, 21, and 23) agree that accounting education is in need of a significant development with cooperation between universities, a professional body, and the state agencies. This confirms the finding in Chapter 5 that there is missing link between the accounting profession and accounting education at university level in Thailand during 1948 to 2004. Therefore, the state attempted to set the link between university and the accounting profession during 2004-2010 through implementing TQF and professional accreditation process.

The published document of the MOE prescribed that TQF is designed to support implementation of the educational guidelines set out in the National Education Act, to
ensure consistency in both standards and award titles for higher education qualification, and to make clear the equivalence of academic awards with those granted by higher education institutions in other parts of the world (Office of the Higher Education Commission, 2009). The framework provides the basic requirement of curriculum setting including qualification, structure of the program, contents, assessment method, entry requirements of students, number and qualification of academics, and quality assurance. An academic suggested that:

State guidance is necessary for the development of accounting education in Thailand. The Framework will help state to oversee all accounting education in particular at university level (Interview, No.26).

As mentioned before the FAP has been responsible to promote education, training and research in accountancy profession; certify accounting degrees or diplomas of any educational institutions for the purpose of admission of its members; certify the curriculum of training course for the specialists in accountancy profession and that of continuous learning in any field of accountancy profession practitioners. To achieve these object, the Committee of Accounting Education and Technology (CAET) was established. This committee consists of representative from the OHEC and OVEC as the advisers and other committee members appointed by the FAP.

Former chairman of the CAET claimed that:

A high standard of education systems contributes to a quality of accountants and auditors. Accounting education which based on the Western country in particular USA with the textbooks and curriculum designed is inability to improve the quality of accountants and auditors. This was the result of changes in business environments and advanced knowledge. Different standards in accounting education between local universities are being concerned (Interview, No.26).

The emergence of new universities, which have been upgraded from colleges/institutions between 2004 and 2005, is one of the significant factors influencing on the standards between universities due to lack of necessary resource to develop their learning systems. Therefore, the FAP as the national accounting profession attempted to solve this problem with the cooperation with relevant organizations and incurring Government agencies. The accounting education organized under the FAP has the potential to achieve the high quality required by the accounting profession. However, the
success of this development depends on many factors as mentioned before (such as limited budget, insufficient manpower, and cooperation from relevant organization).

To ensure the quality of accountants and auditors meet the requirement of the FAP, the CAET introduced standards for the approval of accounting qualification in a bachelor and diploma degree in 2006 (Archival records 10). It prescribes that new accounting programs and revised curriculum after 26 May 2005 must be accredited by the FAP. The FAP began to accredit accounting programs during 2006. There are 118 universities and colleges approved by the FAP as reported on 28 November 2006. The accreditation is a marketing tool to attract quality students to universities (Lightbody, 2010). Potential employers are also looking for accredited qualifications when they recruit accounting graduates. However, it seems that the professional accreditation in Thailand is used by FAP as a tool to improve the quality of accounting education rather than seeking to attract students as in Western countries.

The accreditation process in Thailand is dominated by the stage agency (Figure 6.4). It commences with the establishment of the curriculum development commission of each university to design or revise their accounting programs. This committee consists of at least five academics (two members from the university, two members from accounting experts from outside the university, 1 member from the FAP representative). The developed programs approve by the university council before being submitted to the OHEC for approving based on the state regulation (TQF). For example, a four-year degree programs consists of a total 120 credit hours; general education at least 30 credit hours, specific education at least 84 credit hours, and independent education at least 6 credit hours (Ratchkitchenubeksa, 2005). An academic suggested that:

The state guidance is necessary for the development of accounting education in Thailand. The TQF helps State to oversee all accounting education in particular at university level. Upon the approval by OHEC on the curriculum, the FAP provides the accounting accreditation if FAP satisfies with the regulation (Interview, No.8).

As shown in Figure 6.4, the accreditation process of FAP is twofold. First FAP approve universities who provide accounting programs if FAP is satisfied with the curriculum offered by the university. Secondly, the FAP ensure the candidates who apply for CPA qualification have completed eight subjects from an approved university/institution before granting CPA status.
There are criticisms on the accreditation process of the FAP. As revealed by interviewees, despite the fact that FAP approved the accounting curriculum, the FAP failed to improve and monitor other areas of the learning process adopted by universities such as teaching, qualifying academics, and the assessment exercises used in degree programs and so on. One of the reasons for this is that the FAP was expecting the MOE to handle these areas in the university sector. This created some anomalies between the FAP and the MOE during the period under this study. However, some interviewees claimed that the FAP is still in its early stage of development. The FAP needs more resources to develop this accreditation process. Some academics also agreed that the FAP need to develop further to provide this valuable service and all accounting schools also need to prepare for this change.

**Figure 6.4: Accreditation Process**

[Diagram showing the accreditation process]

Source: developed for the study

In 2009, the FAP introduced the accounting curriculum protocol which was developed based on the International Education Standards (IES) as a guideline for Thai universities to improve their own accounting programs. This has put pressure on universities to train professionally qualified accounting academics to meet the standard set by this regulatory body.

As revealed by interviewees the TQF and the FAP procedure in accreditation of accounting programs has created some confusion among universities as to how they should address the accreditation requirements of FAP. This is a challenges faced by many educational providers in accounting in private and public sector universities in Thailand.
As evidence suggest, during the last decade, accounting education has been developed under the state control. The Government agencies such as the MOE and OHEC have a significant role on the development of accounting education through state regulations (The Educational Act 1999). However, to ensure that all universities comply with regulation, an academic said that State needs an independent organization with sufficient resource to monitor those universities (Interview, No.24). This indicates the complexities involved in the current process of accreditation by both FAP (of MOC) and MOE. It is important to have a healthy coordination between FAP and MOE to minimize the differences on policies on accreditation of accounting programs currently offered by universities (Pholkeo & Yapa, 2012).

As revealed by interviews, the model of entry to the profession is drawn in the Figure 6.5. This model is different from the model during 1948 to 2004 as shown in figure 5.8. Economic changes between 2004 and 2010 influenced on the qualifications of new generation of auditors where strong technical and ethical characteristics are required. Therefore, the FAP decided to increase content of CPA examination subjects from 3 subjects to 7 subjects and also increased practical experience from 2 years to 3 years with the aim to increase a high quality of CPA Thailand. In addition, candidates are also required to be a member of FAP and maintain their professional status through the CPD. In this light, the FAP has ability to control professional accountants through the new model of entry. This development also impacted on the entry pathways in the accounting profession as shown in Figure 6.5.

Figure 6.5 displays the model of entry to the professional accountants in Thailand between 2004 and 2010. Candidates must obtain their accounting qualification from university approved by the accounting professional body. The tertiary education could be a bachelor degree of four-year program or equivalent bachelor degree of two-year program after graduated the advanced diploma. Subsequently, the candidates are eligible to attain the professional examination organized by the FAP. The candidates also required to have 3 years of practical experience with a mentor which is closely monitored by the FAP. Then, the candidates are required to be registered and become a member of the FAP. This shows that university and the professional body have a significant role in the production of the professional accountants. This model is similar to that applied in other developed and developing countries but in different details. For example, professional examination in India is divided into 3 levels and 18 subjects and 4 years’ experience for practical experience.
As mentioned in Chapter 5, there is some missing link between the accounting profession and accounting education. The OHEC controlled over the development of accounting education. ICAAT focused only on the development of accounting and auditing standards. The BSAP concentrated on the development process of CPAs license and examination. As a result, the accounting development process during 1948 to 2004 failed to harmonize all professional accountants and provide the best value to the society. However, the accounting development process between 2004 and 2010 is improved with the cooperation of state agencies and the accounting profession. Specifically, in the development of accounting education where TQF and professional accreditation has been developed, accounting programs are closely monitored by the FAP and OHEC. This shows that the state endeavor to fix the missing link in order to improve the quality of the professional accountants as expected by public and the accounting community.

In summary, accounting education has improved rapidly during the last decade. Several critical issues from the ICAAT era such as obsolete accounting curriculum and material have been gradually taken up. However, FAP still needs to do much more to ensure the quality of accounting education throughout the country. This shows some link
between accounting education and the accounting profession that contributed to the development of the accounting profession in Thailand.

6.5.2 Continuing Professional Development

Another development in the development process is training requirement for the maintenance of professionalism. The DBD initiated the idea to improve the accounting qualifications and conditions in terms of CPD for being the bookkeeper under the Accounting Act 2000. This was because of the pressure and lessons learnt from the AFC. All areas of the accounting profession including seminar and training are being concerned to update accounting knowledge. The DBD established procedures and rules for accountant CPD and was published in the Government Gazette, Ratchakitchanubeksa in 2004. Following evidence is the CPD hour requirement for registered accountants.

Accountants are required by MOC to undertake 9 hours of CPD per annum – a total of 27 hours per triennium (Archival Record 12, 13).

Subsequently, the FAP which has the authority to control all professional accountants prescribed by the Accountancy Profession Act 2004 had established procedures and rules about the CPD for CPAs Thailand as shown in the following evidence.

The FAP requires the CPAs to meet its prescribed CPD requirements of 12 hours per annum—a total of 36 hours per triennium (Archival Record 11).

This development is the new trend in the development of the accounting profession after the AFC in Thailand. Most interviewees (Interviews, No.1, 8 and 13) are not only criticizing on the insufficient requirement for CPD which compared to the best practice from IFAC requirement (20 hours per annum with completion of 60 hour in any given three year period) but also the quality of seminar and training. When compared with other developing countries such as Singapore and India, CPD requirement in Thailand is lower. For example, CPD hour requirement in Singapore is 40 hours per year, which in India; the requirement is 4 passing the post qualification courses (4 subjects within 2 years).

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48 The Accounting Act 2000, Section 7, ‘The Director-General of the DBD shall have the power to notify in the Government Gazette in order to prescribe the qualifications and conditions for being the bookkeeper under this Act.’
In terms of the seminar quality, some interviewees expressed their view as follows:

Some Accounting training is not appropriate because it is irrelevant to the development of Accountants. I think we should have at least one core course that all Accountants must pass to update their knowledge and maintain their professional standards (Interview, No.1).

There are several training institutions but I am concerned about quality. The quality of education is not the same standard among all educational institutions (Interview, No. 27).

The FAP should pay more attention on the training organizations. Some course training has no quality. The content of the seminar is too easy and I find that it is not useful (Interview, No.8).

For the CPD, I think we lack quality of training institutions. Some course that I have attended; I felt that I gained nothing. It is better to have self-learning at home. It seems that the FAP did not control the quality of training. As a result, people attend the seminar only for credit hours to maintain their professional license (Interview, No.13).

This shows that the accounting development process is require closely monitoring by the relevant accounting professional body, in particularly the FAP. With this issue, the former committee member in the Accounting and Technology Committee of FAP claimed that the FAP is attempted to increase a quality and relevant seminar topic to all professional accountants. Evidence can be investigated from the FAP performance from 2006 to 2010 as shown in Table 6.2.

Table 6.2: A summary of Seminar and Training Programs Organized by the FAP between 2006 and 2010

<table>
<thead>
<tr>
<th>Seminar Theme</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Financial Accounting</td>
<td>2</td>
<td>10</td>
<td>23</td>
<td>17</td>
<td>32</td>
</tr>
<tr>
<td>2. Auditing</td>
<td>8</td>
<td>11</td>
<td>12</td>
<td>11</td>
<td>19</td>
</tr>
<tr>
<td>2.1 Internal Auditing</td>
<td>19</td>
<td>20</td>
<td>18</td>
<td>26</td>
<td>21</td>
</tr>
<tr>
<td>3. Cost Accounting</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>4. Tax Accounting</td>
<td>9</td>
<td>7</td>
<td>17</td>
<td>21</td>
<td>16</td>
</tr>
<tr>
<td>5. Accounting Information System</td>
<td>0</td>
<td>1</td>
<td>7</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>6. Accounting Education and Technology</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>7. Other Seminar</td>
<td>5</td>
<td>5</td>
<td>13</td>
<td>12</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total of Seminar</strong></td>
<td>46</td>
<td>57</td>
<td>94</td>
<td>98</td>
<td>95</td>
</tr>
<tr>
<td><strong>Total of Participant in the Seminar</strong></td>
<td>4,469</td>
<td>5,649</td>
<td>7,670</td>
<td>12,501</td>
<td>10,306</td>
</tr>
</tbody>
</table>

Source: Source: (The Federation of Accounting Professions under the Royal Patronage of his Majesty the King, 2006, 2007, 2008, 2009a, 2010)
Table 6.2 shows a summary of the seminar and training arranged by the FAP between 2006 and 2010. Number of seminars conducted by FAP increased from 46 to 95 between years 2006 to 2010. This means the FAP is being concerned about the importance of the promulgation of accounting knowledge. However, it is noticed that the most popular seminar topic is internal auditing, financial accounting and auditing respectively. This was the result of the FAP attempted to promote good governance knowledge to support the state policy (Indicated by interview, No.2). On the other hand, Accounting Education and Technology, Accounting Information System, and Cost Accounting which are also crucial for the development of the accounting profession but there was few seminar.

This implies that the FAP needs further development in this area to improve the quality and effectiveness of seminar and training to fulfill the long-life learning concept. Importantly, it is an appropriate strategy to accelerate the development of a whole system of the accounting profession and increase the ability to compete internally. However, to achieve this objective, a combination between state, market, and community are necessary. The state defined an appropriate requirement for CPD which will accelerate demand of CPD. In addition, training institutions including the professional body are needed to improve the quality of training to serve demand of CPD. Most importantly, accountants and auditors which recognized as part of the accounting community should be concerned about world changes and updated new knowledge in order to increase the ability to provide the best value to the society (as indicated by interview no. 20).

6.6 Summary

This Chapter has examined the development of the accounting and auditing profession in Thailand between 2004 and 2010, where the profession emerged and developed mainly based on the political influence. Findings show that interacting with the state, market and community developed the accounting and auditing profession. The balance between the three organizing principles tended to focus on the state influence rather than market and community.

Although social changes were taking place under the globalization where new economy, modern information technology and communications, trade liberalization, regionalization, localization, democratic movements appeared in Thailand, the monarchy remained a significant role in the Thai society as a center of Thai people. His Majesty the King remains the authority to approved accounting laws. The accounting profession was
also placed under the patronage with the close monitoring and consulting by the King. This built moral for FAP members and respect for the guidance. State ideology, which was initiated by the King, in particular, honesty, fairness, and altruism, which are a part of the nature of professionalism is simple to apply. In this light, the monarchy and the professional relationship, is crucial for the development of the accounting profession in Thailand.

The emerging economy where Thailand opened more for the free trade, increased MNCs, improved the financial sector, and the development of the capital market creating new accounting transaction such as merger and acquisition, which impacted to accounting concept. In this light, accounting education and professional training are required for updating to support the professional accountants and auditors. This also impacted to the determination of accounting standards developed by the FAP where financial consolidation and liquidation was in consider. In addition, to ensure that professional accountants were able to apply the updating accounting standards, the FAP also improved CPA examination by including these new issues in the examination paper. This shows the influence of political, economic, and social changes on the development of the accounting profession.

Opening the country to the free trade contributed both an advantage and disadvantage to the Thai economic development. Thailand experienced the economic achievement during 1990s with high growth rates as mentioned in Chapter 5 and 6, on the other hand the country also faced a challenge of the AFC in the late 1990s. This crisis contributed to the business collapse, in particular financial institutions. General public and accounting community attempted to put more pressure on the state to improve the Thai business development with more transparency, accountability, and corporate governance. This would be beneficial for the recovering investor’s confidence in using financial reports in Thailand. In addition, WB and IMF, which have a significant role in supporting the economic reform in Thailand through loan, economic aid agreements, and recommendation. These international organizations suggested Thailand to strengthen the financial statement in the public sector by adopting IAS and to establish an autonomous accounting organization to manage the accounting profession in Thailand. As a result, the state enacted the Accountancy Profession Act 2004 to establish the FAP as a national professional body to improve the quality of all professional accountants. This implies that the emergence and development of the accounting profession during 2004 to 2010 was
influenced by the state rather than the British professional bodies such as ACCA. It was the state that created the market for accountants and auditors.

FAP was the only national accounting professional body in Thailand during 2005 to 2010 with the aim to develop and sustain the better accounting profession. Although there is no competition for market share by accountants as in the West, the FAP still faced a challenge in the development of the profession. Some of the main obstacle issues are limit resources, insufficient effective manpower, and cooperation with other relevant organizations. Most importantly, the FAP is not as emerging as the autonomous organization as in the West due to the state remains dominated in the OCAP, which was established to monitor the FAP's activities. To strengthen the accounting profession, the state reorganizes the accounting profession with more stakeholders from the Government and the private sector—the community or society’s participation expanded during the period 2004 to 2010.

Lessons learnt from the AFC, which started in Thailand before spreading into neighboring countries. Many companies collapsed and most of the investors lost their money. The Thai economic system was damaged; the general public was trying to put some pressure on the Government to strengthen the Thai economy by promoting transparency and best practices in corporate governance in Thai business organizations. Therefore, the community was aware about education and training creating more participation in business activities. With this pressure, the state attempted to set the link between the OHEC and FAP to improve the quality of accounting education through the development of TQF and professional accreditation process. This shows the influence of market, state and community on the development the accounting profession in Thailand.
Chapter 7 Findings and Discussion

7.1 Introduction

Chapters Five and Six discussed the influence of the State, market and community on the development of the accounting profession in Thailand during the planned economy era through to the open economic market. The researcher applied SOP and critical perspective to investigate the transformation of the profession during this period.

This chapter discusses the main findings in the development of the profession in Thailand during this period. As indicated by the evidence, the development of the accounting profession in Thailand reflects the influence of State ideology that included planned economy strategies through to market-oriented economic policies.

An Absolute Monarchy, which had governed Thailand for seven centuries, was replaced by a Constitutional Monarchy by a military coup on June 24, 1932. The new regime produced a constitution, Thailand’s first, and it included a National Assembly, half appointed and half indirectly-elected. The people were promised that full democratic elections would be held once half the population had completed primary education which was expected to be sometime in the 1940s. A prime minister and Cabinet were appointed and a facade of constitutional rule was maintained. From 1932 until 1948 the Government attempted to implement a centrally planned economy that was not successful in terms of increasing the standard of living of most Thais, providing universal education and health services or developing infrastructure.

From 1948 to 1960 (details of this issue are provided in Section 5.3.4.1) Thailand began to develop a market economy that was accelerated by the collapse of the Soviet Union in 1991. In the early 1990s, the country embarked on major economic policy reforms that were market oriented under technical and financial assistance from the WB and the IMF. Nevertheless, the State remained a major employer of professional accountants.

Thailand became a member of ASEAN in 1967 and WTO in 1995 and was thus included in global markets. However, Thailand’s small-scale economy, though attractive to foreign direct investment projects, still faced major barriers that impacted on its competitiveness with regional countries and prevented full economic growth.
In addition, business faced barriers due to lack of proper financial and accounting systems, which necessitated fundamental change in policy directions. Reforms, such as accounting reforms, were critical in improving the country’s competitiveness in order to attract more investment needed for growth diversification. The direct impact on competitiveness was to reduce transaction costs which can be done through decreasing bureaucratic intervention, business start-up costs and accounting and auditing activities. Moreover, a stable legal environment is the key to protect and promote investment confidence in the country.

By utilizing SOP and critical perspective as tools through which to analyze data, as discussed in Chapter 4, the researcher was able to research themes and issues. This was beneficial to the research and assisted in describing the transformation of the profession. The following sections explain the development of accountancy and auditing as addressed in the main research question in Chapter 1.

7.2 The Profession was highly dominated by the State between 1948 and 2004

The 1932 Constitution was influenced by Western political constructs, in particular those of the USA, and brought changes to some of the values, traditions and culture of Thailand. Moreover, it influenced accounting practice. Before the 1950s, the traditional Thai economy was based on agricultural products and SOEs. Consistent with planned economic principles, the State invested and controlled most businesses. It also controlled infrastructure such as transportation, power, and financial institutions.

During this period there weren’t any public accountants. However, with economic development, accounting became necessary to support business development. The State established the BSAP to monitor professional accountants and the MOC to oversee the profession hence, professional public accounting was interrupted under the planned economy (Hao, 1999). This was similar to the system that existed in China where community and market principles were obliterated due to State domination.

However, the Government of Field Marshal Sarit Thanarat, with the support from USA, developed a free economic system. Subsequently, the Government formulated and implemented the first NEDP in 1961 with the aim of improving the quality of Thai life. Moreover, the NEDP aimed at stimulating commercial competition in the private sector
through State regulations ensuring free competition. Further, the SEC was established under the Securities and Exchange of Thailand Act 1992 to facilitate private capital investment. The Government played a facilitating role in the promotion of the Thai business. As discussed in Chapter 5 and 6, the Thai economy can be divided into three development periods; central planning (1948-1960), transitional economy (1960-1990), and capitalism (1990 onward). This development implies that the degree of State involvement in the profession in each period can be ranked from higher to lesser degrees of intervention.

The economic transition between 1948 and 2004 brought increasing business activities to the country and regulatory bodies emerged to maintain transparency and best practice, as shown in Chapter 5 - Figure 5.4. The Auditor Act 1962 critically examined important laws that set up an accounting regulatory authority and this Act empowered the BSAP to control activities that included qualifying professional accountants, approving accounting and auditing standards, and the regulation of accounting laws and regulations. This shows a direct link between the intent of State legislation and the development of the profession. Whereas, other regulations such as the Civil and Commercial Code 1929 (amended in 1953), the Accounting Act 1939, and the Accounting Act 2000 were enacted to consolidate the law relating to companies. The Securities and Exchange of Thailand Act 1974, was replaced by the Securities and Exchange of Thailand Act 1992, and the Public Limited Company Act 1992, was enacted to support business development in the capital market. All accounting activities were controlled by State agencies. As an adviser to the MOC, the professional body (ICAAT), which was established by a small group of accountants, played a minimal role in the development of the profession. This shows that the profession was dominated by the State during 1948 to 2004 as discussed in Section 5.3.3, 5.3.4, 5.4, and 5.7. In Thailand, this kind of professional control was normal practice and has comparisons with the development of the accounting profession in other developing countries such as the Czech Republic (Seal et al., 1996), Cambodia (Huot, 2007), Indonesia (Abdoelkadir, 1982; Diga & Yunus, 1997), Vietnam (Bui et al., 2011), Malaysia (MacGregor et al., 1997; Susela, 1999, 2010). The main reason for this was that many of the countries mentioned did not adopt an institutionalized system as introduced by the West in earlier years. In contrast, the accounting development process in Western countries, such as UK and USA which are industrial, free-enterprise economies, was supported mainly by private capital and a Capitalist ideology. The accounting community played a significant role in the development of the profession by constantly increasing
standards of performance, improving education and training, enlarging the scope of accounting services and establishing the professional Code of Conduct.

Through utilizing SOP theory to investigate the social, political and economic dynamic on the development of the profession, Puxty et al’s (1987) model confirms that these factors are crucial to the development of the profession. Puxty et al. (1987) defined the state as the instrument of hierarchical control that exercises its power to manage accounting practices through regulations. Career civil servants, rules and procedures, state monopoly, and legitimate coercion are key words that are utilized in Puxty et al’s (1987) research. According to Puxty et al (1987):

The principle of hierarchical control is also significant in the formation and reproduction of accountancy practice. For example, of considerable importance is the passing of legislation (e.g. Company Acts, commercial codes, market regulations) that make the preparation and publication of company accounts a legal requirement. In this way, the state, or associated agencies, seeks to hold companies accountable for their activities and ensures that costly information is made available for both market and non-market actors (Puxty et al., 1987, p. 278).

As described above, it is accurate to say that the State exercised this control directly by passing laws and regulations in Thailand. This situation was similar to the case of Germany and France as discussed in Chapter 2. For example, as in France, all accountants were permitted to practice after they registered with the state. This is in contrast to the UK where the State was indirectly sanctioned by professional bodies. The UK government developed laws and regulations as a framework for the development of the profession but it was the accounting community that developed their own performance standards, professional education, professional ethics and services.

The Thai Government established a professional accounting body to stabilize Thai society predicated on an ideology that is discussed in Section 5.7. The State realized the importance of the accounting profession so it exercised control through the MOC. This institution provided a reliable for the Government to deal with financial matters and only required a small staff of public officials and accountants. The State decided to increase the number of accountants through the development of accounting education before developing the professional body. This occurred due to the transformation of the economy and the demand that emerged from the MNCs. Instead of promoting ICAAT as the national professional accounting body, the State enacted the Auditor Act 1962 to establish BSAP. This organization was created to control the accounting profession because the
State did not want to see independent developments initiated by the accounting association. The scarcity of competent accountants resulted in the State dominating the profession through its laws and regulations as discussed in Section 5.4. As a result, the concept of an autonomous accounting organization did not prevail in Thailand and State ideology retained a significant influence on Thai society. Thais respected Government officers as representatives of His Majesty the King and expected they would play a neutral role in Thai society; more than the private sector. This practice is unique to Thailand as the culture of the society is directed towards collectivism rather than the individualism of the West.

Unlike the existing literature that asserts that the state played a central role in the development of the accounting profession in Europe (Caramanis, 2002; Ramirez, 2001); it played a neutral role in Anglo-America (Sian, 2006). The state initiated the formation of professional bodies to serve the public interest and also to protect the profession (Freidson, 1970, 1973; Hove, 1986; Johnson, 1972; Larson, 1977; Millerson, 1964; Perera, 1989; Perera et al., 2001). In Thailand, the accounting institution had a monopoly over the market due to State policy rather than from attempts of the profession to achieve independent and collective acceptability. This is similar to the case of Kenya (Sian, 2006).

7.3 Some elements of self-regulation in the Accounting Profession existed between 2004 and 2010

Continuous economic development from 2004 to 2010, the period after the AFC, caused public debate on the issue of the State’s control of the accounting profession through the BSAP as discussed in Section 5.3.4.5. As stated by interviewees, public debates raised the issue that the BSAP (the regulatory body) should reform and focus on the AFA; a forum where ASEAN member countries shared experiences about the development of their respective accounting professions. Moreover, it should concentrate on providing auditing licenses, promulgate accounting acts and improve the quality of accountants and auditors in terms of knowledge, practical skills, and professional ethics. It was asserted that as the BSAP was comprised of Government officers, it lacked the professional expertise, knowledge and practical experience needed for a dynamic business world. Accounting academics and practitioners were required to participate on BSAP committees to update accounting knowledge; promote autonomous organization and manage the profession.
However, the limitation of the BSAP as a bureaucratic organization made it difficult to include academics and practitioners from the private sector. Most interviewees pointed out the best way to solve the problem were to develop an accounting professional body that was self-regulating, autonomous. Such self-controlling mechanisms would contribute effectively to the development of the accounting profession. These mechanisms are consistent with the recommendations of the IMF which state that Thailand needs an independent accounting organization for professional accountants as discussed in Section 6.2.1 and 6.2.2. As a result, the Thai government enacted the Accountancy Profession Act 2004 to improve the quality of the profession.

The Accountancy Profession Act, 2004 became the most important regulation for the development of the profession. This Act replaced the Auditor Act 1962 with the aim of coordinating the role and responsibilities accounting practitioners. As a result, BSAP was closed down and responsibilities transferred to a new accounting professional body, the FAP, as shown in Section 6.2.3, 6.3, and 6.4 in the previous chapter.

Although the State began transferred control of the accounting profession from the BSAP to the FAP, critical evidence from interviews indicate that the State continued to play a role through monitoring FAP activities through the OCAP. The OCAP was made up of seven representatives from government agencies and seven representatives from the private sector. In addition, the Permanent Secretary of the MOC was chairperson as prescribed by the Accountancy Profession Act, 2004. This confirmed that the vision was different from reality and not fully realized in Thailand. Moreover, the accounting profession in Thailand was re-orientated with a broader stakeholder base that included members from the public and private sectors. This was an attempt to open the profession to a wider community and was a contributing factor to the AFC that occurred between 1997 and 98.

Accounting and auditing standards were issued by the BSAP however; this responsibility was later transferred to the Accounting Standards Committee under the FAP. As the FAP assumed responsibility for the production of the quality of accounting standards, it meant that a professional accounting body had acquired a degree of autonomy

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49 (1) Permanent Secretary of the Ministry of Commerce, (2) Secretary-General of the Office of Insurance Commission, (3) Director-General of the Department of Revenue, (4) Director-General of the Department of Business Development, (5) Governor of the Office of the Auditor General of Thailand, (6) Governor of the Bank of Thailand, (7) Secretary-General of the Office of the Securities and Exchange Commission

50 (1) President of the Federation of Accounting Profession, (2) President of the Federation of Thai Industries, (3) President of Thai Bankers Association, (4) President of Thailand Chamber of Commerce, (5) two experts on accounting, (6) one experts on law
to improve accounting standards. Until 2010, the FAP improved and issued 31 accounting standards which indicate that some degree of self-regulation was done in the profession between 2004 and 2010.

This finding involves the principle of State and ensuing political constructs as explained in the Puxty et al (1987) model. Although the State decreased its role in the control of the profession, it retained an indirect controlling influence through the participation of state agencies in OCAP. With legitimate authority prescribed by the Accountancy Profession Act 2004, the FAP exercised its power over the whole of the accounting profession. This implies that from 2004 to 2010, the FAP attempted to secure State protection by developing rules and regulation to protect and control its membership through the development of accounting and auditing standards and ethics codes (As indicated by Abbott, 1988, p. 10). The FAP acted as a political organization in order to convince others of the legitimacy of their claim to professional recognition as indicated in the literature review (Haug & Sussman, 1969; Yapa, 1999). This explains the lack of a powerful accounting profession in Thailand that could operate as an autonomous body. There is speculation as to whether such a profession could emerge, in particular, one capable of adequately gauging and safeguarding the public interest.

7.4 State Created the Market for Accountants and Auditors

In the past, the key indicator for professionalization project measurement was based on the capacity of an occupational group to devise an optional basis for inclusion and exclusion, in order to achieve control and monopolization of the market (Chua & Poullaos, 1998; Larson, 1977; Macdonald, 1995; Sian, 2006; Walker, 1991). Market principles affect accountancy practice through demand and supply (accountants, clients, and employers). The term market, in this study, refers to the influence of the politico-economic milieu that includes pressure from the capital market that creates the demand of accountants and auditors. In the case of accounting in Thailand, the professional market can be divided into two broad potential markets; accountants and tax auditors for small businesses: accountants and auditors for larger enterprises. For large enterprises, the professional market could also be divided into two markets; accountants and auditors for publicly accountable entities (Listed Companies such as Dharmniti Public Company Limited,
Banpu Public Company Limited) and accountants and auditors for non-publicly accountable entities (Small and Medium Enterprises such as Kitong Company, SP Audit Company Limited and Precha Advertising Limited Partnership).

The market represents diverse competition which includes demand and supply. For example, market principles create accountancy practices to support entrepreneurs and customer’s expectations via the requirement of efficient and timely accounting information (Puxty et al 1987). However, in Thailand the professional accounting body maintained a monopoly over the market because of State domination through laws and regulations rather than through the desire to acquire recognition and respect for skills as discussed in Section 5.3.4.1, 5.3.4.2, and 6.3. This development is similar to that of the accounting profession in Kenya where the profession was not motivated by the desire to achieve collective recognition. Expatriate accountants exercised an occupational monopoly until the State implemented an Africanization policy (Sian, 2006, p. 317).

Audits of financial statements of Thai enterprises are required to meet statutory requirements,(Civil and Commercial Code 1929, (Amendment) 1953, Accounting Act 1939, Notification No.285, and Accounting Act 2000) and securities exchange requirements (Securities and Exchange of Thailand 1992 and Public Limited Company Act 1992), as well as adhere to guidelines issued by the BSAP.

There are not any specific requirements for accountants and auditors to serve the public sector. However, each Government agency requires accountants to support their accounting. There are 20 ministries located in Bangkok and other Government entities are located across 75 provinces, 877 districts, and 7,255 Tambol in Thailand. This does not include accounting academics in 79 public universities, over 300 public vocational colleges and technical institutes that offer accounting programs in Thailand.

In addition, the State also promotes and supports business development in the private sector through the DBD through a variety of services such as a business register that advises terms of business for formation and operation, including accounting issues. This includes the establishment of the Board of Investment to increase the number of new business entities through providing tax incentives. With State efforts to promote business and the development of the capital market in Thailand (as discussed in Chapter 5 and 6), a number of limited companies, limited partnerships, and registered partnerships increased significantly from 13,226 in 1960 to 586,226 in 2010. This has also created the demand for

51 There were 547 listed company reported on 11 January 2008 (The Stock Exchange of Thailand, 2007).
52 Tambol is a local government unit in Thailand.
accountants and auditors to support business development. The inspiration for this demand was created by the State which is significantly different to the Western experience.

The demand for accountants and auditors increased during the planned economy but there was a shortfall in the supply of same for the business entities and public companies that opened during the capital market. From 1948 and 1998, ICAAT grew from a small association with a few members as shown in Chapter 5. The number of members gradually increased from 1,138 in its early development to 4,769 in 1998. From 1994 to 1998, ICAAT branches had been established in nine provincial regions to serve its members all over the country. The population of Thailand was 61.5 million in 1998 and business growth during this period indicate that the accounting and auditing professions attracted minimal interest from the public.

In 2006, the first year of the FAP’s operation, it had 50,804 members. FAP membership increased because the powers and responsibilities of ICAAT and DBD were transferred to it. There were about 50,000 accountants and 6,000 auditors to be registered and overseen by the FAP which were transferred from the DBD. The reason for this can be attributed to the influence of regulations. For example, it was compulsory for all accountants and auditors to be members of the FAP as determined by the Accountancy Profession Act, 2004.

In contrast to market principles where demand and supply of accountants and auditors were determined organically, it appears that from 1948 until 2010, the Thai State stimulated the demand for practitioners through laws to accompany the development of the private sector. This is a unique to Thailand and did not occur in Western democracies.

7.5 Absence of Competition for Market Share

From 1948 to 2004, a key feature of Thailand’s economic transformation was the opening up of the economy to competition. This created demand for international accounting firms (the Big Four) in Thailand as discussed in Section 5.3.4.6. The failure to develop the accounting profession was because there wasn’t any competition for market share as there was in the West. The BSAP was established to monitor professional accountants but they lacked sufficient knowledge and experience to organize the profession. Most BSAP staff were Government officers with limited experience that was further compromised by overwork. While globalization brought several changes to business development, BSAP was unable to meet the needs of a dynamic economy. On the other hand, ICAAT which
was established by a group of private accountants had the capacity to attract accounting and auditing expert from academe, corporations, and auditors from local and international firms. However, ICAAT’s lacked the necessary legitimacy to control the profession because all accounting activities were controlled by BSAP. As a consultancy, ICAAT supported the BSAP but it lacked the influence to be effective. This demonstrates the weakness of the accounting community’s management that was created through lack of competition and these factors led to the slow development of the profession.

Thailand was unlike Greece where accounting developments were stimulated by competition between statutory auditing institutions and a modern accounting organization that consisted of the Big Four firms. Their attempted to maintain a monopoly of practice in the market of statutory audits created conflict which in turn led to further developments in the Greek accounting profession (Caramanis, 1999, 2002).

In Thailand, it was the AFC that accelerated improvements to the accounting profession. The lessons learnt during the AFC stimulated the need for an autonomous professional organization among the general public and the accounting community. Pressure from international organizations such as the WB and the IMF also required Thailand to improve the profession. Consequently, the State enacted accounting laws and regulations that improved the profession through including stakeholders from both the public and private sectors.

As mentioned earlier, from 2004 to 2010, the FAP was the only national professional accounting body in Thailand with a degree of self-regulation. The FAP attempted to create competition through formal mechanisms believing it would improve the quality of the profession and this is reflected through interview and secondary evidence.

This finding involves market principles as created by a dynamic economy. Maximum profits, consumers, and competition are key words that Puxty et al. (1987) utilize to analyse accounting regulations however, the institution for accounting in Thailand was a non-profit organization. The market principle utilized in this study is demand and supply of and for the profession in the private sector where changes in political and economics are included. Due to State influence, there was not any competition between the professional bodies and there was only one professional organization operating during each study period (ICAAT, 1948–2004, FAP, 2004-2010). There weren’t any foreign professional bodies, such as the ACCA, providing accounting or auditing qualifications in Thailand as discussed in Chapter 5 and 6. This was the result of State control over the profession through the BSAP (1948-2004) and the FAP (2004-2010).
Importantly, the country has never been colonized by military force from a Western country hence, there wasn’t a colonial structure that would transfer accounting knowledge as evidenced in the British colonies where entry pathways for professional accountants are decided by professional bodies. Therefore, in the development of the accounting profession, the Thai State decided to adapt the Western model to local conditions. The American model was used and this can be seen in the licensing of CPAs license processes, accounting education systems, and accounting concepts. In this model, universities have a significant role in the education of professional accountants under an accreditation program from professional bodies. This was the result of economic aid agreements and trade with the USA since the 1940s. In addition, accounting education was controlled by the MOE which has resulted in comparatively lesser competition for market share among the accountants in Thailand.

Literature indicates that the relationship between professional bodies in the UK is complex however, there is free competition between them (Napier, 2006, p.465). There are several professional bodies in the UK, such as the ICAEW, the CIPFA, the ICAI, the CIMA, and the ACCA, which has led to a series of investigations about the interaction between them and their rivals and state agencies (Walker, 1991, 1995, 2004; Walker & Shackleton, 1995). The lack of competition for market share among the accounting professional is unique to Thailand.

In terms of accounting and auditing services, the increase in the number of local corporations and MNCs, created more demand for the auditing function in Thailand. This created an opportunity for both local and international accounting firms to gain more market share. However, with advanced knowledge and high profile reputations, the Big Four firms had greater opportunity to capture the auditing market in Thailand; particularly from large corporations in the capital market. The use of the Big Four firms by MNCs is the result of parent company policy therefore it is very difficult for the local auditing firms to compete. The researcher argues that local firms are able to offer lower prices and this has contributed to their ability to compete in the open market. However, quality assurance, updated knowledge and technology are the best policies with regard to maintaining the advantage of both local and international accounting firms.
7.6 His Majesty the King Monitors the Accounting Profession

As mentioned in Chapter 5 and 6, accounting acts have to be written in the Thai language and signed by His Majesty, the King before being published in the Thai Government Gazette. This is a unique feature of the accounting profession in Thailand. In the existing body of knowledge on accounting development projects around the globe, this may be an addition to the literature regarding this unique situation. Upon the approval of the law by the National State Assembly (The Parliament), the law has to be ratified by the King. As mentioned earlier, the Monarch plays a significant role in the development of Thai society and State ideology tends to reflect His point of view.

The Constitution of 1997 prescribes that a bill, or an organic law bill, may be enacted as law only by and with the advice and consent of the National State Assembly. The Prime Minister shall present these laws to the King for signature within twenty days as from the date of the receipt of such bill from the National Assembly, and it shall come into force after its publication in the Government Gazette (Constitution, 1997, Section 92, 93 and 94). If the King refuses his consent to a bill or organic law bill, he may return it to the National State Assembly for revision or request reaffirmation before presenting it again for signing.

His Majesty, the King is the sole authority to approve laws and accounting laws are treated in the same manner. For example, the Civil and Commercial Code, 1929; the Audit Council Act, 1933; the Auditors Act, 1962; the SET Act, 1974, the State Audit Act, 1979; the Securities Exchange Act, 1992; and the Accountancy Profession Act, 2004 were ratified by the King. Every law which is published in the Government Gazette carries the symbol of the Royal command on its first page.

The Accountancy Profession Act, 2004, which was approved by the King contributed to the emergence and development of the accounting profession. Interestingly, the accounting profession was placed under the Royal Patronage of His Majesty the King where it is the profession is closely monitored. This builds morale for all accountants and auditors as they are seen as part of a privileged Thai profession.

53 The Royal Thai Government Gazette (Ratchakitchanubeksa) is the public journal, or newspaper of record to inform government officials and the general public of news about the country. The first issued of the Royal Thai Government Gazette was published in 1858 in the reign of King Rama IV (Ratchakitchanubeksa, 2011).
7.7 No British Influence

During the Revolution of 1932, there were a few accountants who had obtained their qualification from the UK – they were, Luang Damri Issaranuwat and Phaya Jaiyos Sompati. These were people who obtained Government scholarships to study in the U.K during the reign of King Rama V (reign 1868-1910) and they played a significant role in the development of the accounting profession in Thailand. These qualified accountants promoted and enhanced accountancy through establishing accounting associations. Although these pioneers obtained their accounting qualification from the ICAEW, the British accounting system was not continued or adopted in Thailand. However, American influence in accounting practice could be seen after the American War in Vietnam during the 1960s. The USA had military bases in Thailand during the war in Vietnam and as a result, some elements of American accounting practice were brought to Thailand.

It is common knowledge that many ASEAN countries are dominated by the ACCA to provide professional accounting qualifications and to supply accounting resources in many public and private sector companies as discussed in Section 6.4. For example, in Hong Kong, Malaysia and Singapore, ACCA qualified accountants provide an important service to business operations. It was surprising to learn, from the interviewees, that ACCA qualifications are not demanded by the public and private sector in Thailand between 1948 and 2010. However, as explained on the ACCA website, less than 50 ACCA qualified accountants work in Thailand without a significant demand for their experience. This is a unique feature of Thailand because neighboring countries such as Vietnam and Cambodia are dominated by ACCA qualified accountants.

As mentioned in Chapter 5 and 6, the Big Four firms did not employ ACCA qualified accountants in Thailand from 1948 until 2010 due to State policy that international corporations would employ local human resources. In addition, the Big Four firms were required to have well-managed budgets in order to maximize profit for their parent companies. With an international reputation and the offer of an enhanced-career path, these firms were able to recruit high quality graduate student from top ranking universities in Thailand at less cost. Therefore, an ACCA qualified accountant is not in as much demand as a locally qualified professional.

However, in view of the demand for competent accountants who are able to communicate internationally, a number of programs have been introduced into leading universities such as Thammasat University and Chulalongkorn University. These
universities offer international programs where accounting students are taught in English and use textbooks from Western countries, namely the USA. It is beneficial for students to work with MNCs because the English program strengthens the potential of a new generation of Thai accountants to secure employment in that sector. However, it is perceived that Thailand is at a disadvantage due to the unavailability of an adequate number of qualified accounting instructors as indicated in the literature review. This also indicates that the supply of accountants and auditors in Thailand is inadequate to meet the demand emerging from the market place. Particularly, English educated qualified accountants and auditors are in demand by the MNCs operating in Thailand.

An academic confirmed that economic development in Thailand during the last 20 years has increased the number of international companies. These companies need more locally qualified accounting resources with adequate knowledge in the subject matter as well as the English language. Eventually, accounting education needs to be reformed to produce accountants who meet the market expectations as indicated by the interviewees.

It is noticeable that international professional accounting bodies such as the ICAEW, CIMA, and the ACCA are not active in Thailand. Although the FAP and the ACCA have collaborated to develop two courses (The Foundation Certificate in Technical Accounting and The Certified Accounting Technician in 2009), these programs are not as popular in Thailand as they are in Malaysia, Singapore and Vietnam. The majority of interviewees were unaware about the collaboration between the ACCA and the local professional body, the FAP. Only nine people who were committee members of the FAP had heard of this co-operation however, they could not provide details of the programs. It can be concluded that the ACCA has not had much influence on accounting education in Thailand and this may be due to the influence of the American educational models that operate from within universities in Thailand. The main reason for this trend could be the result of economic assistance programs and international trading relationships, including MNCs, between the United States and Thailand. Most manufacturing companies, (such as computer, machine parts and accessories) are US based therefore; it is understandable that accounting education is influenced by the US model as indicated in the interviews.
University education played a critical role in the development of the accounting profession (Johnson, 1982; Perera, 1989). This included the development of accounting education where universities had to impart knowledge to its students sufficient to produce accountants and auditors (West, 2003). It implies that cooperation between accounting education and the professional body was extremely important for producing competent professionals to serve the economic needs of the country (Yapa, 2000; Annisette; 2000; Birkett and Even 2005). In Thailand, the State exerted substantial influence over Thai education between 1948 and 2004. Then, there was no system of professional accounting accrediting courses that were provided by the professional body as discussed in Section 5.7. Accounting/business/commerce degrees offered by Thai universities ignored ICAAT from its formation.

Accounting education was framed by legislation mainly through The National Education Act, 1999 (revised in 2002) which prescribed the structure of the educational system and guidelines for the development of Thai education. From 1948 to 2010, Thailand lacked an adequate number of accounting instructors, and had an outdated curriculum and course books. In addition, accounting education at university level encountered challenges from the upgrading of vocational colleges throughout the country to the university level during 2000s. Many of these upgraded universities faced challenges in maintaining high quality accounting programs and this lead to a qualitative difference offered in higher educational institutions throughout the country. To ensure that qualified accounting programs were provided to serve Thai society, the Government initiated programs to improve the quality of the educational system in higher education by developing the TQF 2002.

A critical examination of the role of the accounting profession in the development of accounting education was expressed in interviews. Most interviewees indicated that ICAAT was only interested in the development of the accounting and auditing standards and that he Cooperation between educational institutions (universities) and ICAAT was minimal. Interviewees asserted that ICAAT could have increased its role in the development of accounting education through a partnership with universities. Such an association would have resulted in more collaboration with the development of the
accounting curriculum, monitoring the qualifications of accounting academics, providing updated academic material, and quality control.

7.9 The Big Four and Implications for the Development of the Accounting Profession in Thailand

International accounting firms, currently known as the Big Four firms, have played a significant role in the accountancy profession worldwide. Expansion of the Big Four firms in Thailand has played a significant role in the creation of accounting services to multinational and domestic corporations in Thailand with accounting, auditing, and consulting services and have increased the demand for accountants and auditors to support their operations, as discussed in Section 5.3.4.6. Currently, the Big Four firms offer their services in Thailand, and employ locally qualified accounting graduates and Thai Certified Public Accountants. Over 3,000 graduated from local universities work for the Big Four firms in Thailand.

A critical examination of the quality of Thai accounting education indicates that there are different standards between Thai universities. Overall, interviewees from Big Four accounting firms expressed dissatisfaction with the quality of accounting students. They claimed that accounting education is required to produce accountants who are ready for work; they should have been trained to think systematically and possess fluency in the English language. The Big Four recruited new staff from leading universities such as Chulalongkorn University, Kasetsart University, Thammasat University, and the Assumption University of Thailand; all of which have a high standard of curriculum, teaching, texts and materials. This implies that local Thai universities will have to make a greater effort to improve the quality of accounting education to meet the market expectations. In order to achieve this objective, the Big Four firms should not only support the leading universities but also open their doors for other local universities to participate in their training and internship programs.

Most importantly, there is a perception that the Big Four firms occupied a dominant position not only in the Thai capital market but also in ICAAT and the FAP due to their practical knowledge and established reputations. Representatives from these

54 Big Four firms are international accounting firms which originally known as Big Eight, Big Six, and Big Five respectively before they are reduced into Big Four. The major reason of the decreasing of large accounting firms is merging except, Arthur Andersen with fraudulent scandals.
accounting firms were also members of professional bodies, the Standards Setting Committee, with the design and marking of professional examinations, and delivering training programs through the FAP. Surprisingly, most interviewees have a positive view on the influence of the Big Four firms on the development of the accounting profession in Thailand. Interviewees asserted that without the Big Four, the development of the accounting profession would have been slower. This also implies that the Big Four were gradually becoming part of the accounting community in Thailand because all of them have employed local accountants and auditors in their firms as discussed in Section 6.2.4. This implies that the Big Four firms have contributed to the development of the accounting profession in Thailand.

The Big Four firms did not fully agree with State policies that were designed to safeguard the accounting profession. Under the State regulations (as mentioned in Section 5.3.4.6), the accounting profession is for the benefit of the Thai people however, some international companies received exemptions from the MOC. Therefore, these firms needed to set up joint ventures with local firms or to incorporate local firms as member firms in order to apply for a provisional operation licenses from the MOC. This development applies in many developing countries such as China, Vietnam and Cambodia and puts pressure on international firms to transfer knowledge to the local staff. However, to secure their dominant position in the Thai market, these firms participated in ICAAT and the FA committee members. Moreover, these firms were able to provide insight into policies and regulations that could affect their operations and to adjust themselves accordingly to meet State requirements.

This finding describes the effect of market principles on a dynamic economy; the development of capital markets and the need for international accounting services through supply and demand. This lead to competition between the Big Four and local accounting firms for a share of the market. The Big Four firms took a dominant position from 1970 until 2010 due to their advanced knowledge and worldwide reputation and this situation is reflected in a Czech case study (Seal et al., 1996).
7.10 A Summary of the Theoretical and Empirical Material

This section is concerned with the re-examination of the general theoretical issues concerning the emergence and development of the accounting profession in Thailand. This includes the creation of professional markets and the relationship between the profession and the State. The main research findings are shown in Figure 7.1.

Figure 7.1: The Relationship between Findings and Theory Employed in the Study

- **Sociology of Professions**
- **Puxty et al. (1987)'s Model**

**Findings (6)**
1. The Profession was highly dominated by the State between 1948 and 2004
2. Some elements of self-regulation in the accounting profession existed between 2004 and 2010
3. State Created the Market for Accountants and Auditors
4. No Competition for market share by accountants like in the West
5. His Majesty the King Monitors the Accounting Profession
6. No British Influence
7. The Missing Link between the accounting profession and accounting education at university level in Thailand From 1948 to 2004
8. The Big Four and Implications for the Development of the Accounting Profession in Thailand

Source: developed for the study

Under the SOP, development of the accounting profession in Thailand included social, political, and economic factors. There are four findings (Finding No.3, 4, 6, and 8) that are directly involved with economic issues and four findings (Finding No. 1, 2, 3, and 7) that relate to political issues. The economic issues during the transition from planned economy to market oriented economy include demand and supply for professional accountants. The Big Four firms increased their roles in the development of the accounting profession through involvement with the development of MNCs. However, there weren’t any British professional bodies in Thailand between 1948 and 2010, and during that period, economic aid agreements and commercialization came mainly from the USA. The political issues were involved with State control through state agencies and the extent to which accounting regulations impacted the autonomy of professional accounting organizations.
While the influence of the Monarchy influenced the development of the accounting profession it also resonated on social issues and this implies that political and economic factors informed the development of accounting in Thailand.

By utilizing Puxty et al.’s (1987) model, the State exerted influence on the development of the accounting profession in Thailand. There are four findings (Finding No. 1, 2, 3, and 7) that relate to the principle that the State controlled the accounting profession from 1948 until 2004 through the BSAP. This impacted on the autonomy of ICAAT to assist and monitor professional accountants. However, from 2004 until 2010, the professional body had a degree of autonomy in the organization of the profession under state laws and regulations. This created the market for accounting and auditing services however, from 2004 until 2010, the State began to cede its dominant role and to act as the regulatory body. Apart from the State, the market (Finding No. 4, 6, and 8) and community (Finding No. 5) had a significant influence on the development of the profession respectively.

SOP knowledge is beneficial for analysing the development of the accounting profession as social, political, and economic dynamics are always an integral part of Thai society. In the same way, Puxty et al.’s (1987) model is similar to that of the SOP. However, the definition of market principle defined by Puxty et al. (1987) seems inappropriate once it is applied to the emergence and development of the profession in Thailand. Therefore, instead of profit maximization, consumers, and competition; it is more beneficial to refer to demand and supply for the accounting services as determined by the political and economic milieu.

Figure 7.2 articulates the influence of State, market, and community on the development of the accounting profession in Thailand and includes international influence, international organizations (such as the IASC/IASB, the IFAC, the WB, and the IMF) and international accounting firms. As mentioned previously, the four findings include State principles; three findings include market principles; and one finding includes community principles. These relationships are shown in Figure 7.2 and demonstrate that business development during the period of economic transition, from the planned economy to the open market economy, put pressure on the State to improve laws and regulations. It was not only influence from the politico-economic context but also from the general public and the accounting community that petitioned the State to develop and maintain a well-organized profession. The public and accounting community were aware of the importance of accounting education and for the updating of knowledge in a dynamic economy; a
lesson learnt from the AFC. They put pressure on the State to improve the quality of accounting education through various accreditation programs and TQF. It implied that the interrelation between state, market, and community contributed to the development of the accounting profession.

**Figure 7.2: Influence of State, Market, and Community and the Development of the Accounting Profession in Thailand**

![Diagram showing the influence of state, market, and community on the development of the accounting profession.]

Source: developed for the study

The increased role of intergovernmental politico-economic organizations such as the European Union (EU), the WTO, the WB and the IFAC, were established to oversee and regulate the conduct of transnational economic activities (Caramanis, 2002, p. 383). This impacted on the emerging economy in Thailand as a member country of those organizations. Policy makers were aware of policy guidelines of international organizations that were focused on improving business and the accounting profession. At the same time, the general public and the accounting community accepted the role of international organizations and the changes that brought to the politico-economic context. As these changes required updated knowledge to support and sustain business development, the community put more pressure on the State to improve accounting education. Quality control could be achieved through professional accreditation and TQF would increase the efficiency of the profession. The State amended laws and regulation.
that were consistent with global trends and local conditions were improved to enhance the position of the profession.

Furthermore, international accounting firms involved with the development of the accounting profession applied community and market principles. They contributed to the global spread of the British view profession due to the ascendancy of large UK accountancy firms world-wide (Seal et al., 1996, p. 500). In Thailand, these firms did not have a rival as was the case in Greece, hence they were able to penetrate the local market and become part of the accounting community. They actively transferred knowledge to Thailand through effective training programs for local accountants however, these firms had to set up joint ventures with local firms to apply for a provisional operating license from the MOC to set up operations.

The literature about the profession suggests that it could pursue a twin strategy which is (1) negotiating with the state for control over accounting expertise and (2) legal support for a professional monopoly (Seal et al., 1996). Larson (1977, p.47) describes conditions for a professional market and Puxty et al. (1987) claims that the State bureaucracy’s allocation decisions are arrived at through ‘public policies’ that are enforced with the ultimate backing of the state. Civil servants, striving to satisfy their dominant interest in career advancement and bureaucratic stability, monopolize and legitimize coercion on subjects who strive to avoid punishment; both do so by minimizing risks and maximizing predictability through procedures and regulations.

Some of these conditions already existed in Thailand. For example, accounting and auditing services were introduced and implemented to stabilize the economy due to the impact of an increased number of quoted firms (904 on the stock exchange in 2010) and the growth of small businesses in the private sector. Initially, the professional accounting body emerged from the demand of the accounting community in 1948, when voluntary accountants and auditors came together to form an organization for the profession. Subsequently, the State passed the Auditor Act 1962 and established the BSAP to monitor and represent professional accountants. This limited ICAAT’s influence on the development of the profession, in particular self-regulation. Negotiations between the professional body (ICAAT) and the Government agency (BSAP) debated terms of self-regulation. In the accounting community the aim was to improve a better process for the development of the profession. However, ICAAT failed to form an autonomous accounting organization due to lack of legitimate authority to represent professional accountants.
In a professional market, the profession has control over the production. For example, in the UK, qualifications for entry to the ICAEW, ICAS, and the ICAI are a degree, a three-year training internship and the passing of the professional examination; this is the organizational model for the development of professional accountants. In Thailand, the professional qualification process is controlled by the MOE, which is similar to accreditation in France and Germany. Candidates must have a relevant degree from a State approved institution, a three year internship and pass the professional examination. As demonstrated in the empirical evidence, the relationship between the profession and the State in the development of accounting education needs to be improved and this is discussed in the research findings. There was missing link between the accounting profession and accounting education at university level in Thailand between 1948 and 2004.

As mentioned previously, the power of the State was used to support an officially sanctioned monopoly and this was partly successful. This was demonstrable in educational reforms which were supported by the Government of Prime Minister Thaksin Shinnawatra. To establish the autonomy of the professional accounting organization, the Government enacted the Accountancy Profession Act 2004 with the establishment of the FAP and the Oversight Board on the Accounting Professions. The Act empowers the FAP to protect and control all professional accountants through granting the CPA license, approving accounting and auditing standards, and accrediting accounting programs. This shows an increase of self-regulation in Thailand and affirmation of legislative support for a professional monopoly.

Furthermore, although the State retains control over the accounting profession, the professional body has a significant role in the dissemination of accounting and auditing knowledge. In addition, the economic transformation during the study period created demand for the Big Four firms to support the growing number of MNCs. The Big Four gradually became part of the accounting community in Thailand because, as mentioned previously, they employed local accountants and auditors. Subsequently, the Big Four acquired dominance over the Thai capital market due to their advanced knowledge and updated technology.
7.11 Conclusion

This study has examined the influence of state, market, and community concepts as described by Puxty et al. (1987) and their influence on the development of accounting in Thailand. As described previously, a Western country did not colonize Thailand through military force therefore, there is not a colonial link or colonial infrastructure through which accounting knowledge could be transferred as with British colonies. Thailand is in a transitional period with open market economic policies that are driven by the capitalist ideology of the State. An industrialized economy is emerging which has a direct interest in the development of the accounting profession. During the period of this study, Thailand took steps to improve the accounting profession by using both local and international experience. The study aims to broaden the knowledge of accounting development and reveal the extent to which the state, the market and the community influenced the development of accounting in Thailand between 1948 and 2010. This study emphasizes the development of the accounting profession in the private sector specifically, where changes in the capital market, the politico-economic context and the accounting association are intimately connected. However, as the private and the state sectors are linked, the relevant issues about public (state sector) accounting are discussed and supported by analysis and empirical evidence.

What can be concluded from this study is that the development of the accounting profession in Thailand is dominated by the State though state laws and regulations from 1948 to 2004. However, state influence on the accounting professional body (FAP) in the private sector declined between 2004 and 2010. During this period, the FAP emerged as the national professional accounting body and compared to ICAAT, it had a degree of self-regulation. The accreditation of accounting qualifications provided by universities was entrusted to the FAP however prior to 2004 this task was handled by the MOC. Moreover, from 2004 the authority to issue a CPA certificate to qualified accountants was transferred from the BSAP to the FAP and this was a turning point in the development of professional accounting in Thailand. FAP was also entrusted with the function of managing the CPA examinations and the FAP is responsible for the conduct of seminars relating the CPA qualifications.

The FAP has been placed under the Royal Patronage of His Majesty the King for continuous monitoring and this will build the morale of all accountants and auditors. Moreover, this adds value to the principle of community. The State has changed its role
from one of control (through the BSAP) to one of monitoring through the creation of the Oversight Committee on Accounting Professions (the Monitoring Committee of the FAP) and includes representatives from the public and private sectors. In addition, the economic transition to the open market has created a demand for accounting and auditing services in conjunction with an increased role of the Big Four firms.
Chapter 8 Conclusion and Implications

8.1 Introduction

In this thesis, relevant people from the accounting profession were consulted for their opinions about the sociology of the profession and the influence of the state, market, and community. This study seeks to contribute to the existing literature on accounting development projects by examining the influence of State, market, and community on the development of the accounting and auditing profession in Thailand between 1948 and 2010.

This chapter is organized as follows. Section 8.2 outlines the research questions addressed in the thesis and summaries the main context of the study by chapters. A review of the implications is presented in Section 8.3. Section 8.4 discusses the limitation of the study and Section 8.5 identifies future research opportunities. Section 8.6 presents the conclusion.

8.2 Summary of this Thesis

The central issue in this thesis is to investigate the extent to which State ideology has influenced the development of the accounting profession in Thailand. Moreover, this thesis will describe the extent the corresponding political and economic milieu has influenced these changes. The study addresses these issues through theoretical and empirical analysis predicated on three organizing principles; state, market, and community. The study attempts to articulate the following sub-research questions:

1. How does the state and its regulations influence the development of the accounting profession in Thailand?
2. How do economic and political changes impact on the development of the accounting profession in Thailand?
3. What are the roles of Thai and international accounting bodies on the development of the accounting profession?
4. What is the perception of accountants and auditors on the development of the Thai accounting profession during the last half century?
An Overview of the study is shown in the following Figure.

Figure 8.1: Chapters Outline of the Thesis

Research Question
How has the accounting Development process changed in the context of state ideology in Thailand and how have changes in the corresponding political and economic milieu impacted on these changes?

Source: developed for the study

Chapter 2 presents the literature review which is relevant to this thesis. It commences with a description of the development of accounting professions in UK, USA, France, and Germany for the purpose of gaining an understanding about the process of professionalization in Western countries. This is followed by a brief review of the development of the accounting profession in British colonies and developing countries. The discussion proceeds to include the relationship between the profession and other significant factors such as the State and tertiary institutions. This section presents a basic description of professionalization projects.

Chapter 3 is dedicated to the theoretical framework. This chapter provides a framework for the analysis carried out by this study and identifies research gaps. The current trend in professionalization projects emphasizes the critical approach which is similar to the functionalist and interactionist approach of the SOP. Through applying the
critical approach to accounting research, many theories and concepts emerged, such as
class division, imperialism, and racism. As Thailand has never been colonized by a
Western country, these cases are rare. In Thailand, the State, market, and community
forced the accounting profession to improve the quality of its services and performance.
Therefore, Puxty et al’s 1987 model, which investigates the state, market, and community,
is an appropriate one through which to build a case study of Thailand.

Chapter 4 details the research methodology applied in the thesis. It starts with a
discussion of the research methodology which is based on the middle-range thinking
approach of Laughlin (1995) and the conceptual framing of Llewelyn (2003). These two
approaches describe the research methodology and method utilized in the qualitative
research. Middle-range thinking involves an equal combination of theory and methodology
and provides the researcher with a conclusive tie to skeletal theory and empirical richness
Laughlin, 1995) based on accurate data.

Through using this methodology, the observer is always part of the process of
discovery. It allows the researcher to change or adjust the data collection process to fit
with the Thai context where the research participants (accountants, auditors, academics,
and representatives of regulatory bodies) are from different backgrounds, positions, and
have varying opinions about the accounting profession. This approach allows for semi-
structured, customized interviews which generate more reliable data for a theoretical
framework that is flexible. These two concepts are also beneficial in the theorization
process which links theories with empirical evidence. The middle-range thinking
approach is criticized by Roslender (2012) on the assertion that it needs to include other constructs
such as institutional theory, actor network theory, and practice theory for a more
conclusive critical study. However, this study combines the SOP and Puxty et al’s (1987)
model to explore the case study of Thailand.

The study captures evidence of the development of the accounting profession in the
economic transition of Thailand between 1948 and 2010. Individuals who played key roles
in the ICAAT and the FAP were key contributors in data gathering for this research. Thus,
the main data collection tools used for this research were in-depth interviews and the study
of archival records. In addition, secondary sources such as published articles, relevant
legislation, government reports, books and websites were reviewed. The data was
validated using the triangulation method (Patton, 2000; Gillham, 2000).
Chapter 5 presents empirical evidence about the accounting profession in the transition economy from 1948 to 2004. It starts with a narrative of Thailand’s economic development and includes implications for the Thai accounting profession. It demonstrates that the State played a dominant role over the accounting profession during this period through state laws and regulations. In market principle terms, changes in the political and economic milieu have influenced the development of the profession through demand and supply. The emerging economy and expansion of MNCs accelerated the demand for accounting services including the need for international accounting firms. In addition, the accounting community also has increased its role in Thai society through the creation an institution for the accounting profession. However, there is a missing link between the accounting profession and accounting education which is extremely important in the development of the profession.

Chapter 6 continues the story of the development of the accounting profession between 2004 and 2010 during the emergence of the new accounting professional body, FAP. An outstanding development during this period was the decline of the State in the control of the profession. Regulatory authority and control of accountants and auditors was transferred to the FAP which was established in 2005 as an autonomous organization. The FAP contributed to the improvement the profession however; interviewees who are accountants, auditors, accounting academics, and representative from the regulatory bodies indicated dissatisfaction with the FAP’s performance. Most of them expected that the FAP should be able to make changes to the accounting profession in accordance with the Accountancy Profession Act 2004 when the balance between state, market, and community shifted away from State domination.

Chapter 7 presents eight main research findings which are linked to the SOP and Puxty et al’s (1987) model. The SOP indicates that social factors have exerted the most influence on the development of the accounting profession during the study period. On the other hand, under Puxty et al’s (1987) model, the state is the most significant influencing factor on the profession, while market and community exerts a moderate level influence.

8.3 Implications
The benefit of this study is to provide a historical context for the development of accounting in Thailand which previously, has not been conducted on the scale of a PhD thesis. The historical context will describe and explain the transformation of the small
professional accounting body ITA, (1948-1975) into ICAAT (1975-2004) an organization for accounting professionals. This history covers the planned economic period to the open economic framework during the transitional economy of Thailand from 1948 to 2010.

This thesis contributes to research knowledge on an empirical and theoretical level. Firstly, the empirical component involves the investigation of the accounting development process and the professional structure under the unique situation of Thailand using the in depth interviews, archival and secondary evidence. This evidence was interpreted using SOP theory to provide generalizations about the phenomenon included in this study. As mentioned in the introduction, the study in this field explores the emergence of the profession in developing countries and emerging economies. Subsequent to these countries increasing their role in global trade, it is beneficial for policy makers to understand the development process in different contexts and adjust their business environment accordingly.

Secondly, emerging themes and concepts in this thesis also contribute to the development of accounting knowledge on a theoretical level. According to the discussion about theory in qualitative accounting research, theorizing expresses the meaning and significance of social phenomena, it negotiates peoples everyday experiences and it generates expectations about the social world (Llewelyn, 2003, p. 667). Theory deals with human life as a significant influence to support decision making. In terms of the accounting profession, understanding the factors that influence the development of this profession contribute to efficient decisions that will provide the best value to the society.

Prior studies into the accounting profession in Thailand have not included the influence of the state, market and community. However, that changes which have occurred in the political, economic and social environment, have influenced the development of the accounting profession between 1948 and 2010. Therefore, it is advisable that policy makers, committee members from the FAP, accountants, auditors and relevant stakeholders in the accounting profession are concerned with these factors to keep pace with reforms required by regulatory bodies.

The lessons to be learnt from the Thai experience seem to be relevant to a number of countries —greater of lesser players in the world economy and politics — as governments realign accounting and other disciplines, in response to the demands made by the internationalisation of the world economy.
8.4 Limitation of the Study

As in all studies, this study has limitations, which alter the outcomes. The case study methodology used in this research has been questioned in regards to the generalizability of the results (Laughlin, 1995; Rubin & Babbie, 2005; Yin, 2009). Exploring the case study of the accounting profession in Thailand makes the result context-specific. What might have occurred in this profession may not apply in other countries due to the unique features of Thailand. This case study highlights the influence of state, market, and community on the development of the profession in Thailand where the State has played a significant role in its development. However, the objective of qualitative research, and case studies, is not to generalize to populations, but to generate theory, which can be replicated and tested in future studies or providing argument or confirmation about existing theory (Creswell, 2007; 2009; Yin, 2009).

A further limitation of this study was in not being able to interview everyone related to the accounting profession. Reasons for this were beyond the control of the researcher. The emergence and development of the profession occurred over time and officially recognized in 1948 when ICAAT, the first accounting professional body was established. Pioneering founders of the profession have either pass away, retired or could not be contacted. However, to ensure the richness and validity of the narrative, four groups of relevant people (accountants, auditors, academics, and representative from the SEC, RD, and DBD) were interviewed. Importantly, nine of the participants came from various committees that played a significant role in the ICAAT and FAP which enable a consistent story to be told.

One final limitation of this study is the bias that not only the researcher brings to the narrative but also the bias of each member interviewed. The researcher acknowledges that bias did occur in members recounting the story of the development of the accounting profession in Thailand. The researcher also acknowledges that some of those members interviewed recounted their versions of the story with selectivity. It is common in the professionalization interviews to expect that some details of stories are either deliberately or accidentally deleted in the telling. However, Chapter 4 highlights issues of validity and reliability, to try and minimize the potential bias.

Although particular limitations were identified, it is argued that these have not affected the accurate portrayal of the influence of three keys factors (state, market and community) in the development of the accounting profession.
8.5 Suggestions for Future Research

This study has attempted to bridge the theoretical gaps in professionalization of accounting research by illustrating the applicability of the SOP focusing on Puxty et al. (1987) organizing principles in a developing country context. Further research is needed to replicate Puxty’s framework on the development of the accounting and auditing profession.

As mention, the professionalization framework of accounting in Thailand continues to change as the country is integrated into world economy. This has resulted in the penetration of international companies including the Big Four firms. This implies that the development of the accounting profession is influenced by a commercial link which is not in the scope and scale of this study. Therefore, future research could be undertaken to examine the implication of the relationship between commercialization and the accounting profession in Thailand during the transitional period under the pressure of globalization.

In addition, during social transition, the accounting and auditing profession played a significant role in the development of accounting information systems to serve business development in the country. However, providing the best value for its members and meeting public expectations depends on the ability of the profession to adjust to changing environments. The current development pattern in Thailand, which was adopted from the West, mainly from USA, is now unsustainable. Using Puxty et al.’s model (1987), it would be interesting to investigate the similarities the changes, due to development, have in common between ex-colonial countries such as Indonesia, Malaysia, Vietnam, and Cambodia and Thailand, a non-colonial country. It could be useful to generate a model that describes the development of the accounting profession since the aforementioned countries gained their independence.

8.6 Conclusion

The participants’ responses were formulated in the context of their perceptions about the development of the accounting profession in Thailand over the last fifty years. Its development was influenced by interdependent factors which included state, market and community. As mentioned in the literature review, the principles of state, market and community Puxty et al. (1987) are needed to explain the development of Thailand’s accounting profession. Many studies have used Puxty et al.’s model to evaluate the accounting profession in various countries (Bui et al., 2011; Hao, 1999; Seal et al., 1996;
Susela, 1999). The interaction between these organizing principles and the profession explains the transformation of accountancy from an unregulated activity to a professional body of knowledge, protocols and procedures.

The state refers to the authority of hierarchical control which plays a crucial role in the creation of accounting practices and related services; an example of that is existence of Commercial Codes and Accounting Regulations (Puxty et al., 1987). This study has considered the case of the accounting profession in the Kingdom of Thailand between 1948 and 2010 and argues that the State played a dominant role in shaping the development trends of both from 1932, which is described as the traditional accounting era, until 2010. In 1938, the State increased the number of accountants by introducing accountancy education at university level and the Auditor Act of 1962 established the Board of Audit Supervision to oversee Thai Certified Public Accountants. In terms of training and education, accountants and auditors are required to maintain their professional standards through participating in Continuing Professional Development programs prescribed by the Accountancy Profession Act of 2000.

Market principle of supply and demand determine accountancy practice in a variety of ways (Puxty et al., 1987). The development of the capital market and the growth of international and domestic businesses in Thailand have created a demand for accounting practices and related services that use financial information for decision making, however, empirical evidence does not indicate a parallel development regarding the expertise of the accountancy profession. An important contribution to this situation is the conflict among auditing practices. International firms have been permitted to offer consulting services but they are not permitted to conduct statutory audits or accounting work under Thai accounting law. As an outcome, international firms need to establish joint ventures with local firms or incorporate local firms as member firms in order to apply for a provisional operation license from the MOC to set up operations.

The accounting community in Thailand, the FAP, is recognized as the national professional body which plays a significant role in improving the quality of the Thai accounting profession. To ensure individual professionals provide quality services to the community and to maintain their professional status, the FAP monitors developments. The responsibilities of this organization vary from requiring all accounting and auditors to register as members, accrediting accounting programs and arranging regular accounting seminars. The accounting and auditing profession developed rapidly after the AFC as a result of the enactment of the Accounting Act 2000 and the Accounting Professional Act
2004 but the professional body failed to achieve self-regulation as defined by western protocols due to State influence. Instead, the accounting profession was re-oriented with stakeholder involvement from the private and public sectors. With regard to the future of this profession, researchers contend that the continued interaction between these three principles will accelerate the development of the accounting and auditing profession in Thailand.
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Appendices List

Appendix 1   Plain Language Statement for Interviews
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Appendix 4   Background Information of Respondents
Appendix 5   Auditor Act 1962
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Appendix 7   Royal Address of His Majesty of the King
Appendix 8   A Summary of Committee Member of FAP 2010
Appendix 9   Accounting Act 1939
Appendix 10  Accounting Act 2000
Appendix 11  Accountancy Profession Act 2004
Appendix 12  List of Conference Papers and Journal Submissions by the Candidate
              relevant to the thesis
PLAIN LANGUAGE STATEMENT FOR INTERVIEWS

INVITATION TO PARTICIPATE IN A RESEARCH PROJECT

PROJECT INFORMATION STATEMENT

Project Title:
The development of the accounting profession in the Kingdom of Thailand: A critical analysis

Investigators:
Mr. Chaimongkon Pholkeo (PhD candidate, Chaimongkon.pholkeo@rmit.edu.au, 99255509)
Associate Professor Prem Yapa (Principal supervisor, prem.yapa@rmit.edu.au, 99251606)
Dr. Antony Young (Second supervisor, antony.young@rmit.edu.au, 99255752)

Dear Participant,

You are invited to participate in a PhD research project conducted by RMIT University. These two pages are to provide you with an overview of the proposed research. Please read these pages carefully and be confident that you understand its contents before deciding whether to participate. If you have any questions about the project, please ask one of the investigators identified above.

I am currently a research student in the School of Accounting at RMIT University. This project is being conducted as a part of my PhD. My principal supervisor is Associate Professor Prem Yapa. Dr. Antony Young is the second supervisor. The project has been approved by the RMIT Business College Human Ethics Advisory Network, College of Business.

There are no perceived risks associated with participation or interrupted to participants’ normal day-to-day activities. As a matter of fact, your responses will contribute to understanding the development of the accounting profession in the Kingdom of Thailand. The findings of this study will be disseminated in academic and published in journals.
If you are concerned about your responses to any of questions or if you find participation in the project distressing, you should contact my supervisors as soon as possible. My supervisors will discuss your concerns with you confidentially and suggest appropriate follow-up, if necessary. You can examine the interview protocol before deciding whether you want to participate. You are provided with a prescribed consent form.

The primary objective of this project is to explore the development of the accounting profession in Thailand and the involvement of the state between 1948 and 2010. The study will explore the changes in the politico-economic milieu impacting on the accounting profession. There is no direct benefit to the participants as a result of their participation. However, I will be delighted to provide you with a copy of the research report upon request as soon as it is published.

I am seeking your participation in this interview to provide us with insight into the development of the accounting profession in Thailand. The interview will take approximately 1 hour and will be digitally-recorded but only with your consent, to ensure the accuracy of the transcription of interview conversation. Participation in this research is entirely voluntary and anonymous. During your interview you have the right to withdraw partially or completely or refuse to answer any further questions or request to stop recording at any stage any time during the project. Moreover, you have the right to ask any questions regarding my research at any time.

Your privacy and confidentiality will be strictly maintained in such a manner that you will not be identified in the thesis report or any related publication. Any information that you provide can be disclosed only if (1) it is protect you or others from harm, (2) a count order is produced, or (3) you provide the researchers with written permission. Interview data will be only seen by my supervisors and examiners who will also protect you from any risk.

To ensure that data collected is protected, the data will be retained for five years upon completion of the project after which time paper records will be shredded and placed in a security recycle bin and electronic data will be deleted/destroyed in a secure manner. All hard data will be kept in a locked filing cabinet and soft data in a password protected computer in the office of the investigator in the School of Accounting at RMIT University. Data will be saved on the University Network System where practicable (as the system provides a high level of manageable security and data integrity, can provide secure remote access, and is backed up on a regular basis). Only the researcher/s will have access to the data. Data will be kept securely at RMIT for a period of 5 years after the completion of the project before being destroyed.
I am assuring you that responses will be remain confidential and anonymous. The findings of this research could be used by state agencies, accounting professional body, universities to develop accounting profession to enable the best value to the Thai society and public interests.

If you have any queries regarding this project please contact me at (03) 99255509 or 0422570469 or email me at Chaimongkon.pholeo@rmit.edu.au. You may also contact Associate professor Prem Yapa at (03) 99251606, or email him at prem.yapa@rmit.edu.au, or Dr. Antony Young at (03) 99255752, or antony.young@rmit.edu.au.

Thank you very much for your contribution to this research.

Yours Sincerely,

Chaimongkon Pholkeo
PhD Candidate
School of Accounting
RMIT University
Level 15, 239 Bourke Street
Melbourne, VIC 3000
INVITATION TO PARTICIPATE IN A RESEARCH PROJECT

PROJECT INFORMATION STATEMENT

Project Title:
การพัฒนาวิชาชีพบัญชีในประเทศไทย

Investigators:
Mr. Chaimongkon Pholkeo (PhD candidate, Chaimongkon.pholkeo@rmit.edu.au, 99255509)
Associate Professor Prem Yapa (Principal supervisor, prem.yapa@rmit.edu.au, 99251606)
Dr Antony Young (Second supervisor, antony.young@rmit.edu.au, 99255752)

เรียน ท่านมีส่วนร่วมในงานวิจัย

ท่านได้รับเชิญให้เข้ามามีส่วนร่วมในงานวิจัยระดับปริญญาเอก เอกสารฉบับนี้อธิบายภาพรวมและสิทธิของ
ท่านในการร่วมให้ข้อมูลการวิจัย กระagu่ยำต่งคำแจงโดยละเอียดให้เข้าใจก่อการร่วมให้สัมภาษณ์ในงานวิจัยครั้งนี้
ข้างล่างข้อข้อมูลผลดั้งว่า คําแห่งอาจารย์ระดับ 6 สังกัดมหาวิทยาลัยเทคโนโลยีราชมงคลธัญบุรี ปัจจุบันกำลังศึกษา
ศึกษาระดับปริญญาเอก ณ RMIT University และกำลังทำที่ศึกษาวิทยานิพนธ์ภายใต้หัวข้อ “การพัฒนาวิชาชีพ
บัญชีในประเทศไทย” อาจารย์ที่ปรึกษาคือ Associate Professor Prem Yapa

งานวิจัยในครั้งนี้มีวัตถุประสงค์เพื่อศึกษาการพัฒนาวิชาชีพบัญชีและการสอบบัญชีในประเทศไทยภายใต้
ระบบการปกครองแบบประชาธิปไตย โดยมีพระมหากษัตริย์เป็นประมุข และผลกระทบของการเปลี่ยนแปลงทาง
เศรษฐกิจการเมืองมีต่อการพัฒนาวิชาชีพบัญชี กระบวนการพัฒนาความเป็นมืออาชีพและทัศนคติของผู้
ประกอบวิชชีพบัญชี การพัฒนาความรู้ในประเทศไทยระหว่างปี พ.ศ. 2491 - 2553 (คศ. 1948-2010) รวมทั้งหลักสูตร
โปรแกรมการพัฒนาความรู้ และการพัฒนาความรู้ในประเทศไทยโดยมีอาจารย์ผู้ทําการพัฒนาแล้ว คาดว่าจะมีประโยชน์ต่อการพัฒนา
วิชาชีพบัญชีในประเทศไทยและสะท้อนภาพรวมของการเปลี่ยนแปลงทางวิชาชีพบัญชี

การสัมภาษณ์จะใช้เวลา 1 ชั่วโมง โดยประมาณและเก็บบันทึกด้วยเครื่องบันทึกเสียง ท่านจะได้รับคําชี้แจงในการมีส่วนร่วมงานวิจัยดังนี้

1. หากท่านมีข้อสงสัยเกี่ยวกับคำถามท่านสามารถติดต่อโครงการสัมภาษณ์ในการสัมภาษณ์ก่อนได้
2. การให้ข้อมูลในการวิจัยครั้งนี้เกิดจากความสมัครใจของท่าน มิได้มีการบังคับหรือใช้อิทธิพลครอบงำ
3. ท่านสามารถบอกการสนทนาหรือปฏิเสธที่จะตอบคำถาม เมื่อเป็นคำถามที่ไม่เหมาะสม
4. ท่านมีสิทธิถามคำถามผู้สัมภาษณ์ได้ทุกเมื่อระหว่างการสัมภาษณ์

ข้อมูลทั้งหมดที่ได้จากการวิจัยครั้งนี้ จะถูกเก็บในรูปแบบของงานวิทยานิพนธ์ซึ่งถูกวิจัยด้วยและถูกพิมพ์เพื่อการพิจารณา มิได้ใช้เพื่อประโยชน์ของบุคคลโดยบุคคลหนึ่งโดยเฉพาะหรือเพื่อแสวงหาผลประโยชน์ คำถามของท่านจะถูกเก็บเป็น
ความลับและนำไปใช้ในการวิเคราะห์และผลิตไม่ได้เปิดเผยรายชื่อหรือรายละเอียดของผู้ให้ข้อมูล ดังนั้นจึงไม่สามารถ
ระบุถูกใจก่อนการเข้าถึงข้อมูล ผู้วิจัยและอาจารย์ที่ปรึกษาท่านที่มีสิทธิในการเข้าถึงข้อมูลที่ได้รับ ข้อมูลจากท่านจะ
เปิดเผยได้เมื่อ 1) ใช้เปื่องจากท่าน 2) การให้การในศาล 3) มีหนังสืออนุญาตเป็นลายลักษณ์อักษรจากท่าน

การเก็บรักษาและป้องกันข้อมูลจากการสัมภาษณ์ ข้อมูลถูกเก็บในรูปแบบอิเล็กทรอนิกส์ในระบบคอมพิวเตอร์ของมหาวิทยาลัยที่มีระบบรักษาความปลอดภัยเป็นระยะเวลา 5 ปีหลังจากสิ้นสุดการวิจัย เหล่าหลักฐานใน
รูปเอกสารจะถูกถูกย่อยสลายและทิ้งในถังขยะของมหาวิทยาลัยและข้อมูลอิเล็กทรอนิกส์จะถูกย้ายที่ระบบคอมพิวเตอร์ของมหาวิทยาลัย
ที่ว่างลงที่ได้รับการอนุญาต และจะถูกย้ายฝ่ายปกครองไม่ได้ผลิตข้อมูลจากท่าน

ขอขอบพระคุณอย่างสูง ที่ท่านให้ความกรุณาให้ข้อมูลอันเป็นประโยชน์ต่องานวิจัยครั้งนี้

นายชัยมงคล ผลแก้ว
nักศึกษาปริญญาเอก
สาขาวิชาการบัญชี
239 ถนน Bourke Street อาคาร 108 ชั้น 15
เมล์เบิร์น รัฐวิคตอเรีย รหัสไปรษณีย์ 3000

งานวิจัยนี้ได้รับการรับรองจากคณะกรรมการจรรยาบรรณงานวิจัยของ RMIT University หากท่านมีข้อสงสัยหรือ
ต้องการเรื่องอื่นเกี่ยวกับงานวิจัยนี้ ท่านสามารถแจ้งมาได้ที่

The chair, Business College Human Ethics Advisory Network, College of Business, RMIT
GPO Box 2476 V, Melbourne 3001,
The telephone number is (03) 9925 5598 or email address rdu@rmit.edu.au
Details of the complaints procedure are available from
http://www.rmit.edu.au/browser,ID=2jgrnb7hnpyo
Appendix 3

Prescribed Consent Form for Persons Participating In Research Projects Involving Interviews, Questionnaires or Disclosure of Personal Information

Portfolio
School of
Name of participant:
Project Title:
Name(s) of investigators: Phone:

1. I have received a statement explaining the interview/questionnaire involved in this project.
2. I consent to participate in the above project, the particulars of which - including details of the interviews or questionnaires - have been explained to me.
3. I authorise the investigator or his or her assistant to interview me or administer a questionnaire.
4. I acknowledge that:
   (a) Having read Plain Language Statement, I agree to the general purpose, methods and demands of the study.
   (b) I have been informed that I am free to withdraw from the project at any time and to withdraw any unprocessed data previously supplied.
   (c) The project is for the purpose of research and/or teaching. It may not be of direct benefit to me.
   (d) The privacy of the personal information I provide will be safeguarded and only disclosed where I have consented to the disclosure or as required by law.
   (e) The security of the research data is assured during and after completion of the study. The data collected during the study may be published, and a report of the project outcomes will be provided to __________ (researcher to specify). Any information which will identify me will not be used.

Participant’s Consent
Participant: ____________________________ Date: ____________________________
(Signature)
Witness: ___________________________________________ Date: ____________________________

(Signature)

Where participant is under 18 years of age:

I consent to the participation of ____________________________________ in the above project.

Signature: (1) ___________________________________________ (2) ___________________________________________ Date: ____________________________

(Signatures of parents or guardians)

Witness: ___________________________________________ Date: ____________________________

(Witness to signature)

Participants should be given a photocopy of this consent form after it has been signed.

Any complaints about your participation in this project may be directed to the Executive Officer, RMIT Human Research Ethics Committee, Research & Innovation, RMIT, GPO Box 2476V, Melbourne, 3001. The telephone number is (03) 9925 2251.

Details of the complaints procedure are available from the above address.
# Appendix 4

## Background Information of Respondents

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Interviewed in Phase 1 and 2</th>
<th>Membership</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Phase 1</td>
<td>FAP, Registered Accountant</td>
<td>Chief Financial Officer in a listed company</td>
</tr>
<tr>
<td>2</td>
<td>Phase 1</td>
<td>FAP, Registered Accountant</td>
<td>Accounting Manager in a listed company</td>
</tr>
<tr>
<td>3</td>
<td>Phase 1</td>
<td>FAP, Registered Accountant</td>
<td>Accounting Manager in a listed company</td>
</tr>
<tr>
<td>4</td>
<td>Phase 1</td>
<td>FAP, Registered Accountant, CPA</td>
<td>Chief Financial Officer in a listed company</td>
</tr>
<tr>
<td>5</td>
<td>Phase 1</td>
<td>FAP, Registered Accountant</td>
<td>Accounting Manager in non-listed company</td>
</tr>
<tr>
<td>6</td>
<td>Phase 1</td>
<td>FAP, Registered Accountant</td>
<td>Senior Manager, Tax Auditor, and Part-time Lecturer in private and public universities (Taxation, Information Accounting Systems and Internal Auditing)</td>
</tr>
<tr>
<td>7</td>
<td>Phase 1</td>
<td>FAP, Registered Accountant</td>
<td>Accounting Manager in a non-listed company</td>
</tr>
<tr>
<td>8</td>
<td>Phase 1</td>
<td>FAP, Registered Accountant</td>
<td>Senior accountant in state enterprise</td>
</tr>
<tr>
<td>9</td>
<td>Phase 1</td>
<td>FAP, CPA</td>
<td>Partner of one of the Big Four firms in Thailand, Former Chairman in the Accounting System Committee in the FAP</td>
</tr>
<tr>
<td>10</td>
<td>Phase 1</td>
<td>FAP, CPA</td>
<td>Audit Manager of one of the Big Four firms in Thailand</td>
</tr>
<tr>
<td>11</td>
<td>Phase 1</td>
<td>FAP, CPA</td>
<td>Partner of a leading audit firm in Thailand, Former Committee Member in the Auditing Committee of the FAP and ICAAT</td>
</tr>
<tr>
<td>12</td>
<td>Phase 2</td>
<td>FAP, CPA</td>
<td>Audit Manager of the FAP, Part-time Lecturer in private and public universities (Auditing)</td>
</tr>
<tr>
<td>13</td>
<td>Phase 2</td>
<td>FAP, CPA</td>
<td>Senior Auditor in local auditing firm in Thailand</td>
</tr>
<tr>
<td>14</td>
<td>Phase 2</td>
<td>FAP, CPA, CIA</td>
<td>Senior Auditor in local auditing firm in Thailand</td>
</tr>
<tr>
<td>15</td>
<td>Phase 1</td>
<td>FAP, CPA</td>
<td>Senior Lecturer in the public university</td>
</tr>
<tr>
<td>Phase</td>
<td>FAP</td>
<td>CPA</td>
<td>Title</td>
</tr>
<tr>
<td>-------</td>
<td>-----</td>
<td>-----</td>
<td>-------</td>
</tr>
<tr>
<td>16</td>
<td>FAP</td>
<td></td>
<td>Senior Lecturer in the public university, Former Committee member in the Bookkeeping Committee of FAP and ICAAT</td>
</tr>
<tr>
<td>17</td>
<td>FAP</td>
<td></td>
<td>Senior Lecturer in the public university, Executive management in the faculty of business administration</td>
</tr>
<tr>
<td>18</td>
<td>FAP</td>
<td></td>
<td>Head of the department of accounting in the public university, Former Committee member in the Accounting Education and Technology Committee of the FAP, Former Committee Member in ICAAT</td>
</tr>
<tr>
<td>19</td>
<td>FAP</td>
<td>CPA</td>
<td>Senior lecturer in the public university, Former Committee member in the Accounting System Committee, Auditing manager in a leading auditing firm in Thailand</td>
</tr>
<tr>
<td>20</td>
<td>FAP</td>
<td>CPA</td>
<td>Dean of the faculty of accounting in the private university, Former Committee member in the Accounting and Technology Committee of the FAP, Former committee member in the professional development of ICAAT</td>
</tr>
<tr>
<td>21</td>
<td>FAP</td>
<td></td>
<td>Dean of school of accounting in the private university, Former Committee member in the Accounting and Technology Committee of the FAP</td>
</tr>
<tr>
<td>22</td>
<td>FAP</td>
<td></td>
<td>Senior lecturer in the private university</td>
</tr>
<tr>
<td>23</td>
<td>FAP</td>
<td></td>
<td>Senior lecturer in the public university</td>
</tr>
<tr>
<td>24</td>
<td>FAP</td>
<td></td>
<td>Senior Lecturer in the private university, Former Committee member in the Accounting Education and Technology Committee of the FAP and ICAAT</td>
</tr>
<tr>
<td>25</td>
<td>FAP</td>
<td></td>
<td>Senior Lecturer in the public university</td>
</tr>
<tr>
<td>26</td>
<td>FAP</td>
<td></td>
<td>Former Chairman of the Accounting and Technology Committee of the FAP, Lecturer in private university</td>
</tr>
<tr>
<td>27</td>
<td>FAP</td>
<td>CPA</td>
<td>Government officer in Revenue Department</td>
</tr>
<tr>
<td>28</td>
<td>FAP</td>
<td></td>
<td>Government officer in Revenue Department, Director, Bureau of Tax Auditing Standards</td>
</tr>
<tr>
<td>29</td>
<td>FAP</td>
<td></td>
<td>Senior Assistant Director, Accounting Supervision Department in the Securities and Exchange Commission (SEC)</td>
</tr>
<tr>
<td>30</td>
<td>FAP</td>
<td></td>
<td>Government officer in the DBD, Trade Office, Senior Professional level</td>
</tr>
</tbody>
</table>
His Majesty King Bhumibol Adulyadej
Given on 30th October 1962
Being the 17th Year of the Present Reign

His Majesty King Bhumibol Adulyadej is graciously pleased to proclaim that: whereas it is expedient to have a law on the auditor...

Section 1 This Act shall be called the “Auditor Act, B.E. 2505 (1962)"

Section 2 This Act shall come into force on and from the day following the date of its publication in the Government Gazette.

Section 3 In this Act: “Authorized auditor” means person who has been granted license to act as an auditor under this Act, and which license has not yet expired or has not been suspended or revoked.

Section 4 There shall be a board called the “Board of Supervision of Auditing Practices” abbreviated as “BSAP”, consisting of the Under-Secretary of State for Economic Affairs as chairman, the Director-General of the Commercial Registration Department, the Director-General of the Comptroller-General Department, the Director-General of the Revenue Department, the President of the Audit Council of Thailand, the Dean of the Faculty of Commerce and Accountancy of the Thammasat University as ex officio members, and eight other members appointed by the
Minister, of which not less than half shall be nominated from authorized auditors.

The BSAP shall select one of its members as vice-chairman who shall have the duty of assisting the chairman in all affairs within his powers and duties, as assigned by him, and who shall act for the chairman when he is absent or when he is unable to discharge his duties.

Section 7 The office of the BSAP shall be set up in the Ministry of Economic affairs, with a registrar responsible for the maintaining of the register of authorized auditors and for other general affairs, and shall be manned with a reasonable number of staff. The registrar shall concurrently act as the secretary of the BSAP.
Section 13 Where auditing is required by law or where the law provides for auditors, no person may sign in certification of an auditing in the capacity of an auditor, except:

(1) Authorized auditor, or

(2) Where it is an official duty.
Section 15 to be eligible for registration as an authorized auditor, person must:

(1) have degree in accountancy or hold certificate in accountancy recognized by the BSAP as not lower than the bachelor degree in accountancy, or have a degree or a certificate not lower than bachelor degree toward which the course includes accountancy studying and which is considered by the BSAP as fit for being an authorized auditor;

(2) have experience in auditing and considered by the BSAP as fit to become an authorized auditor;

(3) have completed his twentieth year of age;

(4) be a citizen of Thailand or of a country which permits Thai citizen to become auditor in that country;

(5) not be a person of bad conduct or who lacks in morality;
<table>
<thead>
<tr>
<th>No</th>
<th>Description</th>
<th>Fee (Baht)</th>
</tr>
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<tr>
<td>1</td>
<td>Fee for issuance or renewal of license</td>
<td>200</td>
</tr>
<tr>
<td>2</td>
<td>License Alteration fee, each time</td>
<td>50</td>
</tr>
<tr>
<td>3</td>
<td>License Substitute</td>
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</tr>
<tr>
<td>4</td>
<td>Fee for copy of a document certified by registrar</td>
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</tbody>
</table>

**Note**

The reason for the promulgation of this Act is that auditing is an independent profession which is, not only of great importance, but also essential to economic development. As at the present there is no law to control auditing and as there are now an increased number of accountants educated from the universities and other educational institutes, it is therefore deemed expedient to enact a law establishing the standardized qualifications and background knowledge of auditors and to set up a supervisory board for the purpose.
Appendix 6
The National Economic and Social Development Plan 1961-1966

Prosperity of the nation depends on many factors. A part from an excellent knowledge, honesty and fairness is the best policy to generate wealth and prosperity of the nation.

### Appendix 8

#### A Summary of Committee Member of FAP 2010

<table>
<thead>
<tr>
<th>Committee of the FAP</th>
<th>Sub-Committees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committee of the FAP</td>
<td>Committee on Ethics</td>
</tr>
<tr>
<td></td>
<td>Sub-Committee on Code of Conducts-Setting</td>
</tr>
<tr>
<td></td>
<td>Sub-Committee on Ethics Investigation</td>
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<tr>
<td>Committee of Accounting Standards-Setting</td>
<td>Sub-Committee on Screening Accounting Standards</td>
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<tr>
<td></td>
<td>Sub-Committee Study on the Differences between Financial Accounting Standards and Tax Accounting</td>
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<td>Sub-Committee on Auditing Standards Technical</td>
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<td></td>
<td>Sub-Committee of Financial Report for Non-Publicly Accountable Entities (NPAE)</td>
</tr>
<tr>
<td></td>
<td>Thailand for Asian-Oceanian Standard Setters Group</td>
</tr>
<tr>
<td>Committee of the FAP – Bookkeeping</td>
<td>Sub-Committee on the Bookkeeping</td>
</tr>
<tr>
<td>Committee of the FAP – Auditing</td>
<td>Sub-Committee on Auditing Technical</td>
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<tr>
<td></td>
<td>Sub-Committee of Auditing Standards Translation</td>
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<tr>
<td></td>
<td>Sub-Committee on Quality Control of Auditing Firms</td>
</tr>
<tr>
<td></td>
<td>Sub-Committee on Quality Control of Professional Accountants</td>
</tr>
<tr>
<td></td>
<td>Sub-Committee on Auditing Guidance Setting</td>
</tr>
<tr>
<td>Committee of the FAP – Cost Accounting</td>
<td>Committee of CPA Registrar</td>
</tr>
<tr>
<td>Committee of the FAP – Accounting Systems</td>
<td>Committee of Accounting Systems (Information Systems)</td>
</tr>
<tr>
<td></td>
<td>Sub-Committee on Accounting Systems (Internal Audit)</td>
</tr>
<tr>
<td></td>
<td>Sub-Committee of CPA Registrar</td>
</tr>
</tbody>
</table>
คณะกรรมการวิชาชีพบัญชี ด้านการบัญชีภาษีอากร

Committee of the FAP – Tax Accounting

คณะกรรมการวิชาชีพบัญชี ด้านการศึกษาและเทคโนโลยีการบัญชี

Committee of the FAP – Accounting Education and Technology

คณะกรรมการและคณะทำงานที่เกี่ยวกับการดำเนินงานตามอัธยาศัย

Other Committee

<table>
<thead>
<tr>
<th>กำหนดการ</th>
<th>คำศัพท์ที่เกี่ยวข้อง</th>
</tr>
</thead>
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<tr>
<td>คณะอนุกรรมการตรวจสอบ</td>
<td>Sub-Committee on Auditing</td>
</tr>
<tr>
<td>คณะอนุกรรมการจัดทั้งชั้นบังคับของสถาบันการบัญชี</td>
<td>Sub-Committee on Accounting Regulation Setting</td>
</tr>
<tr>
<td>คณะอนุกรรมการด้านการพัฒนาการบัญชีบัญชี</td>
<td>Sub-Committee on the Development of the Accounting Profession</td>
</tr>
<tr>
<td>คณะอนุกรรมการด้านประชาสัมพันธ์</td>
<td>Sub-Committee on the Public Relations</td>
</tr>
<tr>
<td>คณะอนุกรรมการด้านกิจกรรมและสมาชิกสัมพันธ์</td>
<td>Sub-Committee on the Member Relations</td>
</tr>
<tr>
<td>คณะอนุกรรมการประสานการบริหารสาขาการบัญชีบัญชี</td>
<td>Sub-Committee on the FAP Branches</td>
</tr>
<tr>
<td>คณะอนุกรรมการพัฒนาระบบเทคโนโลยีสารสนเทศ</td>
<td>Sub-Committee on the Development of FAP Information Technology</td>
</tr>
</tbody>
</table>

Source: FAP (2010)
Appendix 9
Accounting Act 1939

Some Translations
Page 1
Volume 56, 6 November 1939

Accounting Act 1939

His Majesty the King Ananda Mahidol
Given on 4th September 1937
Chapter 2
Bookkeeping

Section 6 described the kinds of businesses that have to maintain records which include business such as real estate, hospitality, agencies, transportation, auction services, foreign exchange, banks, and insurance services.
Section 10 Accounts to be kept in accordance with this act.

1. Asset accounts including stocks and merchandise
2. Cash accounts
3. Debtors and creditors accounts
4. Daily purchase and sales accounts income and expense accounts.
วันที่๒๖พฤศจิกายน二๕๔๒เรื่องการบริการแผนเมือง๒๕๔๒

(๔) ปัญญาเข้าปะการังอย่างไรในระหว่างนี้

มาตรา ๑๑ ทุกประเภทที่ดิน ให้แบ่งออกออกสี่ ๆ เกณฑ์

มาตรา ๑๒ ปัญญา มีข้อ ถ้ามี การคัด ประกาศใน ได้เป็น

มาตรา ๑๓ นิติบุคคลประเภทนิติบุคคล ก้ามป์ก้ามป์ ที่

มาตรา ๑๔ นิติบุคคลモデルที่นิติบุคคล ก้ามป์ก้ามป์ ที่

มาตรา ๑๕ นิติบุคคลที่นิติบุคคล ก้ามป์ก้ามป์ ที่

มาตรา ๑๖ นิติบุคคลที่นิติบุคคล ก้ามป์ก้ามป์ ที่

มาตรา ๑๗ ผู้ที่จัดตั้ง ให้เป็น ไปตาม

หมายเหตุ ๒๔๔๔ ราชกิจจานุเบกษา วันที่๒๖พฤศจิกายน๒๕๔๒

มาตรา ๑๘ ให้กระทำให้บุคคลที่มีความที่เกี่ยวกับ

มาตรา ๑๙ ให้กระทำให้บุคคลที่มีความที่เกี่ยวกับ

มาตรา ๒๐ ให้กระทำให้บุคคลที่มีความที่เกี่ยวกับ

หมายเหตุ ๒๔๔๔ ราชกิจจานุเบกษา วันที่๒๖พฤศจิกายน๒๕๔๒
วันที่ ๖ พฤศจิกายน ๒๔๔๒ ราชบัณฑิตยสภา uja ๖/๔/๑๙

มาตรา ๑๘ ผู้ใดคัดใบแทนบัญชีผู้สมัคร ๒๓ มีนาคม ๑๙
มาตรา ๑๙ ที่นั่งในที่ประชุมที่ต้องการ ของราชบริเวณอยู่ในชั้นใด
หรือราชบริเวณจัดตั้งมาตรา ๑๔ ผู้นี้ยังไม่เคยมีคือครั้งนั้นปรากฏ
ที่บริเวณไม่เห็นพัฒนา

มาตรา ๑๑ ผู้ใดก็ตาม
(๑) สมัครการสรรภาพในนักวิชา
(๒) ล้าหายหรือล้มคน หรือข้อความสัมพันธ์ใด
หลักฐานประกอบ

ข้อนี้ยังไม่เคยมีคือครั้งนั้นปรากฏ ไม่เห็นพัฒนา หรือ
ที่คุณไม่ได้หยุดคืน หรือปฏิบัติ

มาตรา ๒๐ ผู้ใดก็ตาม
(๑) แรงกายก่อเห็นในนักวิชา
(๒) แก่ ไวบุก หรือล้มคน ประกอบแต่ละให้
ฝังติดความจริง

ผู้นี้ ภาษา ห้าชั้นร่างกายที่ปรับไม่ได้เห็นพัฒนา
หรือข้อความสัมพันธ์ใด หรือที่พัฒนาที่

เกณฑ์ที่ ๑๔ ราชบัณฑิตยสภา วันที่ ๖ พฤศจิกายน ๒๔๔๒

มาตรา ๒๑ ผู้ใดคัดใบแทนบัญชีผู้สมัคร ๑๖ ผู้นี้ยัง
ความมีคือครั้งนั้นปรากฏไม่เคยมีเห็นพัฒนา หรือข้อคุณ
ไม่เก็บเสมอ หรือข้อความสัมพันธ์

ผู้รับสมัครพระบรมราชาธิการ

์

หมายเหตุ

๒๘๔
His Majesty King Bhumibol Adulyadej is graciously pleased to proclaim that: whereas it is expedient to revise a law relating to accountancy…

Section 1 This Act shall be called the “Accounting Act, B.E. 2543 (2000)

Section 2 This Act shall come into force immediately after a period of ninety days from the date of its publication in the Government Gazette.

Section 6 The Department of Commercial registration, Ministry of Commerce, shall be a Central Accounts Office.

The director-General shall have the power to establish Local Accounts Offices which are to be under the control of the Central Accounts Office, and have one Accounts Inspectors as the Chief of Local Accounts Office.
Section 7 The Director-General shall have the power to notify in the Government Gazette in order to prescribe the following matters:

(1) Category of accounts to be kept.
(2) Statements and particulars entered in the accounts
(3) Duration for which the particulars must be entered in the accounts.
(4) Relevant documents used in the entry of accounts.
(5) Exceptions prescribed for the person having the duty to keep accounts or the bookkeeper not to comply with accounting standards in any one matter or any one part.
(6) Qualifications and conditions for being the bookkeeper under this Act.

The notification of such prescriptions under paragraph one, the Director-General shall take into account the accounting standards as well as the comments of relevant agencies and accounting profession institutions...

Section 19. The person having the duty to keep accounts must provide the bookkeeper possessing the qualifications prescribed by the Director-General under Section 7 (6) to keep accounts under this Act, and shall have the power to control and supervise the bookkeeper to keep accounts accurately and correctly under this Act.

The person having the duty to keep accounts who is a natural person may be a bookkeeper for this own business.

Section 20. The bookkeeper must keep accounts in order to show results of the operation, financial status or changes in financial status of the person having the duty to keep accounts in accordance with the facts and accounting standards, including having corrected and complete relevant documents used in the entry of accounts.
### Appendix 11

**Accountancy Profession Act 2004**

<table>
<thead>
<tr>
<th>Volume 121, Section 65, 22 October 2004</th>
</tr>
</thead>
</table>

**Accountancy Profession Act 2004**

His Majesty the King Bhumibol Adulyadej

Given on 12\textsuperscript{th} October 2004

Being the 59\textsuperscript{th} Year of the Present Reign

---

His Majesty King Bhumibol Adulyadej is graciously pleased to proclaim that: whereas it is expedient to have a law on accountancy profession;

This Act contains certain provisions in relation to the restriction of right and liberty of person, in respect of which section 29 in conjunction with section 50 of the Constitution of the Kingdom of Thailand, so permit by virtue of law;

Section 1 This Act is called the “Accountancy Profession Act, B.E. 2547 (2004)"

<table>
<thead>
<tr>
<th>Some Translations</th>
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<th>Page 1</th>
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</table>

<table>
<thead>
<tr>
<th>Volume 121, Section 65, 22 October 2004</th>
</tr>
</thead>
</table>

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Section 5 The Minister of Commerce shall have charge and control of the execution of this Act and shall have the power to issue Ministerial Regulations for the execution of this Act. Such Ministerial Regulations shall come into force upon their publication in the Government Gazette.
Chapter 1
Accountancy Profession Council (the Federation of Accounting Profession)

Section 6 There shall be the Accountancy Profession Council being a juristic person having objective in the promotion and development of accountancy profession.

Section 7 The Accountancy Profession Council shall have the powers and duties as follows:

1. to promote education, training, and research in accountancy profession;
2. to strengthen unification and preserve honor of members, and to provide welfare and assistance among members;
3. to establish accounting and auditing standards and other standards related to accountancy profession;
4. to lay down Code of Conduct of accountancy profession practitioners;
5. to accept registration for the request to conduct accountancy profession and to issue, suspend or revoke the license of accountancy profession practitioners;
6. to certify accounting degrees or diplomas of any educational institutions for the purpose of admission of its members…

Section 8 The Accountancy Profession Council may have the following incomes:

1. membership fee and other fees under this Act;
2. subsidy from government’s budget;
3. benefits incurred from assets management and the performance of powers and duties of the Accountancy Profession council;
4. money and properties donated to the Accountancy Profession Council;
5. interest incurred from money and assets under (1) (2) (3) and (4)
หมวด ๗ กำหนดภูมิ

มาตรา ๔๘ ให้มีคณะกรรมการกำกับการประกอบวิชาชีพนักบัญชี ประกอบด้วย

(๑) ปลัดกระทรวงการคลังเป็นประธาน

(๒) ผู้แทนองค์การส่งเสริมการคลังเป็นรองประธาน

(๓) ผู้แทนองค์การส่งเสริมการคลังเป็นกรรมการ

(๔) ผู้แทนองค์การส่งเสริมการคลังเป็นกรรมการอนุกรรมการ

(๕) ผู้แทนองค์การส่งเสริมการคลังเป็นกรรมการอนุกรรมการ

(๖) ผู้แทนองค์การส่งเสริมการคลังเป็นกรรมการอนุกรรมการ

(๗) ผู้แทนองค์การส่งเสริมการคลังเป็นกรรมการอนุกรรมการ

มาตรา ๔๙ ประธานกรรมการและอนุกรรมการเป็นผู้บริหาร

มาตรา ๔๑ สำนักงานคณะกรรมการนักบัญชีรับผิดชอบเรื่องการจัดตั้งและดำเนินการคัดเลือกกรรมการ

มาตรา ๔๕ ให้ข้อบังคับสำหรับการบริหารงานของนักบัญชีรักษาไว้ในสำนักงานคณะกรรมการนักบัญชี
Appendix 12
List of Conference Papers and Journal Submissions by the Candidate Relevant to the Thesis

During my study period, I have prepared three conference papers and presented in local conferences in Australia. I have published one paper in an international journal with my supervisor. The titles, names of the conferences and the journal are as follows:

Title of the conference paper:
(1) Professionalization of Accountancy in the Kingdom of Thailand
This paper was accepted by the Thai Studies Conference arranged by the Asia Institute, University of Melbourne and RMIT University, College of Business in 2011. I have received some valuable constructive comments from the audience and revised my paper.

Name of the Journal:

Title of the conference paper:
(2) Development of Accounting Education in Thailand
This paper was accepted by the RMIT Accounting Educator’s Conference in 2011. I received some valuable comments for this paper. I have revised the paper based on the comments and now I am preparing it to be sent to a refereed journal for publication.

Title of the conference paper:
(3) Development of the Accounting Profession in the Kingdom of Thailand during the last fifty years
This paper was accepted by the Accounting and Finance Association of Australia and New Zealand (AFAANZ) conference (refereed conference) and presented in Melbourne on 2nd July 2012. I received constructive comments from the participants. Now I am planning to submit this paper to Accounting Historians Journal in USA.