

Professional Accounting Regulation in the Kingdom of Thailand over the Past Fifty Years

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Abstract

The purpose of this study is to explore the development of the professional accounting regulation and the accounting profession in the Kingdom of Thailand over the past fifty years. The development of Thailand's accounting profession was independent and uninfluenced by Western colonial powers compared to most of its neighboring countries. This distinct situation is the motivation for this study. This study used in-depth interview as means of collecting data from accountants, auditors, academic professionals, and representatives from the Ministry of Commerce and Ministry of Finance.

The findings showed that the state played a significant role in the emergence and development of the accounting profession in its early years through the enactment of accounting laws and regulations. The accounting profession is not an autonomous organization as in western countries due to state dominance by the establishment of state agencies. However, developments of the accounting profession from 2004 onwards indicate that the interaction among various factors such as professional accounting regulation, globalization, politico-economic milieu, and educational institutions accelerates the development of the accounting profession.

Keywords: Professionalization, the Kingdom of Thailand, State, Market and community

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1. Introduction

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

As mentioned, the study on the accounting profession and associations is beneficial to our society; few studies had been conducted to explore the development of the accounting profession in Thailand. Therefore, this study aims to contribute to the body of knowledge on an empirical and theoretical level regarding the professionalization process. The research questions relate to how the professional accounting regulation has changed over the past years and what is the influence of organizing principles - state, market, and community on the development of the accounting profession.

This study is divided into seven sections with the first section presenting the Introduction. The second section introduces background of the accounting profession in Thailand. The third and fourth sections explore existing literature and theoretical ideology to gain better understanding about the development of accounting profession. The fifth section presents research methodology. The sixth section shows research findings before providing a conclusion in the seventh section.

2. Background of the Thai Accounting Profession

The Kingdom of Thailand has a long history of transition from the Sukhothai Kingdom, Ayutthaya Kingdom, and Thonburi Kingdom to the Rattanakosin Kingdom. Thailand is located in the center of Southeast Asia where its land borders are shared with Burma, Cambodia, Lao People's Democratic Republic and Malaysia. From 1948 to 2016, the population increased dramatically from 17.44 million to 65.9 million (National Statistical Office, 2017). Thailand occupies a unique position in the region because it was never colonized with military force by a Western country. Until 1932, Thailand was an absolute monarchy. However, significant reforms in all areas of government and public life began to occur around this time where the Kingdom of Thailand began to open itself to western civilization.

The term of accounting concepts can be traced back to the reign of King Rama V², when 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 & Attavitkamtorn, 1999, p. 440). In 1890, 'The Department of Account' or the Comptroller General's Department of today was established to manage revenue and expenditure of the country (The Comptroller General's Department, 2017). It was marked as the first milestone in the history of financial reform in Thailand. In addition, the concept of auditing practice emerged when the Royal Audit Office was established under the Royal Decree in 1875 to serve the absolute monarch. The State Audit Act 1979 was enacted after the 1932 Siamese revolution to empower the Office of the Auditor General of Thailand (OAG) and extend its scope beyond financial audits to be more focused on the efficiency and effectiveness of financial management in Thailand (Office of the Auditor General of Thailand, 2017).

The Institute of Certified Accountants and Auditors of Thailand (ICAAT) was established in 1948 as the first accounting professional body in Thailand. The ICAAT played a significant role on the dissemination of accounting and auditing knowledge. It failed to protect and control its members due to lack of legitimacy power. The state agency, the Board of Supervision of Auditing Practices (BSAP) was established in 1962 when the Auditor Act was enacted. The BSAP had the authority to register and approve Certified Public Accountants (CPA) license. Yook Na Thaland, the president of the ICAAT during 1955 to 1965 was the first CPA who received CPA license from the BSAP. In 2004, the Federation of Accounting Profession (FAP) under the Royal Patronage of His Majesty the King was established under the Accounting Profession Act of 2004. The FAP replaced the ICAAT. It is recognized as a national accounting professional body of today.

2.1 Research Objectives

2.1 To examine the role of the state on the development of the accounting profession.

2.2 To investigate factors affecting the development of the professional accounting body in Thailand.

² His Majesty King Chulalongkorn was the reign between 1868 and 1910. The King faced the western world with an eager attitude, and adapted some Western ideas and inventions in progressing Thailand to a modern future. 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).

2.2 Conceptual Framework

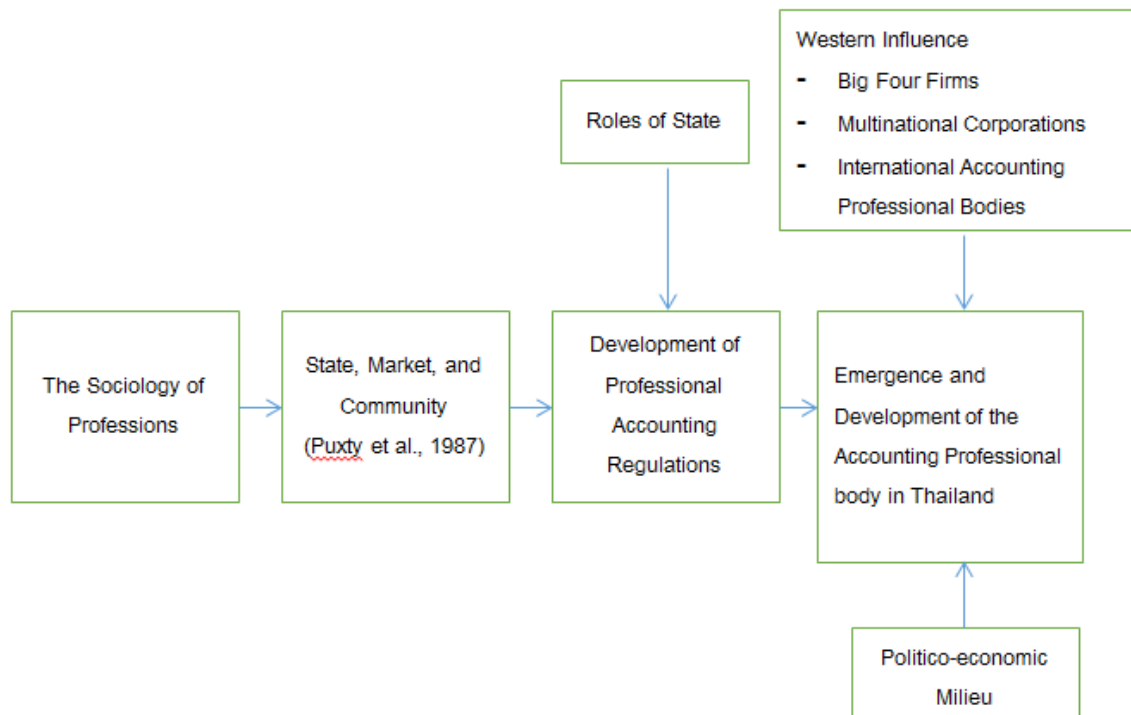


Figure 1: Conceptual Framework of the Research

3. Literature Review

Many studies define the profession as 'occupations organized in an institutional form, whose practitioners are committed explicitly to serve the public interest and who offer client services directly related to an intellectually-based body of knowledge' (Lee, 1995, p.49). Britain is recognized as the first country in the world to develop the accounting profession (Carey, 1969; Walker, 1991, 1995; Willmott, 1986). There are many accounting professional bodies in Britain such as the Association of Chartered Certified Accountants (ACCA), Chartered Institute of Public Finance and Accountancy (CIPFA), Institute of Chartered Accountants in England and Wales (ICAEW), Institute of Chartered Accountants of Scotland (ICAS), Institute of Chartered Accountants in Ireland (ICAI), and Chartered Institute of Management Accountants (CIMA). The nature of the professional bodies in Britain is complicated because of the interaction between the accounting professional bodies and their rivals. The professional bodies are recognized as a self-regulating organization. The government has the central role in the development of rules and regulations as a framework for the development of the profession (Puxty, et al., 1987, p.288).

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). The first accounting association in the United States (US) was the American Association of Public Accountants before

the American Institute of Certified Public Accountants (AICPA) was founded in 1887. The American accounting professional body was recognized as an independent and autonomous body under the laws of the District of Columbia (Ingalls, 1965, p.877).

There are certain significant reasons of transferring accounting knowledge from one country to another such as 1) the second country had not organized a body of accounting principles in the first place, and 2) 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 requirement (Hove, 1986, p.83). The development of the accounting profession varies based on different factors. Colonial link is one of the significant factors to transfer accounting knowledge.

The early development of the accounting profession in member countries of the Association of South East Asian Nations (ASEAN) share 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 (Ninsuvannakul, 1988). While most ASEAN members developed their accounting professionalization through colonialism (Bui, et al., 2011; Diga, 1997; Dyball, et al., 2007; Huot, 2007; Saudagaran & Diga, 2000; Susela, 2010; Verma, 2010; Yapa, 1999), Thailand did not.

The resilience of the accounting professionalization of the Kingdom of Thailand from colonial influence is the motivation for this study. The researcher believes that Puxty, et al. (1987)'s model is requisite to understand the emergence and development of the accounting profession in Thailand and the inter-relationship between its state, market and community.

4. Theoretical Underpinning

This paper draws upon the theoretical framework of state, market and community (Puxty, et al., 1987) which was originally introduced by Streeck and Schmitter (1985). Puxty, et al.,(1987) integrated the fourth principle of Streeck and Schmitter (the market, the state, the community and the institutional order) to consider the outcome of the connection between the state, the market and the community in a comparative study of Germany, UK, Sweden and US. Puxty's framework had emphasized on the relation between professional development and three key factors. The first factor refers to state where the authority of hierarchical control operated by career civil servants for example, is vested in agreement of the rules and procedures backed up by the state monopoly of legitimate coercion. The second factor is market which referred to both economic entrepreneurs who maximize profits and consumers who are satisfied with the material benefits derived from competition. The third factor is community which referred to leaders who enjoy the esteem of followers who themselves are benefiting from the sense of belonging.

In this study, the state is perceived as government authorities and its agencies with authority to govern the accounting profession by enacting appropriate laws and regulations. The term 'market' refers to the influence of politico-economic milieu including the pressure from the capital market that creates the demand of accountants and auditors. The community refers to 'occupations organized in an institutional form, whose practitioners are explicitly committed 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).

5. Research Methodology

This historic accounting research is based on fieldwork and interviews conducted in Thailand between 2011 and 2012. The primary research method is an analysis of secondary sources. However, an evaluation of the changing role of the accounting profession did not receive significant attention in most historical analysis in Thai history. Eighteen interviews were conducted with officials of the Ministry of Commerce, Ministry of Finance, accounting academics and accounting practitioners in Thailand.

6. Research Results

6.1 State roles and the accounting professional regulation

Under the context of Thailand, most state ideology is emerged from the guidance of His Majesty the King. His Majesty the King has the sole authority to approve laws. Accounting laws are also treated in the same manner. In terms of state, this study referred to the Thai government. Between 1948 and 2010, roles of the Thai government in the development of the accounting profession are complicated. The government took a dominant position to control the accounting profession through state laws and regulations. From 1939 to 2010, there were many laws enacted as presented in Table 1.

According to Table 1, most of the regulations were related to accounting in terms of the responsibility of a business to keep accounts and prepare annual financial statements for auditing and taxation purposes when establishing a business. The Auditor Act 1962 was the most significant law to contribute to the development of the accounting profession between 1948 and 1999. This act empowered the BSAP to control professional accountants. Professionalization process (such as entry examination, training requirement, professional designation, and statutory regulations) was controlled by the BSAP. Thus, the Institute of Certified Accountants and Auditors of Thailand (ICAAT) which was established as an accounting association did not conform with the British accounting professionalization model. This showed a significant role of the government on the development of the accounting profession as presented in figure 2.

Table 1: A Summary of the Crucial Land Marks of the Accounting Profession in Thailand

Year	Accounting Professional Regulation
1939	Accounting Act
1953	Accounting Act (Amendment)
1962	Auditor Act
1968	Ministerial Regulation No. 2
1972	Notification No.281 and No.285
1974	The Securities and Exchange of Thailand Act
1991	Ministerial Regulation No.4
1992	The Securities and Exchange of Thailand Act 1992
1992	Public Limited Company Act 1992
2000	Accounting Act
2004	Accounting Profession Act

The accelerated economic change during 1990 and financial crisis during 1997 influenced the development of the accounting profession significantly. The government enacted two significant accounting laws to stabilize the Thai society; the Accounting Act 2000 and the Accounting Profession Act 2004.

While the Accounting Act 2000 mainly aimed to identify and define the qualifications for professionals who have the duty to keep accounts for business entities, the Accounting Act 2004 aimed to govern the accounting profession in Thailand. The FAP is in charge of implementing this under the overall administration of the Ministry of Commerce. The 'Oversight Committee on Accounting Professions' was created to oversee the activities of the FAP and endorse Thai accounting standards and rules developed by the FAP' Committee and consider appeals regarding FAP' activities. (The World Bank, 2008)

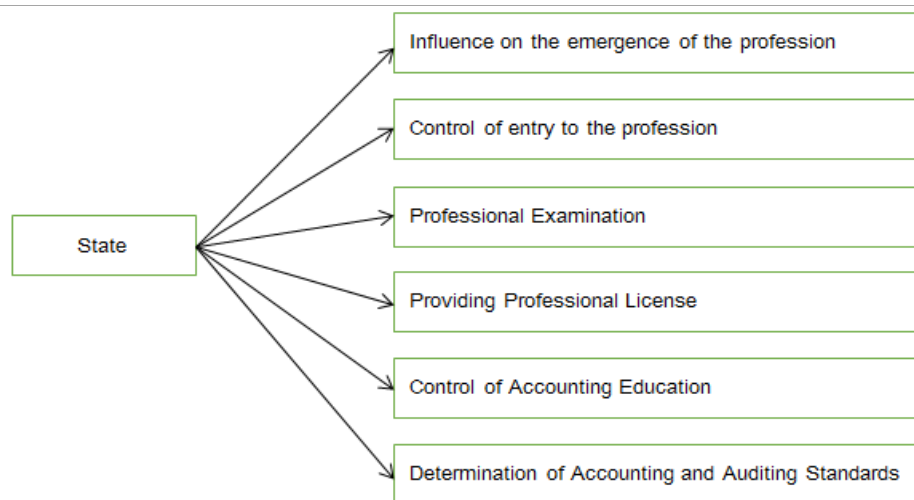


Figure 2: State Roles and the Accounting Profession

6.2 Western influence and the accounting profession

The concept of accounting profession has been disseminated to Thailand through growing globalization, Big Four Firms, and education as presented in Figure 3.

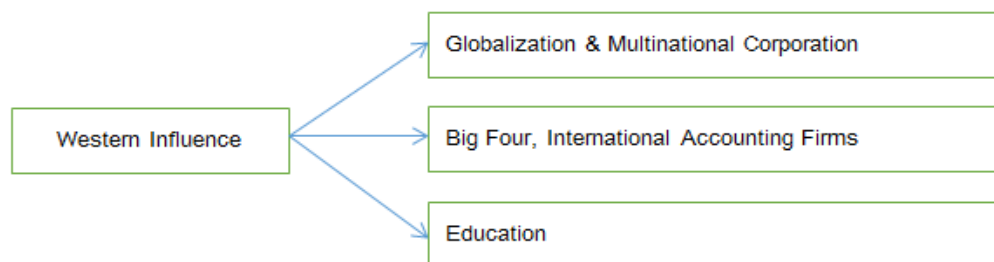


Figure 3: Western Influence on the Accounting Profession in Thailand

Many interviewees asserted that the development of capitalism during the late nineteenth century and the beginning of the twentieth with the rise of industrial capitalism in western countries influenced on the development of the accounting profession in Thailand. Increasing of local corporations created demand of locally qualifies accounting manpower with an adequate knowledge. In addition, the growth of multinational companies in Thailand required accounting and auditing services from international accounting firms (known as 'big four firms') due to their reputation and worldwide network. The 'big four' became recognized by the Thai accounting community when they started participating in the local accounting profession instead of confronting the state to secure their monopoly of practice in the market as in Greece (Caramanis, 2002, 2005).

Another significant factor to handover accounting knowledge from western countries to Thailand is education. Most interviewees asserted that accounting education is very much dominated by the American accounting practice and education. Many Thai instructors in early

development of the accounting profession in Thailand completed their graduate studies in the US (Akathaporn et al., 1993, p.260). Therefore, the accounting programs for a bachelor degree offered by public and private universities in Thailand are generally based on the American system (Techamontrikul & Chimchome, 2005, p. 582).

6.3 Politico-economic milieu and the accounting profession

Political-economic milieu influences on the development of the accounting profession in many countries. Most interviewees asserted that Thai political involved with the accounting profession in high level through the involvement of various state agencies. Some reasons behind this involvement are that the state required protecting state and public interest, to promote corporate governance in the capital market, and to create demand of accountants and auditors to serve the Thai society. In addition, some evidence from interviewees show state intervention in the accounting profession by lobbying over legislative matters such as some Thai financial reporting standards to protect state interest.

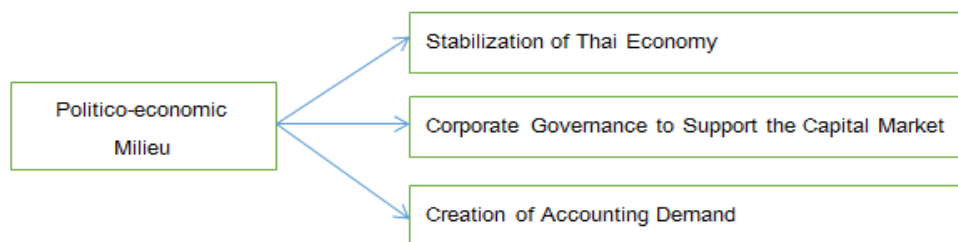


Figure 4: Politico-economic Milieu and the Accounting Profession

Willet et al. (1997) point out that the political factor is closely associated with past or present colonial power and its significant influence on the transformation of the profession in the Asia-Pacific region, for example, the old British Empire. It shows 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 model had influenced the development of the accounting in Cambodia, the Dutch model in Indonesia, the Portuguese model in Macau and the US model 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 United States of America (Willet et al., 1997, p. 39).

7. Conclusion

By using in-depth interviews with officials of the Ministry of Commerce, Ministry of Finance, accounting academics and accounting practitioners in Thailand as well as secondary resources, findings present the development of the accounting profession in Thailand over the past fifty years. The state played a significant role on the development of the accounting profession through various ways. However, the enactment of accounting laws and regulations is recognized as a powerful tool of the state in early development of the accounting profession in Thailand. The enactment of the Auditor Act 1962 contributed to the emergence of the accounting profession in Thailand. The state protects and controls the accounting profession through the Board of Supervision of Auditing Practice.

However, from 2004 onwards the state began to minimize its roles and empower the Federation of Accounting Profession in Thailand to protect and control all accountants and auditors through passing the Accounting Professions Act 2004. This evidence shows that the state is a significant factor in the development of the accounting professionalization process as mentioned in Puxty, et., al (1987), wherein the state is referred to as the authority of hierarchical control which plays a crucial role in the creation of accounting practices and related services by passing the Commercial Codes and Accounting Regulations (Puxty, et., 1987). In conclusion, emergence and development of the accounting profession in Thailand is based on a combination of various factors such as professional accounting regulation, globalization, politico-economic milieu, and educational institutions.

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