

IMPERIALISM AND THE PRACTISING MONOPOLY: PROFESSIONALISATION OF ACCOUNTANTS IN SRI LANKA

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ABSTRACT

Purpose – This paper aims to extend our understanding of the practice and profession of accounting in the context of imperialism in Sri Lanka and to examine how the British Empire influenced the realisation of their interests through the accounting profession during the period 1940 to 1980s in Sri Lanka.

Design/methodology/approach - A qualitative research approach is employed. Data were gathered via document review, archival data and in-depth informal interview approaches. The theoretical framework is drawn from the theory of imperialism.

Findings - The findings provide evidence that the UK capital through ‘starling companies’ continued operating in Sri Lanka to manage the plantation (tea, rubber, coconut) economy. The setting up of the Accountancy Board (1941) by the British was to qualify locals as Registered Accountants to serve in the country. These accountants were marginalized and prevented from practising as auditors by British qualified ‘elite’ accountants in Sri Lanka. The Institute of Chartered Accountants of Ceylon (Sri Lanka)(ICASL) established in 1959, continued the British dominance of the profession and the gate keeping mechanisms for British accounting bodies and ICASL maintained the British business for the benefit of the imperial center. It shows the existence of imperialism without empire during the period in this study.

Originality/value - The literature on accounting professional projects in developing countries has focused on imperialistic influence in former British colonies. The unique feature of the Sri Lankan (as a non-settler colony of Britain) accounting profession, when compared with other former British colonies, is that the ICASL has maintained a ‘practising monopoly’ from its inception to serve the British business interests in Sri Lanka.

Practical implications – The issues identified in this paper has practical implications for understanding the nature and changes associated with the accounting profession during the colonial and post-colonial period in Sri Lanka.

Research limitations/implications – The results of the interviews are based on the knowledge and past experiences of interviewees. What is generalisable is an understanding of the processes and mechanisms which relate to the way the accounting profession functions.

Keywords: Accounting profession, imperialism, practising monopoly, registered accountants, Sri Lanka.

Paper type - Research paper

1. Introduction

British imperialism and colonialism has influenced the political, legal, social and economic systems of numerous countries in Asia, the Middle East and Africa over the last few hundred years (Johnson & Caygill, 1971; Johnson, 1982; Sian and Poullaos, 2010). Commensurate with the empire expansion became the need for and the growth in professional services in the colonies to meet the interests of the British Empire. This is evident in the post-independence periods in many of the former British colonies. The concept of "imperialism without empire" (Robinson, 1984) is addressed in studies of professionalization processes aimed at identifying the existence of the imperial nexus within indigenous professional associations. Gallagher and Robinson (1953) theorize imperialism in a way that enables identification of the influence of the formal Empire as well as of informal Empire rules. They explain that British imperialism proceeds on the basis of a policy of "trade with informal control if possible; trade with rules when necessary" (Gallagher and Robinson, 1953:13). Following Galtung's (1971) work on 'Structural Imperialism', Richardson (2010) points out accounting was intertwined with different forms of imperialism namely economic, military, political and cultural. Anisette (2000) explains that the concept of imperialism without empire provides an opportunity to conceptualize indigenous accountants and their institutions as part of the wider network of collaborative systems that connect the internal/local with the external/metropolitan in the operation and maintenance of an informal empire.

This paper investigates the imperial influence on the development of the accounting profession in Sri Lanka¹, formally known as Ceylon, focusing on how the British influenced the realisation of their interests during the period 1940 to the 1980s. While Yapa (2010) focussed on closure strategies followed by the local accounting body to exclude certain groups in the accounting profession, this paper concentrates on the strategies developed by the local accounting association to safeguard the imperial interests in plantation business.

Sri Lanka gained its independence from Britain in 1948 through peaceful negotiations and became a member of the British Commonwealth. The whole gamut of business activity in Sri Lanka was directed towards the plantation sector (Tea, Rubber and Coconut) which was introduced to the Sri Lankan economy by the British (Ramanathan, 1952). The plantation estates were owned and managed by 'sterling companies' registered in England. Regardless of the currency in which their balance-sheets were presented, however, most of the shareholders in these companies were British. The administration work including accounting, dividend payments and auditing work of these sterling companies were managed by British accounting firms.

¹ Sri Lanka is a tropical island in the Indian Ocean, 25,483 square miles in area. According to statistics the population is 19.9 million and the inhabitants are highly educated with a literacy rate of 96% that attributes to the free education system. The colonial rule began in Ceylon with the arrival of the Portuguese in 1506 and subsequently the arrival of Dutch in the 17th century. The British colonial rule replaced the Dutch in 1796 and it was the British who introduced coffee, followed by tea, rubber and coconut plantations that contribute a key component of foreign income earnings in the economy. The country was known as Ceylon until the name was changed to Sri Lanka in 1972. Its Gross National Product (GNP) in 2006 was US\$22.8 billion with a GNP per capita of US\$1,355 (Central Bank of Sri Lanka, 2006).

Sri Lanka's regulatory system contains traces of the former British tradition. For example, company legislation², an Auditor General³ and a well-developed financial sector including a securities exchange⁴, with a body to assist in the establishment of the accountancy profession in Sri Lanka, called Ceylon Accountancy Board (CAB). The CAB was set up by the colonial government, under the Companies (Auditors) Regulations of 1941, to introduce regulations and conduct accountancy examinations to qualify Registered Accountants (RAs) in Ceylon (Perera, 1975; Yapa, 2006). In the post-independence period, a professional accountancy body⁵ - Institute of Chartered Accountants of Sri Lanka (ICASL) - was set up in 1959. The ICASL took over the duties of the CAB in September, 1960. The ICASL maintained the British business for the benefit of the imperial center.

The primary objectives of the study are to: (1) seek an explanation the struggle that the CAB-qualified RAs had when they were not recognised as public accountants; and (2) determine how, post-independence, the indigenous accounting body (ICASL) managed to maintain the British imperial interest (plantation economy) through a practising monopoly from its inception - 1959. Our research question is posed as: What has been the imperial influence on the development of the accounting profession in Sri Lanka during 1940 to 1980s? The period covered in this study is shown in Figure 1. The pre-1980 period was relatively the most effective period of imperial influence at the ICASL. The post 1980s Sri Lanka followed open economic policies and consequently accountancy profession changed its direction along with the policies adopted by the state (Yapa, 2006).

The specific argument of this paper is how and why the imperial influence in accounting profession continued in post-independence in Sri Lanka (non-settler colony). For example, while most locals seeking a formal accounting qualification opted for that of the CAB, children of Sri Lankan 'elite groups' preferred British accountancy qualifications such as Institute of Chartered Accountants in England & Wales (ICAEW) or Institute of Incorporated Accountants (IIA) in order to serve the British interests on plantation sector and associated business in Sri Lanka. Thus British accounting qualification became an opportunity for elites to defend their social status, prestige, respectability and recognition to further consolidate their elevated social positions and

² , the UK Joint Stock Companies Ordinance No. 4 of 1861 was used as the legal framework applicable to companies in Sri Lanka in the early twentieth century. Despite the subsequent changes took place in 1896, 1900, 1908 respectively in the English Law, Sri Lanka did not change its local statute except for certain amendments. However in 1929, steps were taken to revise the company law in order to follow the principles and provisions of the English Companies Act of 1929. As a result of this development, Companies Ordinance No. 51 of 1938 was enacted to amend and consolidate the law relating to companies in Sri Lanka. With the enactment of the Companies Ordinance of 1938, there was an increased participation by local investors in corporate business, but it was limited to only a small percentage of the population (Perera, 1985).

³ The beginnings of the present Audit Department in Sri Lanka can be traced as far back as the year 1799, just three years after the British occupation of the maritime provinces of the Island in 1796. The first Auditor General position had been held by the name of Cecil Smith (British) (Auditor General's office, Colombo, Sri Lanka).

⁴ The origins of the CSE can be traced back to 1896 when the Colombo Share Brokers' Association (CSBA) inaugurated the stock trading in limited liability companies which were mainly involved in business associated with plantation sector (Tea, Rubber and Coconut).

⁵ The Institute of Chartered Accountants of Sri Lanka (ICASL) was set up in 1959 under the ICA Act No. 23. It was then named as Institute of Chartered Accountants of Ceylon (ICAC), subsequently, in 1972, with the constitutional change the name of the Ceylon was changed to Sri Lanka; the Institute was also eventually renamed as Institute of Chartered Accountants of Sri Lanka (ICASL).

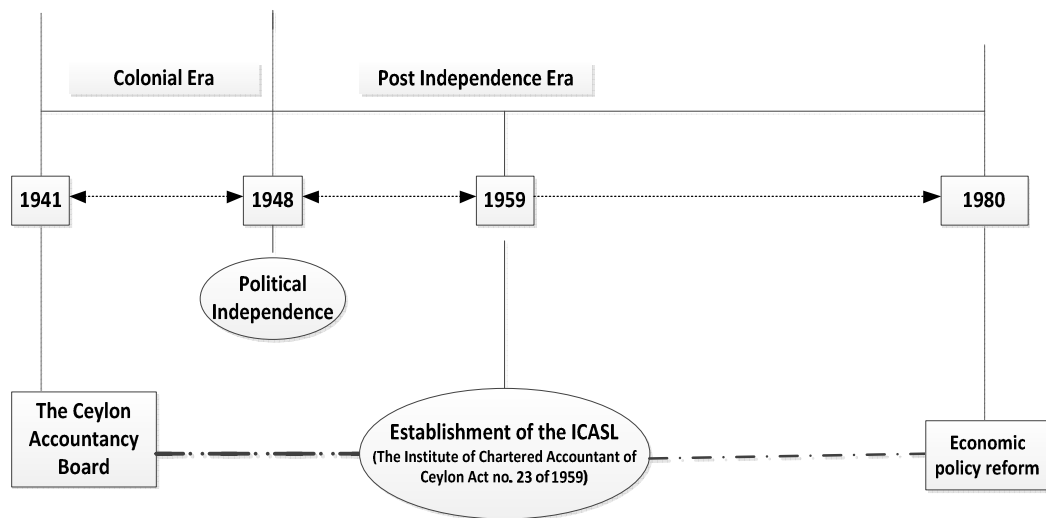
elite status. The unique feature of these qualifications was the article-ship training, and those who preferred such qualifications had to go to England to obtain the qualification. The Association of Corporate Certified Accountants (ACCA) was also recognized in Sri Lanka but the principal distinction between the ACCA and the above-mentioned two bodies (ICAEW and IIA) was that the ACCA did not require articles for qualification and members were engaged only in accounting work (Report of the Special Committee, 1949). The membership of the three bodies⁶ carried different levels of social class and status. Membership of the ICAEW was considered the most prestigious; with IIA membership ranked second as it was a qualification obtained from the UK, and RA membership of CAB was regarded as last in the pecking order.

The study makes a contribution at a number of levels. Firstly, it provides new empirical data on the professionalization of accountancy in Sri Lanka in post independence, taking into account the interview and archival evidence (Yapa, 2006). Secondly, at the theoretical level, this study adds the extant literature (Yapa, 2010) that enquires various professional groups interacted on accounting practice while local accountancy body monopolised the practicing rights in the Sri Lankan context. Thirdly, this study analyses how local elites maintained their vested imperial power to seek benefits to the imperial centre. As a result, this study links to earlier studies on Sri Lanka (Yapa, 2006, 2010) by bringing up new evidence on the professional project during 1940s to 1980s in Sri Lanka.

This paper is divided into six sections. Section one is this introduction while section two develops an analytical framework for the study based on links between profession and imperialism/colonialism literature. Section 3 outlines the research methods employed, followed by an historical account of the development of accounting in Sri Lanka from 1940 to 1980s. Section four describes the accounting professionalization process in Sri Lanka while section five traces the historical description and discussion on the accounting profession in Sri Lanka. Section six concludes the paper.

⁶ ICAEW, IIA and RA in the CAB.

Figure-1 Time Frame of the study



2. Imperialism and the Accounting Profession

The British influence on accounting profession in Sri Lanka points to a number of interesting issues, since the accounting profession has been regarded as a prestigious occupation that was open only to a certain class of the society i.e., British Nationals who occupied in plantation business sector in Sri Lanka and local elites. Thus, this study investigates actions and reactions of the local elites who were involved in the accounting profession and the consequences of such events to the profession in the post-independence Sri Lanka.

British imperialism has been examined in the accountancy professionalization literature as a form and a process of domination, control and exploitation of non – European societies, especially in Africa and in Asia, which were regarded as industrially and technologically less developed (Gallagher and Robinson, 1953; Robinson, 1972; 1978; 1986; Wesseling, 1978; Mommsen, 1986). Most scholars began to express their views on imperialism at the beginning of the twentieth century and they suggested a direct link between the development of accounting professional bodies and the British State within the broader context of the British Empire. Said (1993) defines the imperialism as “mean the practice, the theory, and the attitude of a dominating metropolitan center ruling the distance territory; ‘colonialism’ which is almost always a consequence of imperialism” (Said, 1993:9). Said’s definition on imperialism has been endorsed by the Richardson, in his study of ‘Canada between Empires’ (Richardson, 2010). Imperialism as a form of domination for expansionist objectives has been addressed by Gallagher and Robinson (1953), who state that “domination is largely decided by the various changing relationships between the political and economic elements of expansion in any particular region and time” (Gallagher and Robinson, 1953:5-6). Galtung’s (1971) structural imperialism provides a valuable insight into modern-day imperialism. He identified 5 forms of imperialism based on the nature of interaction between the centre nation (colonial master) and periphery nation (colony), namely, economic, political, military, communicative and cultural. Richardson (2010) commented on the five form of imperialism by saying that these forms of imperialism

are not mutually exclusive nor do they represent a series of stages of imperialism (Richardson, 2010).

Therefore, the concept of imperialism explains the domination of underdeveloped countries by industrialized countries as a consequence of different economic and technological levels and unequal power potential resulting from different economic growth. The consequence of the development of industrial capitalistic societies is a pressure for expansion which may lead to the military or political acquisition of colonies or to maintaining the economic dependence of developing countries. Professions, identified at the beginning as skilled occupational groups also emerge in industrial nations and become an integral part of the industrialization (Abbott, 1988). Indeed, the link between the empire and the colonial professions (occupational groups) has been found to be strong, with professions supporting imperial leaders and becoming loyal servants of the empire (Johnson and Caygill, 1971; Macdonald, 1984).

Studies on professions began in the early 1970s, some of these investigating professional promulgations in Great Britain as well as in their colonies. Abbott (1988) maintains that the central basis for a claim to a professional area, and the means to defend that area of work against other groups which would encroach, is a claim or perceived claim to knowledge. In turn Hines (1989) makes the point that it is the claim to possess rather than the actual possession of a body of knowledge that lies at the basis of the social recognition of the profession. However, both actual and perceived knowledge is a product of historical processes and interactions. Once professional status is established or a basis secured these institutions tend to maintain themselves and to garner legitimacy from their historical and ongoing existence.

Johnson (1973) identifies some general tendencies about the nature and formation of the professions in erstwhile British colonies (Johnson 1973; Johnson and Caygill, 1971, 1972a, 1972b; Macdonald, 1985). According to Johnson's explanation, the development of the accounting profession was not a single and isolated phenomenon but rather a process connected with the economic and political expansion of the British Empire. The theory of imperialism proposes that when an empire starts expanding its authority through territorial conquest, economic and political power establishment is inevitable across territories and nations. Along with imperial expansion, various aspects of the accounting profession, such as its systems and practices are transported to and become an integral part of the colonies concerned (Johnson, 1973; Davie, 2000; Annisette, 2000).

The influence of imperialism on the Fijian accounting profession has been highlighted by drawing on the views of "imperialism" (Davie, 2000). She pointed out, how the accounting profession was used as a mode of power by the indigenous elitist and how accounting system was imposed as an integral part of the imperial expansion (Davie, 2000). Bakre (2008) also explained how accounting technology and legal frameworks brought into Jamaican economy as a result of imperial expansion and control in the colonial and post-colonial period.

While foregoing perspectives on imperialism have mainly been employed to interpret accounting professionalization processes in African and Asian settings, where British professional bodies made significant efforts to dominate, control and exploit resources of former colonies- both in settler and non settler colonies, other studies on developing

countries such as Czech Republic (Seal et al., 1996) provides useful insight by using the lens of professionalism on the Anglo- American professionalization model. These studies suggest how such a trend influenced indigenous professional associations' struggles for jurisdiction in developing nations at large. It is interesting to study the Sri Lanka's indigenous accounting body (ICASL) in its post-independence period, and how it managed to maintain the British imperial interest, in a non settler colony, through a practising monopoly from its inception in 1959. Compared to accounting practice in other British colonies, the practice monopoly is a unique feature in Sri Lankan accounting profession. While maintaining imperial interests in plantation business, local accounting elites were able to maintain a practice monopoly in this non-settler colony which can be identified as 'imperialism without empire'. This is the motivation for this study.

The professional accounting education in Sri Lanka has some special characteristics when compared with other prestige professions such as law and medicine in the country. For example, medical, law and engineering students receive their professional education and training from universities, as is the case in Britain. On the other hand, the education and training of accountants was patterned on that of the British professional accounting bodies. It was observed in the late 1940s that 98 percent of Sri Lankan accountants were holders of qualifications from UK-based professional bodies, (Report of the Special Committee, 1949). This indicates that members who joined CAB are all British qualified accountants.

The strategies which the British professional bodies employed in the British Empire continued in the post-independence period in many of its former colonies (Annisette, 2000; Sian, 2007; Yapa, 2006). The role of the ACCA is considered an illustration of this notion of imperial influence on accounting globally (Bush, 2010; Johnson & Cargill, 1971). The ACCA promotes itself as a globally recognized accountancy body with a worldwide membership network (Association of Chartered Certified Accountants, 2011). The control of membership of professional associations such as ACCA and control of the market are closely linked (Parker, 2005).

Therefore, examination of the dominance, control and exploitation through apprenticeship, examination and entry qualifications and dynamics of accounting professionalization could provide useful insights as to how British accountancy bodies influenced professionalization projects in developing countries. Despite many contributions having been made elsewhere to the literature of the accountancy professions, except for Yapa's (2006; 2010) studies, little research has been conducted into these areas in Sri Lanka.

3. Methods of the Study

This qualitative study collected data from archival records collected from multiple sources which became available to researchers located in Sri Lanka and abroad. In addition, informal interviews (personal and by telephone) conducted with a number of individuals who played a key role in the Sri Lankan accounting profession.

The interviewees were comprised of accounting professionals, senior public servants in Sri Lanka, high rank officials from British professional accounting bodies. While Table

1 provides brief description of respondents for this study, the Table 2 provides the background information of the respondents. As shown in Table 1, twelve interviews were conducted on a one-to-one basis with five senior members of the ICASL – 2 of them were holding parliamentary positions in the Sri Lankan parliament, retired members of ICAEW, Registered Accountants who were qualified from CAB and retired from their service and they have been holding senior administrative positions in the government, and university accounting academics in Sri Lanka. Interviews were conducted in two different intervals; Phase 1, November to December 2009 and Phase 2, December 2010 to January 2011. The interviews were recorded and transcribed by the researchers themselves. Interviews varied in length from one to 1.5 hours each. Nearly half the interviewees were retired or semi-retired; which was an advantage for this study as respondents were able to track and recall historical incidents relating to the professionalization of accounting in Sri Lanka. The interview evidence provided researchers very helpful information in clarifying some aspects found in the archival records on the subject, for which it was felt that written archival materials and sources did not provide a clear picture.

Secondary sources such as published articles, books and websites were also reviewed. The difficulty that was encountered relates to the accessibility to some of the key people who have been involved in the professional accounting in Sri Lanka. During the ethnic war⁷, took place from 1980s to 2009, most of the professionals including accountants left Sri Lanka and migrated to countries such as, UK, Australia, Canada and New Zealand. The data accessibility issue was significantly ameliorated by contacting some of those actors who live in Australia and in the UK. Researchers contacted some of the key people using personal contacts and some of them were very keen on providing information on the monopoly practice and the British interests that had been taken place in the profession.

Table - 1 Interviewed Respondents

Category	Group of respondents	Phase-1 Interviews 2009	Phase-2 Interviews 2010	Total number
1	Professional Accountants Qualified from the ICAEW (both Retired)	1	2	2
2	Registered Accountants Qualified from Ceylon Accountancy Board (both Retired & holding senior administrative positions in the government)	3	4	2
3	Professional Accountants Qualified from the ICASL (Private and public sector) (2 retired)	5,6,7,8	9	5
4	Professional Accountants belongs to Sri Lanka Government Accounting Service.	-	10	1
5	Accounting Academics from the Sri Lankan universities	11	12	2
Total number of interviewees				12

⁷ There was an ethnic war between majority Sinhalese and minority Tamils during early 1980s to end of 2009. During this period a significant amount of professionals left the country and migrated mainly to countries such as UK, Australia, New Zealand and Canada.

The research method of interview has its own shortcomings such as researcher bias, poor recall and inaccurate articulation or interpretation (Walker and Shackleton, 1995). In addition, there are problems with respondents perhaps seeking to mislead the researcher, or forgetting to mention important events in the past (Denzin, 1977, cited in Silverman, 1985: 163; Parker, 1987; 1997). To assist in ameliorating some of these limitations, we followed two approaches. Firstly, interview questions presented to respondents were modified as the researcher saw fit and appropriate. Secondly, data triangulation approach was used where possible to ensure the validity of data. The data triangulation approach involves the use of three sources: Firstly, interviews, secondly, secondary sources, third and finally, sessional papers and parliamentary Hansard reports, from the Department of National Archives in Sri Lanka, on the formation of the ICASL. A summary of interview questions are provided as an appendix in this paper (See Appendix -1).

Table 2 : Background information of respondents

Respondents	Interviews Phase 1 & 2	Memberships	Back ground and experience of respondents
1	Phase 1	ICAEW	Held several responsible government positions including member of the ICASL Council, Auditor General and Assistant secretary to the Treasury Department and chairperson of FTA Committee. Retired after 35 years of service.
2	Phase 2	ICAEW	Held responsible positions in the state sector and member of the ICASL council, finally worked as an Auditor General of Sri Lanka. Retired after 38 years of service.
3	Phase 1	Registered Accountant ⁸	Qualified from the CAB and worked as an accountant in several British companies and later started his own Audit firm and now he is a consultant to the ICASL.
4	Phase 2	Registered Accountant ⁹	Qualified from the CAB and worked as an Auditor General and a consultant to the Asian Development Bank (ADB). Retired from service after 32 years of service.
5	Phase 1	ICASL	Commissioner of Inland Revenue Department and held responsible positions such as Chairman of a State Owned Enterprise in Sri Lanka- Retired after 31 years of service. Held a parliamentary position for 4 years.
6	Phase 1	ICASL	President of ACCA and CFO of a major commercial bank of Sri Lanka. Held a parliamentary position for 4 years.
7	Phase 1	ICASL	Council member of ICASL, held tax manager positions in leading audit firms. He was a chairman of committees on taxation library and publications, examinations, company law at ICASL. Now he is working as a senior manager in an audit and tax authority in a foreign country.
8	Phase 1	ICASL	Chairman of the Securities Exchange Commission and Partner of a leading audit firm in Sri Lanka, Former chairman of a leading commercial bank in Sri Lanka.
9	Phase 2	ICASL	President, former council member and founder of Institute of Certified Management Accountants of Sri Lanka

⁸ Qualified from Ceylon Accountancy Board as Registered Accountants(RA)

⁹ Qualified from Ceylon Accountancy Board as Registered Accountants(RA)

			(ICMASL). Founder president of AATSL (Association of Accounting Technicians of Sri Lanka). Held many responsible positions in the government.
10	Phase 2	IPFDA	Member of (IPFDA), Director General of the Treasury and consultant to the World Bank. Former head of the Academic Division in Sri Lanka Institute of Development Administration (SLIDA) .
11	Phase 1	ICASL & PhD	Member of the ICASL Council and a Senior professor of accounting in a leading university in Sri Lanka.
12	Phase 2	PhD	Director of the Securities Exchange Commission academic division Senior lecturer at a leading State university in Sri Lanka.

A draft of the transcribed report of interview discussions was provided to interviewees who took part in interviews, with the request that they indicate if they had concerns about any of the report's contents or sensitivities. None of the participants suggested any major revisions to the content of the report, which implies that the interview data was properly interpreted.

4. Accounting professionalization process in Sri Lanka

By the time Sri Lanka was given its political independence by the British in 1948, it had experienced over four hundred years of colonization¹⁰ by several invaders (Portuguese¹¹, Dutch¹², and British) had seen a disarray of the fundamental economic structure that the country had inherited. Nearly one hundred and fifty years (1796-1948) of British rule had a significant and enduring impact on various social, political and economic aspects of the country (Perera, 1975). For example, the very top posts of some of the biggest industrial and trading companies¹³ that involved in mercantile

¹⁰ Before colonization, the Sri Lankan population consisted of mainly Sinhalese whose language and religion were Sinhalese and Buddhism. Representing 85% of the population, they were the majority (Wickramasinghe and Cameron, 2004). Sri Lankan Tamils—descendants of the 11th century Indian invaders known as Ceylon Tamils—spoke Tamil and their religion was Hindu. Moors were a very small population that migrated to Sri Lanka for trade purposes. Burgers were also immigrant descendants from Portuguese and Dutch colonists.

¹¹ In 1505, the country was colonized by Portuguese (1505-1656) but this had little impact on the economy because they were involved in indigenous commodity trading. The Dutch East India Company (1656–1796) defeated the Portuguese in 1656.

¹² The Dutch introduced Roman-Dutch Law and Catholic education while expanding existing economic activities in order to increase trade surpluses. This was the beginning of the creation of different sets of social classes among society (Jayawardena, 2000) such as the working class and educated white-collar workers.

¹³ These companies are: Walker Sons & Co. Ltd, the Ceylon Wharfage Company Ltd, the Colombo Commercial Company Ltd., Delmage Forsyth & Co, Ltd, Mercantile Bank Ltd, National Bank Ltd, George Stuart & Co. (Report of the Special Committee, 1949).

activities associated with plantation sector in Sri Lanka were held by British qualified accountants.

4.1 A Profession for the Elites - British Domination and Exploitation

During the British imperialism, the national economic policies of Sri Lanka have been set up to exploit its natural resources and its native population. The colonies did assist by providing raw materials such as tea, rubber and coconut for British companies which facilitated the imperialist to prosper and create wealth. On the other hand, when Sri Lanka was a colony, it was not possible to obtain educational qualifications, including accounting, for most locals but local bourgeoisie sent their children to Britain for higher education. This generated revenues to British educational institutions. This fact was confirmed by an interviewee who went through the British education system:

The strategy of the British was to earn foreign exchange through educational programs and various fees such as examination fees through examinations. So they permitted us to open [a] few schools. They [the British] had the matriculates - the matriculate also from their country [Britain]. So you study for their matriculation and servicing for them it was just a source of income... Until 1948 London Senior School was held locally. It generated good revenues to British institutions. That was one method for foreign exchange inflow to Britain apart from the plantation dividends (Interview. No 3).

The British motive was to provide some education to locals in order to obtain assistance for their normal administration processes. Locals who could afford a British education were able to obtain qualifications from the ICAEW or from any other British body.

Most of those who went to the UK to study were the Colombo elite family members who acquired jobs in British mercantile companies who involved in the plantation in Sri Lanka as soon as they returned to the country. Thus, British qualified accounting professionals did not have difficulties in finding employment within the colonial regime and after the independence but, rather, enjoyed the benefit of colonisation.

An interviewee highlighted this elite tradition as follows:

Most of them—they were from the elite families in Colombo—they had the money and the abilities not only to pay for the studies but also to go abroad. But by and large other educated people of this country not so well off - who were unable to go and get those degrees, then the British themselves did not encourage local education because sending locals to Britain for higher education was also one of their sources of income (foreign exchange inflow to British) (Interview, No. 3).

However, this tradition continued for many years. The wealthier majority went to the UK to gain their education and training in the UK accounting environment. This was mainly because British-owned mercantile companies in Sri Lanka gave priority to British-qualified professionals. The arrival of British capital to plantation sector and new company legislation played a significant role in Sri Lanka in pre and post-independence. According to De Silva (1982), British capital investment in Sri Lanka was of two types: 'mercantile capital and productive capital'. Mercantile capital represented various fees, commissions on sales proceeds of tea, rubber and coconut, and margins on various services such as insurance and freight. This was the administrative and operation mode of plantation companies of their colonies through an Agency House System. Productive capital came in the form of direct investment in

plantations provided by the scattered mass of absentee stockholders of British plantation companies, commonly known as ‘Starling Companies’ (De Silva, 1982: 37 and 53). Labour was the largest portion of the ‘variable’ capital and, generally, it represented around 60 per cent of the total operating capital of the estate. The control responsibilities were shared amongst managers who were responsible for managing the labour process. Thus, the Agency House System was the key controlling mechanism which was well in place in colonies to control the mercantile activities. The Colombo agency which managed plantations and the London agency managed the company. The exploitation, domination and control of plantation and associated business were operated through these institutional framework up to about 1980 in Sri Lanka (Government of Sri Lanka, 1974: 16-17; De Silva, 1982; Yapa, 2010).

4.1.1 The Ceylon Accountancy Board - 1941

The Ceylon Accountancy Board (CAB) was established under the Companies (Auditors) regulations in 1941 which functioned under the aegis of the Ministry of Commerce and Trade. The board consisted entirely of persons nominated by government, but of these, officials or public officers were in a minority (Nesaratnam, 1999). The only public officer was the permanent secretary to the Ministry of Commerce who was the chairman of the board (Report on Commission on Company Law, Banking, Insurance and Accountant and Auditors, 1950, hereafter L.M.D De Silva Commission, 1950). Other members were leading businessmen involved in the plantation sector in Ceylon in the 1940s, some of whom were also members of the Chamber of Commerce (Nesaratnam, 1999). Under the regulations of the board - CAB, registration for the purposes of the audit of company accounts was open to members of the established professional societies in Britain and to persons registered under company legislation in India. The CAB maintained a ‘Register of Auditors’ for those who were qualified at that time to practice as auditors. Among the RAs, there were holders of book keeping and accountancy certificates of Ceylon Technical College and Professional accountancy societies in Britain. While registering and maintaining a register of auditors, the CAB was responsible for qualifying Registered Accountants (RAs) by conducting examinations and assisting them in training arrangements called ‘Articles’ for those students who enrolled with CAB. There were a few Indian accountants registered with CAB, as pointed out by an interviewee:

There were about less than 100 accountants at that time in Ceylon. Under the objectives of the CAB – all the practicing auditors at that time were requested to register under CAB. So there were accountants who were qualified from the UK and also some were qualified from India (Interview, No. 7).

Most auditors who registered with CAB were holders of qualifications from UK-based professional bodies- such as the IIA, the ICAEW and the ACCA. The 1949 Report of the Special Committee appointed by the Ceylon government to investigate the structure of the accountants’ service saw the accounting profession as having three tiers:

- (i) Chartered Accountants (ICAEW):

Five years under a chartered accountant or 3 years if the articulated pupil is a holder

of a degree of a University of the United Kingdom. A Ceylon degree even if it is a 1st Class Honours was not taken into consideration by the Institute of Chartered Accountants. The minimum educational qualification was London Matriculation (as far as Ceylonese is concerned) (Report of the Special Committee, 1949:5).

(ii) Institute of Incorporated Accountants (IIA):

Generally the terms are the same as in the case of the Chartered body except that it is possible to be articulated in Ceylon under an incorporated accountant and after 4 years and 2 months the candidate can go to the United Kingdom where he is then eligible to sit successively for the Intermediate and Final examinations. A degree of a British University or a 1st class Honours degree in Ceylon reduces the period by two years (Report of the Special Committee, 1949: 5).

(iii) Ceylon Registered Accountants –(RAs)

Four years under a registered auditor approved by the accountancy board. The period is reduced to 3 years in the case of a graduate. The minimum educational qualification is Senior School Certificate (Report of the Special Committee, 1949: 5).

While students who followed ICAEW, IIA and RAs required completing articles training for qualifications, such training was not required for those who followed ACCA (Report of the Special Committee, 1949). British citizens who worked in Ceylon as auditors at that time were in the majority and a very few Sri Lankan nationals were the minority members in the CAB.

At that time the objective of the CAB was to just conduct the exams – no facilities were there for lectures or tuition like today. Those who did the exams had to do self-study to do their exams. It was very hard and many candidates who took the exams of CAB failed their exams- Most of the exam papers were set locally – and the marking was done by some local British accountants’ (Interview No. 4).

Just after independence a very few students enrolled and passed the exams of the CAB. Table 3 shows the examination results of the CAB. There were 34 candidates enrolled for exams of CAB and only 2 candidates’ have passed and only 7 passed the intermediate examination.

Table 3 Examination Results of Ceylon Registered Accountants

Ceylon Registered Accountants					
Level of Examination	Number of Candidates	Number of Passes	(%)	Failed	(%)
Intermediate	22	5	22.7%	17	77.3%
Final	12	2	16.6%	10	83.4%
Total	34	7		27	

Source: Report of the Special Committee (1949)

There were only 15 persons who had completed the full terms of articles but had not passed the first examination of CAB up to 1949. With regard to the CAB's examinations, the Report of the Special Committee (1949) noted on the status of the accounting apprentices as follows:

[In] Ceylon at present (1949) there are 5 persons who have passed the first examination of the Accountancy Board and are entitled to sit for the final. Ten persons took the full period of articles to pass even the first examination when they should really have passed both examinations. It is problematical whether these ten will complete the examination. The remaining 13 are likely to pass out in the near future. It is understood that about 15 or 20 are endeavoring to get through the Chartered or Incorporated examinations in the United Kingdom. It may be safe to say on present statistics that perhaps 5 chartered or Incorporated Accountants might pass within the next three years. Further in Ceylon there are 20 accountants who are entitled to take articled pupils of whom the Board allows 3 to each accountant, i.e., at any time there should be a maximum of about 60 articled clerks though in fact there are only 51 going through their articleship just now" (Report of the Special Committee, 1949: 6).

As indicated in the Report of the Special Committee (1949), there were less than 100 students enrolled for ICAEW, IIA and ACCA examinations. As indicated by interviewees, ICAEW exams were the most popular during this period. The second most popular exam was the ACCA and the third was IIA.

The RAs had to undergo education and training processes similar to those that British accounting professionals had undergone in the UK; moreover, the CAB's articleship had been given under the supervision of British (British citizens) professional accountants. However, British professionals and the British-qualified Sri Lankan 'elite group' did not want to give similar recognition (i.e professional recognition) to RAs that they themselves enjoyed. Rather, the elite group allowed RAs to practice only in small business enterprises or in the State sector as government accountants (Yapa, 2010). In this way, an environment was created to distance the RAs from the profession dominated by the elites. One of the interviewees explained his dissatisfaction as a RA:

I went there as an assistant secretary and also as an accountant but I found things again manipulated there—British manipulated—and we had to follow their instructions. I found to my great disappointment, I was recruited because they wanted to have British... It was the Colonization rules which explained that if a firm needed a British national, a local executive had to be appointed first. So, a British director was brought in - so I had little to do - I was moved away from the profession to business trading (Interview No. 3).

This situation led to considerable dissatisfaction and disappointment on the part of RAs. Moreover, CAB examiners (British qualified professionals) set tough examinations, and RAs had to undergo rigorous articles of training for payment of a premium (the principal sum to be returned to the articled clerk in instalments).

An RA interviewee described his experience with the CAB in the following way:

The examiners of the CAB set very high standards. I had a suspicion—a lot of us had a

suspicion—about these restrictions. So that inflow from UK kept closed and they stopped the outflow from here. So, we had a suspicion. In fact we went to newspapers and complained about this injustice. A very few candidates passed the exams. I remember when I passed in 1958; there were only four of us who passed the examination (Interview No. 4).

The imperial influence was used on many occasions in former colonies of the British empire during the process of professionalization for domination (Sian, 2006; Davie, 2000; Bakre, 2008). The dominant imperial influence has been imposed to keep the non-elites out of the profession. Sian identified and discussed similar occurrences in her Kenyan professionalization project (Sian, 2007). One of the Sri Lankan RAs explained his experience as follows:

They charged from a prospective articled clerk something like 5,000 rupees at that time in late 1940s and early 1950s which could have bought you a motor car. There was no allowance or salary – so it was a type of slave labour – you worked for [a] four year period of articles – earlier it was five but later they reduced it to four – you worked for the four year period rigorously – it was 8.30am to 5.00 p.m. We were not paid a salary - but they returned [our] premium which I think came to about 90 Rupees and it was called return of premium; it was not a salary so they did not care about labour laws and rules. I remember first time when I went for the interview the British partner asked from my father, “Did you bring the cheque” (Interview No. 4).

Clearly, then, there was a degree of exploitation and domination within the accounting profession. The British professionals who dominated the profession at ICASL held a practising monopoly, and did not allow locals to develop their indigenous profession on their own. The establishment of the CAB was not a solution to develop an indigenous profession, and it produced only 31 RAs during the 18-year (1941-1949) period (Ministry of Plan implementation, 1980). However, as evidenced in the Report of the Special Committee (1949) and revealed by interviewees, there were about 96 students enrolled for British based exams such as ICAEW, IIA and ACCA in 1949.

Thus, prior research (Yapa, 2006; Perera, 1975) has contended that the British Empire exploited, controlled and expanded their accounting profession in the colony of Ceylon during this period. On the other hand, by setting up the CAB, the intention was to provide accounting qualifications to locals. As evidenced from the interviews (RAs), it is revealed that British accountants exploited the local students by charging exorbitant fees in pursuit of their agenda of economic and imperial interests. The next section explains how imperialists exploited, controlled, dominated and expanded their interests in the accountancy profession during the post-independence up to 1980s in Sri Lanka.

4.1.2 Continuing the imperial tradition

Despite moves towards political independence that began in the 1930s, this did not occur until 1948. The transition was mainly peaceful and this shaped much of what followed in the new nation's economic, political and social spheres. In particular, the peaceful transition to freedom ensured that Sri Lanka embraced British precedent in many areas, including accountancy. The authorities promoted the establishment of a new local institute in Sri Lanka to regulate the profession. The Commission on Company Law was established by the government under the chairmanship of Mr. L.M.D. De Silva in the early 1950s, and its report recommended the establishment of the Institute of Chartered Accountants (L.M.D. De Silva Commission). As revealed by

many respondents to this study, several RAs had been to the L.M.D. De Silva Commission as students to provide evidence about the importance of a national accounting body. Despite this, the plans for setting up of a local accounting body remained shelved for a number of years due to political uncertainty in the country (Yapa, 2006).

At the early stage of the parliamentary bill for the establishment of the ICASL there had been some concerns raised by the Ceylonese with regard to the creation of an accounting profession that would accommodate two types of accountants, namely 'Chartered Accountants' ('CAs') and 'Registered Accountants'. The CA accountants were more powerful as they followed the British interests and eventually they acted as an 'elite clique' within the accounting profession of Sri Lanka. In this respect the following concerns were relevant:

[The] majority of the practising accountants in 1959 in Ceylon who were registered under the Companies (Auditors) regulations, 1941, are non-Ceylonese. The request that the Ceylonese should be given an opportunity to gain admission for membership in this indigenous organization is a fair and just demand. The Ceylonese practitioners have a claim to form the nucleus of this national organization. We informed the authorities that it is unfair to recommend legislation to consolidate the position of a particular class of practitioners which may aim ultimately at monopoly (Interview No. 4).

Despite such opposition, there were groups who supported the separation of the profession, as proposed in the ICAC bill. At the drafting stage of the bill, the founding members of ICASL, the elite group (CAs), showed their superiority. Following interviewee pointed out:

An accountant is as useful to the community as a doctor or lawyer. When it comes to the general public, an auditor's report would serve as a guide to investors, and therefore in the field of investment the auditor plays a very important role. Most business investments in Ceylon are based on British capital. So an auditor or an accountant must be a person of high integrity; such as Chartered Accountants, [on] whose reports people can rely as most of them have qualified on British exams. For that reason we must have reputed people in the accounting profession (Interview No. 6).

The British qualified (elites) accountants further argued that there might not be the same degree of confidence in the RAs and hence their right to audit accounts ought to be restricted to small private companies (L.M.D. De Silva Commission, 1950). Although aware of the disadvantage at which they would be placed if the bill progressed, the RAs were unable to marshal a strong opposition to the ICA bill. The elite group influenced decisions through their personal connexions with government members (Perera, 1975) and consequently the ICA bill was passed by the Parliament in May 1959.

During the years 1950 to 1959, there were some concerns about the need for industrial sector development in Sri Lanka. For example, in 1952, the World Bank recommended to the Sri Lankan government the promotion of small and medium scale industries, having identified the limited capacity of the private sector at that time (Lakshman et al., 1991). As a result, in 1956 the newly-elected government decided that all key

industries would be run by the State. It was also a major shift in industrial policy when the government enacted the Corporation Act (No.19 of 1955) and the State Industrial Corporation Act (No. 48 of 1957), which empowered it to set up and carry out industrial undertakings (Yapa, 2006). This can be considered as a turning point of the Sri Lankan commercial and industrial revolution.

The first industrial park was established in 1959, under the Industrial Corporation Act. The government's Ten Year Plan (1959-68) also gave special emphasis to commercial and industrial activities. As a consequence of these developments and the recommendations of the L. M. D. De Silva Commission were considered important (Yapa, 2006). It was only in late 1959 that an Act of Parliament was enacted that paved the way for the establishment of ICAC (Perera, 1975; Yapa and Perera 2005; Yapa 2006; 2010).

4.2 Establishment of Institute of Chartered Accountants of Sri Lanka (ICASL) in 1959

As indicated, The Institute of Chartered Accountants of Sri Lanka (ICASL) was established in December 1959, 11 years after the achievement of political independence in Sri Lanka. In 1972, under the constitutional arrangements, the name of the country was changed from 'Ceylon' to 'Sri Lanka' and eventually institute was renamed as ICASL. It is clear from the evidence collected through interviews that the elite accountants (CAs) dominated the ICASL council and continued the British dominance in the profession and the gate keeping mechanisms as described in the following section.

The first president of the ICASL was a Fellow of Chartered Accountants (FCA) (England and Wales) who was the Auditor General at that time in Sri Lanka. He selected 10 members, with British accounting qualifications including 2 British nationals, to form the Council of ICASL. All these persons obtained their accounting qualifications from the ICAEW. It is clear that in post-independence, Sri Lanka continued the British model of accounting to render economic gains for Empire interests. The prioritization of British trained CAs over those locally trained was clearly based on assumptions of the superiority of European culture that endured after independence (Bush, 2010). For example, 90 out of the 121 founding members of ICASL held British qualifications while the remaining 31 were RAs with local qualifications. In 1963/4, 15 years after independence, the ICASL recruited a British senior academic as director of studies to coordinate the tutorial programs and lectures to enhance the quality of the examinations conducted by the ICASL (Sivathondan, 2009: 74). He was a fellow of the ICAEW and recommended that Foulks Lynch, a British private tutoring firm should design and prepare teaching materials for local students as a project funded by the Colombo Plan (Nesaratnam, 1999) (Interview No.1).

As revealed by interviewees, Foulks Lynch produced study materials for UK students and there were 12 sets of lecture notes for each course. They were the tutors for accounting students in the UK, and the Sri Lankan accounting students were compelled to buy them for very expensive prices, so some students shared these materials for a number of years. The students had to answer the tutorial questions and send their answers to London for the purpose of marking. The Foulks Lynch Company marked them for a fee and returned them back to students. Those tutorial solutions (model

answers) were prepared by Foulks Lynch and sold them to Sri Lankan students. They were called 'Telephones'. There were no any guidelines as to how the students should answer tutorial questions. The text books for accounting courses were imported from Britain. For example for the subject of book-keeping and accounts, students used a text book written by Spicer & Pegler, an accounting firm operating in the Great Britain. These books were recommended for locals until about mid 1970s. For Company Law, ICASL recommended British text books by Bigg and Wilson. They were very expensive books that could have been afforded only by affluent students who appeared for Chartered accounting exams. As a result of this arrangement local accounting students spent a lot of foreign exchange to British accounting teaching materials during this time (Interview No. 7). This indicates how the elites used their tactics to support the British interests and the creation of wealth imperial centre and to continue 'British is best' assumptions among locals.

The ICASL conducted its examinations (Intermediate and finals) only in the English medium and this system required the accounting trainees to secure an articulated clerkship as in the UK, pay a premium to the principal and successfully complete five years of study without a salary for non-graduates (three years for graduates). This opportunity was heavily utilised by the children of British educated elite families with plantation and business interests in the country as they could afford this route for accounting profession as well as it was suited for their life styles (Yapa and Perera, 2005; Yapa, 2006:2010; Balachandran, 2007).

The articulated clerk system at that time was also discouraging locals from entering the profession. As explained by an interviewee, the ICASL imposed a premium for the articulated clerk training program that was Rs. 2000¹⁴ at that time. Rs. 2000 was a huge amount for locals in the early 1960s:

.....Articles of Agreement by the payment of a premium of at least Rs. 2000 to the principal to be returned to the articulated clerks in instalments of about Rs. 40 per month as opposed to almost ten times that amount received by the apprentices at agency houses without a premium (Interview No. 7).

Thus, there was clear evidence that the national body restricted the entry of locals to the accounting profession. The articulated clerk selection process was also left in the hands of the principals (elite-CAs) of audit firms, who tended to recruit based on personal contacts (mainly from the elite class), and thus excluding prospective students. As an interviewee put it:

In 1973, the strong view was that selection of articulated clerks directly by the principals was unsatisfactory, due to the exclusion of capable persons who did not have the necessary contacts and influence to access practicing accountants (Interview No. 5).

While these developments were taking place, in 1961 the state appointed a National Education Committee (NEC) to recommend and report on education in Sri Lanka. Submissions to NEC acknowledged that an expansion of commerce and accountancy education was essential to meet the increasing demand for commercially trained personnel in the economy. The NEC also reported that, as a national accounting body the ICASL had done very little to meet the future demand for accountants and had accorded very low status to university accounting and business graduates. According to

¹⁴ Rs. 2000 was equivalent to approximately an annual salary of an accountant in 1960s in Sri Lanka.

the NEC report:

The present rules and the regulations of Ceylon Institute of Chartered Accountants are so rigorous that it is unlikely to train accountants numerically adequate to meet the existing demand for them in this country. It is therefore, suggested that there should be a joint scheme between the universities and the institute. Graduates of universities who have obtained the degree of the university of Ceylon should be exempted from the Intermediate examination of the Institute...this Scheme will undoubtedly increase the supply of professional accountants (NEC, 1961: 45).

The ICASL considered the NEC recommendations and allowed holders of full-time accounting graduates to claim exemption from ICASL's Intermediate examination. However a proper exemption system for university degrees was not considered by the ICASL mainly due to the influence of the elite accountants operating in the ICASL (interviewee 11). It is noteworthy that evidence from the UK accounting profession during the same time indicates that the Parker Committee, set up by the ICAEW to report on the education and training on Chartered Accountants, rejected a joint university scheme in the UK. It is clear that the ICASL followed the same system in Sri Lanka (Interview No. 12). As mentioned, the Parker committee's comments on the joint degree-professional qualification proposal included the following:

The only conclusion we can reach is that even after fifteen years, there is still not enough evidence to show whether in general the scheme should be encouraged or abandoned or changed or left as it is (Report of the Commission of Inquiry on Technical Education, 1963:111).

Therefore, it is clear that the ICASL followed the ICAEW's footprints, and disregarded the joint degree-professional qualification program, thus continuing the imperial tradition in Sri Lanka to nurture the local version of imperial milieu (Perera, 1975; Manoharan, 1974; Report of the Commission of Inquiry on Technical Education, 1963).

As interviewee 8 commented an important committee was appointed in 1972 by the government to investigate unemployment in the area of higher education, particularly in the areas of business and accounting. This committee was appointed by the government partly as a result of the unsuccessful insurrection in April, 1971, against the ruling government (De Silva, 1977). The committee was called 'the Committee on Future Training of Accountants' (FTA), whose main objective was to identify difficulties in existing training arrangements introduced under the ICASL articulated clerk system, and to make recommendations to improve the system. The Committee identified the inadequacy of the existing old British model of training to serve local needs and recommended to consider new training arrangements. The FTA report recommended that the ICASL should co-operate with local Sri Lankan universities for accreditation, thus facilitating the development of the accounting profession. This proposal was approved by the ICASL Council in March 1972 (Interview No.11). Further, the committee stressed that an attempt should be made to evaluate accounting syllabi adopted by universities and technical colleges to keep the education programs in line with professional education in order to provide some exemptions for those qualifications (Yapa, 2006).

However, one year after the release of the FTA report, and taking into account the recommendations contained therein, the ICASL in 1976 introduced a new examination

structure (Manoharan, 1974). The reason for this change was that the ICAEW had changed its examination system (The Accountant, 1973: 6-25; Manoharan, 1974: 23-6; Briston 1997; ICAEW, 1997).

The aforementioned initiatives led to an increase in ICASL membership from 471 in 1970 to 567 by 1980 (ICASL, Annual Report and Accounts, 1980). The number of accounting professionals continued to be inadequate to meet the local demand identified by the Manpower Planning Review in 1980 (Manpower Planning Review Report, 1980). In the present study one interviewee (Interview No. 9), a State sector senior accountant, was asked for his perception of the situation. His view was that no effort had been made by the ICASL to satisfy the professional needs of the State sector.

As one interviewee (Interview. No. 10) reported, in the early 1970s recommendations were made to develop a link between the State sector and the ICASL to consider the former's accounting requirements. However, the papers and records relating to setting up a link between state and profession were destroyed by the elite professionals. Another interviewee (Interview No. 1), who qualified from the ICAEW in 1957, described how leading audit firms controlled entry into the profession, and highlighted the nature of the imperialism that took place in British companies and audit firms at that time. He described how two commission reports (Report on Agency House System and report on Duties and Responsibilities of Accountants) were destroyed by members of the leading private firms, shortly after their release. This evidence indicates the domination and control by British associates operating in Sri Lanka at that time.

As revealed during the CAB period, the failure rates of professional exams were very high. In the post independence the failure rates of the ICASL exams were very high. For example during 1976-80, as shown in the Table 4, the failure rates of Preliminary, Licentiate and Associate part I,II levels at ICASL were very high. This was not the case that was taken place in the ICAEW during the same period of time (Freear, 1982).

The strategy of the elite accountants in the period of ICASL was to restrict the numbers passing out with ICASL qualifications. As indicated by an interviewee, the main objective of this strategy was to restrict the number of chartered qualified accountants operating as practitioners in the market so that accounting market within the country could be controlled for various economic gains as expected by the elite accountants.

Table. 4

Candidates and their results at Preliminary, Licentiate and Associate part I,II examinations of the ICASL: 1976-1980

Title	1976				1978				1979				1980			
	Cand idate	P*	%	F* %	Candi dates	P*	%	F* %	Cand idates	P*	%	F* %	Cand idates	P*	%	F* %
P	1868	298	16	84	2105	463	22	78	2735	711	26	74	2973	832	28	72
L	716	229	32	68	805	282	35	65	978	293	30	70	1025	287	28	72
API	635	127	20	80	787	158	20	80	857	180	21	79	925	250	27	73
APII	216	48	22	78	310	65	21	79	378	83	22	78	410	94	23	77

Source: Annual Report ICASL 1977, 1978, 1981.

Note: P*= Pass, F*= Fail

P= Preliminary , L= Licentiate, API =Associate Part I , APII = Associate Part II

This reflects the way elite professionals tried to maintain the Empire interests and dominate the accounting profession by acting as gatekeepers. They protected their privileges by maintaining the British tradition as the British themselves did in the early days (pre-independence) of accounting professionalization in Sri Lanka (Balachandran, 2007). It is clear from the evidence that the ICASL maintained the British tradition for almost for 21 years in the post-independence period (1959 -1980). This, legal monopoly to practise involves legal exclusion, domination and control because the professional body has the authority to develop their own strategies to maintain their power and control in the profession (Parkin, 1979).

Evidence thus suggests that a practising monopoly hindered the development of the accounting profession in Sri Lanka due to the enforcement of restrictions to entry that created accreditation anomalies. For example, over two decades (1959 – 1980), the ICASL consistently underrated local university education, which could have contributed much to the development of the accounting profession, instead causing frustration among university graduates due to the non-recognition of their commerce degree qualification for accreditation (Yapa, 2006).

During the period under study in Sri Lanka the British professional bodies captured the market share of professional accounting education. Balachandran (2007) provides one example of this:

Outside UK the CIMA Sri Lanka student population is the largest in the world. And, the CIMA property in Colombo city is the only freehold land and buildings that CIMA owns anywhere in the world which includes UK (Balachandran, 2007: 22).

This environment created an opportunity for British professional accounting bodies such as ACCA and Chartered Institute of Management Accountants (CIMA) to market their membership and to maintain colonial links throughout the accounting profession in Sri Lanka. By 1980, there are about 250 qualified accountants and about 5,000 student members enrolled in CIMA (Management Accounting, December, 1979:57), and about 150 qualified accountants and nearly 1,500 student members were enrolled in the ACCA.

Although the Sri Lankan economy had a dearth of professional accountants, this need was apparently neglected by the ICASL. These events as described, and the actions of the key players, are clearly represented in modern day imperialism without empire through the practising monopoly held by the ICASL. The practicing monopoly was perpetuated until 1980, arguably disadvantaging the Sri Lankan economy. In 1980 economic policy reforms towards open market orientation, the economic management of the country demanded the ICASL to open their programs to a wider community in Sri Lanka.

5. Discussion

The purpose of this paper is to chart the development of the accounting profession in Sri Lanka and to examine how the British Empire influenced the realisation of their imperial interests during the pre and post-independence period from 1940 to the 1980s. As explained by Galtung (1971), the influence of the imperialism and its legacy can exist for generations even after political independence of non settler colonies - due to its strong link with the former coloniser. For example, Hudson Bay Company provide

sufficient evidence of how accounting allowed the company head office in London to control and motivate distant traders (Sprakman, 1999; Sprakman and Davidson 1998). The British Empire and its domination, control and exploitation of non-European societies in Asia and in Africa have been well documented during the past decade (Bakre, 2006,2008; Annisette, 2000; Sian, 2006, 2011). Thus it is crucial to investigate and unpack the nature of the imperialism that existed during the period 1940-1980 in Sri Lanka.

The analysis section of this paper shows how British colonial rule had an enduring effect upon the accounting professionalization process both pre and post-independence in Sri Lanka. In response to existing literature on accounting and imperialism we found that despite the changes and transformations in Sri Lanka that the local colonial power has a surprisingly high influence on the institutional and legal development associated with the practice and profession of accounting. As a result imperial centre has been able to control and dominate the ex-colony and its accounting profession. For example, the chartered accountants who were qualified with British accounting qualifications dominated the establishment of the local ICASL, using their connections with the ICAEW. The RAs who were qualified from the CAB were marginalised by the CAs, the elite group, using the British qualifications and vested interests with the Empire. The British model (i.e, entry qualifications and rules, training - articles, designations such as CA, FCA, ACA etc..) and links to locally powerful elites, who modelled the ICASL on the ICAEW, have been the main power that they used to continue the British interests in business in the accounting profession in Sri Lanka during the period under investigation. From a theoretical perspective this would lead us to make our understanding that the concepts of colonialism and imperialism, which is so helpful in explaining the development of institutional structures and practices that are being established by elite group of accountants in Sri Lanka. This suggests that as interviewees indicated that ICASL- elite group of accountants are the real 'power behind the throne' in the accounting profession in Sri Lanka. Eager to continue with British traditions of the accounting practice and training, the elite accountants borrowed most of the practices followed by the ICAEW in order to marginalise the RAs and to maintain the practicing monopoly of the accounting and auditing profession in Sri Lanka. This practice of continuing with the ICAEW model in Sri Lanka created a vacuum in other areas of accountancy which British accounting associations such as CIMA and ACCA were able to increase their market share during this period.

Before independence and until the CAB was established in 1941, the accounting profession was wholly represented by British qualified professionals. Those professionals were the ICAEW and IIA qualified elites who assisted British-owned sterling companies and audit firms as cited by the interviewees and in the Report of the Special Committee (1949). When the CAB was established, the British qualified accountants assumed full control and domination, restricting entry to the profession by setting examinations at a very high standard and using a demanding tough training process. They followed the British (ICAEW) model despite the fact that it was not suitable for the local conditions. Thus, many accounting students who enrolled for CAB exams failed their exams. Moreover, British professionals did not recognise RAs as qualified professionals to practice as company auditors in British firms. The profession was therefore restricted to RAs by the elite (CAs) accountants during the period under review.

By 1962- 63, a significant number of RAs had left the profession, given their

unsuccessful claims on practice and the ill-treatments enforced by the elite group of the profession, to become accountants in other countries in the region (such as Malaysia, Brunei and some Saudi Arabian countries) or as accountants in government departments. This exodus and various pressure created by the RAs the elite group made all the arrangements in 1964 to remove Clause 13¹⁵ of the 1959 Act thereby eliminating the category of 'Registered Accountants'(Yapa,2010).

Evidence suggests that British accounting played a key role in serving the British investments in tea rubber and coconut plantation in Sri Lanka through 'agency house system'. As explained earlier, the Colombo agency house which managed plantations and the London agency managed the company. The exploitation, domination and control of plantation business were operated through these institutional framework up to about 1980 in Sri Lanka. We have seen that the pioneers of the CAB were British-qualified. That is not to say that they were not well-placed to provide such leadership. However, through various strategies some or perhaps many of these accountants attempted to maintain and support the British tradition by gate keeping the process of producing accountants for the benefit of the British Empire. As indicated in the analysis section, in the post-independence British educated elites employed their tactics, social contacts to further consolidate their elevated social positions and elite status. These actions provided a ladder to the ramparts occupied by the national elites (Gamage, 1991). Thus, professional accounting practice in post-independence period retained a strong British influence as CAs (elites) and sought to defend their status, such as use of titles 'CA' 'ACA', 'FCA' and adopt the British model of accounting professionalization process in Sri Lanka. All these activities were implemented by elites in the periphery to support British imperial model to gain various economic benefits. This process was supported and continued by the ICASL at that time. This indicates the imperial intentions to make economic gains through controls and exploitation of the accounting professional body – ICASL, while maintaining an elite accounting class during this period.

Another important issue of this study was that British-qualified accountants were given first preference in the recruitment process of British sterling companies which operated in Sri Lanka both pre and post independence. Interviewees revealed that only rich families (elite) could afford to take chartered accountancy examinations because of the high fees associated with articles, which restricted entry. This also shows apart from the dividends from the plantation industry, the imperial influence allowed the British companies to generate revenues by sending locals to the UK for professional education and by conducting professional examinations and charging high fees in Sri Lanka.

Finally, the national government enabled the establishment of the professional body by enacting an act of parliament, through which the ICAC, replacing the CAB, become the sole authorised body to operate in Sri Lanka. However, the imperial legacy moved to the ICAC, with the majority, British-qualified members, showing a strong interest in running the institute as the ICAEW does in the UK.

¹⁵ According to the ICASL Act No. 23 of 1959, Section 13 was allocated for 'Registered Accountants and Auditors' and section 13 provided provision for RAs as '(1) Subject to the provisions of section 15, any person (not being a person eligible for membership of the institute) who holds any of the qualifications prescribed by the Council for the purposes of this section shall be eligible to be registered as an Accountant and Auditor' (Ceylon, 1959: 10).

The local profession did not develop as hoped, but continued the British tradition until the 1970s when the government intervened through the FTA. All the committee reports highlighted the continuing use of a British model and its unsuitability for local accounting needs. Taken together with other government reports and interviews with Sri Lankan accountants and academics, evidence supports the notion that the British legacy has derailed the professional accounting process in Sri Lanka.

Interestingly, however, the ICASL continues to maintain the practising monopoly of practitioners over this period using various strategies. This is a unique feature in Sri Lankan accounting professionalization process compared to other British non-settler colonies. As discussed in the literature most of the non settler colonies of Britain, in Asia and n Africa, had to surrender their local accounting practices and accreditation of accounting qualifications to ACCA or similar British professional body. As empirical evidence suggests in this study, the Institute of Chartered Accountants Sri Lanka (ICASL), established in 1959, played a central role in maintaining British dominance facilitating a form of imperialism without empire. This continuance of a monopolistic British-centric ‘suzerainty’ over accounting practice was not mirrored in other professions in Sri Lanka, e.g. medicine, law and engineering.

6. Concluding Remarks

This paper has examined the influence of imperialism on the accounting professionalization process in Sri Lanka. As revealed in the literature, the strategies which the British professional bodies employed in the British Empire did not cease in post-independence in many of its former colonies. The colonialist thesis has been used to explain various phenomena as to how particular social institutions such as accounting are a remnant of colonial rule supported and maintained by social elites who benefit from the institutions being maintained. The prioritization of British qualified and trained CAs over those locally qualified was clearly based on assumptions of the superiority of European culture that endured in post-independence in Sri Lanka. The paper aims to broaden the knowledge of accounting professionalization and uncover whether and, if so, professional elites have dominated the Sri Lankan accounting profession. In other words, how the British Empire influenced the realisation of their interests using the professionalization of accounting during the period 1940 to 1980s in Sri Lanka.

The key theme evident from the previous literature was the colonial and post-colonial influence exercised through the presence of accounting associations and institutions. As Johnson (1973) explains, ‘modernising elites’, those who have acquired their education from the Western countries, were broadly identified as professionals. This theme is a feature of most of the professionalization histories in colonies, with westerners depicted as conquering and occupying colonies (particularly in non settler colonies) and then starting to increase their wealth through investment and business activities. In most of the colonies they develop a close nexus with the urban middle class bourgeoisie. Westerners offer many opportunities to this middle class to maintain loyalty to the western interest; as a result, social stratification is widened and western educated elites emerge. Uche (2002) stated that in 1959 British advice for Nigerian professional education system through British professionals and ACCA qualified Nigerians as British domination and has claimed that those categorises as ‘elite’ professionals (Uche, 2002: 479). Johnson (1973) explained this as the dominance of the professions

is at once apparent and that the surest occupational road to top elite status is to obtain professional training and then seek public office (Johnson, 1973: 282).

We can conclude from this study that an objective of the establishment of the CAB was more about satisfying the British interest than local interest, seen in the fact that during an 18 year period (1940 to 1959), the CAB produced only 31 professional accountants. Local interests were also ignored in the ICASL's resistance including the university education for accountants, an approach patterned on the British model.

The development of professional accounting in Sri Lanka shows some unique features when compared with other former British colonies. For example, the ICASL has maintained its practising monopoly since its inception in 1959; this is not mirrored in other non settler colonies of Britain. As empirical evidence suggests this monopoly was maintained by ICASL with the distant control and domination by the British accounting bodies. The ICASL is thus maintaining imperialism without an empire, an example of modern-day imperialism. In particular, elite influence (i.e. upper class) in the ICASL is vehement on the emergence, and development of the accounting profession which is the legacy of imperialism. Therefore, Sri Lankan accounting professionalization process is unique and add new knowledge on the accounting profession compared to other non-settler colonies. Through practising monopoly, the privileged class of accountants protected and controlled the profession during the period under review. Another example of modern day imperialism can be seen in the fact that the ICASL is losing its market share as the British professional accounting bodies, CIMA and the ACCA, have become the most popular accountancy courses among Sri Lankans, capturing a major portion of the market.

Sri Lanka provided a context to explore the issues the relation between profession, post-colonial institutions and national elites during the study period 1940-1980s, because the institutions of colonialism were substantially linked during this period. The significant issues identified in this paper require careful consideration by accounting policy-makers at the national and international levels. This paper should also be of interest to the professional accounting community and particularly to the society as it examines primary data on accounting development in Sri Lanka, especially during the colonial and post-colonial period. The results reported in this paper are limited in the sense that they relate to period from 1940 to 1980s. So there is a research gap to further examine by future research whether the imperialism continued in a different form after reforms in 1980s.

Appendix-1

Summary of interview questions

1. Please describe your current and past role as a member of the ICASL? Or a member of (CIMA/ACCA/IPFDA) or senior member of the academia.
2. Do you believe that the accounting profession in Sri Lanka is meeting national accounting needs or imperial needs? Any exploitation or domination by imperialists happening in the accounting profession?
3. Could you comment on the contribution made to the public sector by the ICASL?
4. There is a wide spread opinion that colonial sentiment and the enthusiasm of

maintaining professional status all blended together to craft an elite group of accounting professionals in post-independence period in Sri Lanka. Eventually it created a 'privileged class' to dominate the profession. What can you say about this?

5. Have you experienced any kind of entry barriers to the accounting profession?
6. As you know, ICASL members are the only authorized practicing accountants in the country as public practitioners. What is your view on this?
7. How do you view the supply of accounting professionals to the nation's needs in Sri Lanka? Do you think university accounting degree provides an appropriate foundation for a graduate to become a member of the ICASL?
8. Some publications of ICASL indicate that British accounting bodies such as ICAEW still assist in setting up of accounting programs/curriculum etc for the ICASL. Can you comment on this relationship?
9. What are your comments and observations about the future of chartered accountancy in Sri Lanka?
10. If you look at the last ten years data in relation to accounting membership, you can see fast growing student member recruitments to the CIMA and ACCA and also fast growing professional memberships. How do you comment on this issue?

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