Accounting in transition in the transitional economy: the case of Cambodia

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Abstract

This paper explores the historical development of accounting in the transitional economy of Cambodia, with particular focus on the post-1953 period. Despite the Communist Khmer Rouge (KR) disruptions in mid 1970s the accounting transition is characterized by an emerging equity market and setting up of a local accounting body under the sponsorship of the state. Using interviews, the accounting transition in Cambodia is examined by the changing balance, overtime, between state, market and community as guiding principles for the accounting profession. The analysis indicates that the relationships and interactions between the state and the accounting profession have had remarkable changes to accounting regulation and practice during the last half a century. It is argued that in the transition, from French colonialism to socialist setting and then to open market economy resulted in the construction of an accounting community with common identity, has created a momentum into the growth of capitalist accounting and new orientation in the accountancy and auditing profession.
1. Introduction

This paper traces the historical development of the accounting and auditing in the transition economy of Cambodia. It shows state, market, community and war related dynamics that have influenced the development of the accounting profession. In the decades after the World War II, as the European (British and French) and U.S powers withdrew from their respective colonies, most of the newly emerged “developing” Southeast Asian countries sought to create indigenous professions as an essential element of modernisation (McCloud, 1995). The professional politics of these post-colonial nations was complex mix of forces which have been much of the academic debate and research during the recent past decades (Dyball and Vilcarcel, 1999; Dyball, Paulloas & Chua, 2006; Dyball, Chua, Poullaos, 2006; Susela, 1999, Yapa, 1999; 2003). These studies drew on a number of different theoretical perspectives to understand the phenomenon but, in general, stress how specific historical and institutional developments have contributed to change particular professional modes, politics, and power. Since the political independence from France in 1953, Cambodia has been undergoing several transformations such as post-French influence, socialist influence and central planning system of its economy and the socialist market with varying structures of power within its society (ADB, 2005:2006; Cao, 1995; Chandler, 2000; Clymer, 2004).

An underlying nationalist ethos and societal pressures shared by leadership of varying political ideologies in most developing countries sought to create a new generation of doctors, lawyers, engineers and accountants. Of these professions, the accounting profession had been the last to develop as a distinct entity of Western countries where
the models of professional development had first emerged. Accounting had, however, become fundamental to running of successful capitalist economies and this had included supervising the profits of colonialism, both at home and abroad. The reason is that accounting systems are an essential part of the control mechanism of the capitalist economies (Stiglitz, 1994:202).

Between 1887 and 1953, Cambodia was under French colonial rule as French Indochina. Given the French colonial history it would be reasonable to expect that Cambodia would develop a Continental European model of accounting profession strongly influenced by the French approach. Following Japanese occupation in World War II, Cambodia gained full independence from France in 1953. In April 1975, after a five-year struggle, Communist Khmer Rouge\(^1\) (KR) forces captured Phnom Penh and evacuated all cities and towns destroying most of the businesses, professions and the remnant of the French colonial interest. However, the accountancy profession, in particular, is subject to a complex combination of influences during the last 5 decades and consequently it is developed in ways quite different to the French model. Cambodia pursued economic development in the 1950s to 1970s through many conventional policy measures of the times. This included active measures to create an accounting profession to service the needs of its post-colonial economy. Therefore Cambodia provides a contemporary example of the emergence of accounting with remarkable changes to the colonial influences, subsequently to the centrally planned socialist setting and social market economy. Appendix 1 shows the brief summary of Political, Legal, and Economic Systems in Cambodia.

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\(^{1}\) The term “Khmer” generally refers to the dominant ethnic group in Cambodia. “Cambodia” and “Cambodge” are Europeanized spellings of “Kampuchea,” a country with several ethnic groups, including Chinese, Chams (Muslims), Khmers, Malays, and Vietnamese. “Kampuchea,” in turn, is a modernized version of “Kambuja,” the Khmer name first used in the tenth century (Haas, 1991).
The aim of this paper is to analyse the regulation and organization of accounting and auditing profession in Cambodia during the last five decades in order to indicate how they differ from Western countries. We argue that the changing nature of the state and the interest of the community and the market are important aspects created by the economic reform process in the post independence. To achieve its aim, the paper is divided into four parts. Part one explores the theoretical underpinnings. Part two traces the origins of the accountancy with French influence, socialist settings and socialist market economy in Cambodia. Part three explains the stock market development and the influence of the big accounting firms in the organization of the accounting and auditing profession in Cambodia. Part four concludes the paper.

2. Theoretical underpinnings

Upon the debate on professionalization of accountancy and auditing in the Western countries, recent empirical studies extended to post socialist countries in Eastern Europe. For example Bailey (1995) provides a theoretical construct for accounting change in the former socialist countries of Central and Eastern Europe. Seal et al (1996) examined the post 1989 socialist transition and the development of an accountancy profession in the Czech Republic. They use the Puxty et al (1987) model to explain overall structural changes in the Czech Republic. Puxty et al (1987) model suggests the analysis of accounting regulation as a social and organisational phenomenon which requires critical appreciation of its construction within a nexus of ‘market forces’, ‘bureaucratic controls’ and ‘communitarian ideals’. In this paper we draw the theoretical framework used by Puxty et al. (1987), based on Streeck and Schmitter (1985). However, while Puxty et al. (1987) presented three ideal-typical principles of co-ordination and allocation (the ‘market’, the ‘state’ and the
‘community’) Streeck and Schmitter’s (1985) agenda was to argue for a forth category – the association.

Despite the Streeck and Schmitter (1985) work the three-part model has been reproduced in most of the subsequent work. Hao (1999) uses the three-part model (Puxty et al., 1987) to analyse the regulation and organisation of accountants and auditors in China in the post 1978 era. Indeed, both Cambodia, Czech Republic and China have been directly influenced by Soviet models in the past and those countries are now diverting from them, but in different ways (Hao, 1999).

We would argue that Streeck and Schmitter’s (1985) four part model has the potential to provide new insights into the regulation and organisation of accountants and auditors. Puxty et al’s (1987) definitions of the community, the market and the state are directly drawn from Streeck and Schmitter (1985, p. 122). The state is defined as ‘the authority of hierarchical control, as operationalised by career civil servants for example, is vested in agreed rules and procedures backed up by the state’s monopoly of legitimate coercion’ (Puxty et al, 1987, p. 275). Streeck and Schmitter (1985, p. 122) suggested that a community is guided by the principle of spontaneous solidarity, the predominant actors are families, the condition for entry is status and the medium of exchange is esteem. The motive is esteem of followers and group belonging and therefore the line of cleavage is between the natives and the foreigners. Puxty et al (1987) argued that accounting professionals followed the community model of governance and regulation, sharing values and common identity and valuing feelings of belongingness among themselves. While some accounting associations fit with some elements of the Streeck and Schmitter (1985) framework, it is also clear that there is the possibility of divergence.
The state represents process of hierarchical control exercised by bureaucratic agencies on the basis of rules and regulations (Streeck and Schmitter, 1985, p. 122). Puxty et al (1987, p. 278) suggested that this has a part to play in the emergence of the UK profession. However, the role of the state in regulating the accounting profession is more clearly illustrated by Hao (1999).

Streeck and Schmitter’s (1985, p. 122) fourth type the ‘association’ based on the principle of inter and intra organisational negotiation. The principle actors are interest groups, members and interlocutors, the condition for entry is mutual disruption and the medium of exchange is mutual recognition of status and entitlements. Given that the principle product of exchange is ‘pacts’ Streeck and Schmitter’s (1985) notion of ‘association’ starts to look similar to the notions of networks (Thompson et al, 1991) and alliances (Chua and Mahama, 2007). This perspective on the accounting profession has been relatively under-explored in the literature.

This paper focuses on the case of Cambodia. Cambodia provides an interesting context to explore these different logics of governance and regulation because of the significant number of major structural changes experienced in the country. In the early 1950s French colonialists used their own system of accounting in the state owned enterprises that they started in Cambodia. During 1979 -1993 Cambodia was heavily influenced by Soviet models in economic planning. Subsequently, socialist market system came into effect. Following sections explain the three periods of in transition.
3. The French influence in the accountancy

Historically Cambodia, as a DC, is well documented for conflicts that raged for a number of centuries. From the west, Thailand seized the Angkor region. Vietnam encroached from the East. Then France colonized Vietnam, and in 1863, imposed a protectorate on Cambodia. Political independence was granted in 1953. When the French arrived in Cambodia in 1863, they encountered an indigenous form of education that was dedicated to Cambodian purposes. After developing a small, separate system of French schools, the French took control of Cambodia's indigenous education and turned it towards a French purpose, largely to facilitate long term trading relations. Eventually, Cambodia inherited its economic management system from the French during its colonial period and continued to follow the same system even after gaining independence.

The first Western accounting system was imported in to Cambodia in 19th century by the French to support the colonial rule and the country’s legal and accounting system developed along the lines of those in France. In particular, the French system of accounting was partly introduced to state agencies during the colonial rule. However, in the economic performance management of the economy, the French did not introduce a proper accounting system in Cambodia. Expenses and revenues, in aggregate terms, as measured in the colony, included those of the colonial government, and those of governing figures in the colony (who had relatively high incomes). Revenues of private “native” business interests, of “settler” firms in the colony, and the general “native” population working in agriculture and as labourers were also included in the government accounting system. Within the fiscal system, one must account for tax revenue, government expense, domestic and external transfer payments, and borrowing and repayment (National Bank, 2006). During the
colonial period the policy of the French colonists was not to develop an industrial economy in Cambodia but focused instead on the development and exploitation of Cambodian natural resources to provide materials for French industry. There were no French accounting firms exist in Cambodia as there was no demand for such services.

The colonial monetary system included official and unofficial currencies, exchange rates, and the banking system. Private firms included those based in the metropolitan France (with their marketing and investment arms in the colonies), settler firms based in the colonies (their investment, access to land, subsidies received, and their output and profitability), native firms (their investment, subsidies received, output and profitability), and the general colonial population (wages, employment levels, and access to land). Issues drawing particular attention were investment in infrastructure, the balance of industrial transformation between colony and metropolis, the profitability of investment in Asia, and the strategic value of Asian colonies. So, basically the French followed a government or imperially oriented accounting system during this period in Indochina including Cambodia (Interview, No. 35).

During the French colonial period a few accountants came to Cambodia to work in the government sector mainly to look after the commodity trading with the intention of diverting the profits and economic gains to France. The colonial government, in its agricultural and commercial policies, tended to focus on commodities, such as rubber, rice, selected for reasons of imperial policy rather than for profitability or marketability. According to one interviewee, (Interview, No. 32):

the accounting profession in Cambodia during French rule is very small because not many Cambodians are able to finish proper college because the education at that time is very strict and not affordable to many Khmer people. The main characteristics of the French
accounting profession have been imposed by legislative means with the law of 4 April 1942 and the decree of 12 August 1969.

This indicated the restrictions imposed by French for professional education and training in Cambodia. Another view is that during French colonization Cambodians were not interested in accounting as there was no demand for accounting jobs in the country (Interview, No.16). Hence there was no necessity to organize accounting in that direction.

3.1 Organization of accounting in the Ministry of Economy and Finance

A particular feature of the accounting profession in France during the colonial period of Cambodia was the organization of the accounting system under the *Ordre des Experts-Comptables* (OEC) which was under the control of the Ministry of Economy and Finance (MEF). This association was formed in 1942 and the members of the *Ordre* had legal monopoly on the practice of accounting (Bocqueraz, 2001). Accordingly, in Cambodia MEF was responsible of all the accounting activities during the French colonial period. As evidenced in interviews with the officials of the MEF, the MEF adopted the accounting system from France and a General Accounting Plan was prepared by the MEF for the purpose of administering the financial affairs of the government institution in Cambodia ever since its independence. This plan consists of the Chart of Accounts, list of accounts to be applied, accounting treatment, accounting principles and guidelines for financial statement preparation. The French used accounting records to centrally control revenues and expenditures of the colony, particularly in relation to export activities and tax collection, from the distance, with strict control exercised by the central authorities in France (Bizet, 2002).
There was no accounting professional body in Cambodia until the recent past. It is argued that professionalisation can be used to explain how occupational associations of accountants push their claims to be recognized as a profession. Attributes of professionalisation - control of work and power over the market for services - are significant for any analysis of how an occupational association achieves professional status, as it is an ideological framework that rationalises, justifies and legitimises the use of such control and power. These aspects are absent in the Cambodian context. As revealed by an interviewee:

There was little demand for accountants and most accounting work was undertaken by French accountants rather than locals. There was also little effort to educate the locals in such skills and only a few Cambodians were ever trained to work as accountants in French offices and small trading companies (Interviews, No.2).

Therefore, one cannot describe a proper accounting profession amongst indigenous Cambodians during the French colonial period. Any accounting system or practice was entirely an application of existing French laws and practices in Cambodia. There was no accounting and auditing system for private enterprises under the French colonial rule.

As revealed by the MEF there were about 150 accounting officers worked in the ministry during this period and all those officers were salaried personnel who were attached to MEF and they represented the state (hierarchical control). Hence the selection, promotion of these accounting officers (most were career civil servants) had taken place internally in the MEF and these accounting officers did not organise as a professional occupational group.
4 Central planning system and accountancy

After Cambodia became independent in 1953, the country's national economic policies were shaped by the successive governments. Prince Sihanouk opted for unconditional aid from the East and from the West, and the nation made modest economic strides, mainly in the mainstay of the economy, wet rice (Kiernan, 1982). Industrial and infrastructure development benefited from foreign economic assistance. In general, the government avoided ambitious plans and focused on small enterprises to meet local needs and to reduce foreign imports. In June 1956, the Chinese provided Phnom Penh with US$22.4 million in equipment as part of an ongoing program of industrial economic assistance. In addition, they helped build a textile mill and a glass plant in the 1960s. During this period, other nations\(^2\) contributed through aid programs of their own. The government also used foreign assistance to expand the country's transportation and communication networks. France helped to develop Sihanoukville, Cambodia's second largest port, which opened in 1960, and the United States constructed a highway linking the port to Phnom Penh. In addition, the Cambodians, with French and West German assistance, built a railway from Sihanoukville to the capital, (Kiernan, 1982).

The war that engulfed the rest of Indochina spread to Cambodia in April 1970, shortly after the coup that deposed Prince Sihanouk. Wartime conditions had a major impact on the country's economy, especially on the export sector. Production and export of virtually all commodities dropped sharply, as insecurity spread throughout the countryside. Intense combat in the nation's most densely populated farming areas

\(^2\) For example, Czechoslovakia granted loans for the construction of tractor assembly plants, tire-production facilities, and a sugar refinery. Other aid donors were the Soviet Union, Yugoslavia, France, the Federal Republic of Germany (West Germany), Japan, and Australia. United States economic assistance to Cambodia amounted to more than US$350 million for the 1955 to 1962 period, and it was invested mostly in the areas of public health, education, and agricultural development, (Kiernan, 1982).
caused a large segment of the peasant population to flee to cities and to towns. By 1975 the population of Phnom Penh had swollen to 2 million, from just 500,000 in 1955. Moreover, the war seriously dislocated the economic system (Chandler, 1993).

In late 1970, Lon Nol, who succeeded Sihanouk, continued to liberalize the economy in an effort to save the country from economic disaster. This endeavor was a continuation of the policies he had enacted as head of the government of “national salvation” in August 1969. Under Lon Nol's direction, Phnom Penh limited the control and the authority of the state export-import agency (Société nationale d'exportation et d'importation - SONEXIM), which had been established in 1964 to administer foreign trade, to denationalize banks and industries, to encourage private foreign investments, and to allow greater private participation in the economy. The new economic policies of the Khmer Republic gradually reversed the pattern of state socialism that had formed the keystone of Sihanouk's domestic policies (Chandler, 1993).

The Khmer Rouge regime, (1975-1979) lead by Pol Pot, killed most of the professionals in all disciplines in Cambodia including accountants and wiped out most of the elite, social and physical infrastructure in the country. During the latter half of 1978, Vietnamese military forces invaded Cambodia and the communist government of the Khmer Rouge was defeated and the Vietnamese installed a new regime of Cambodian rulers. Thus, a new era in the country's history began. Vietnam's occupation army of as many as 200,000 troops controlled the major population centers and most of the countryside from 1979 to September 1989. The Khmer
Rouge were defeated in 1979 and Heng Samrin (Cambodian-Communist Politician) set up a new communist government in Cambodia.

During this period, with the leadership of the Communist Party, the political administration and the economic management of the country and the social life was under the central control of the government. It is noteworthy that during this period every one was be expected to co-operate enthusiastically in the process of production, but the individual citizen’s equal rights of access to consumer goods would be completely unaffected by one’s own individual contribution to production. All important appointments, promotions and demotions were decided by the party leadership itself. All the administration and supervision of government organizations as well as state owned enterprises were controlled and monitored by the communist party members. Eventually this controlling mechanism was recognized as very effective as all officials and administrative staff was communist party members and were required to implement the communist party orders. As revealed by interviewees, “what was not clear this era was the distinction between the communist party and the state operations” (Interview, No. 34).

Early 1980s Soviet Russian influence provided a significant impact in the Cambodian economy. Eventually, the central planning system was the main mechanism in the economy and it was organized as shown the Figure 1. As indicated

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3 Heng Samrin was born in 1934 in Prey Veng province. He was little known until his installation as the president of the National United Front for National Salvation by the Vietnamese in whose name the Vietnamese used to justify its invasion of Cambodia in December 1978. Between 1976-1978, Heng Sarin served as political commissar and commander of Democratic Kampuchea’s fourth division stationed in the eastern zone. In May 1978, he was involved in a failed rebellion against Pol Pot’s leadership and fled to Vietnam to escape political purge. Heng Samrin entered Cambodia with the Vietnamese invading forces and was appointed the president of the State Council and Secretary General of the People’s Revolutionary Party of Kampuchea and served in that capacity until 1989. However, Heng Samrin did not have a strong power base consequently leading to the erosion of his power as the political climate in Cambodia changed. With anticipation of a comprehensive political settlement, the People’s Revolutionary Party of Kampuchea transformed itself into the Cambodian People’s Party with Chea Sim as president and Hun Sen as vice president. Heng Samrin was then given a new ceremonial title of Honorary President.
in the figure, the council of ministers held the highest power and authority and carried out the orders of the Politburo in the economic policy making and the implementation of such policies in the management of the economic system. It was expected that such a radical administration of the economy would lead to the elimination of all inefficiencies, class conflict, political oppression, racial discrimination, malpractices and feelings of powerlessness.

The State Planning Commission (SPC) was responsible for drafting of economic plans, reconciliation of short, medium and long term plans and coordinating and conflict resolution of such programs under the central planning system (Young, 1999). This was similar to the Soviet Union’s system of accounting and it evolved from the needs of the centrally planned economy and was characterized by a fixed chart of accounts and book-keeping entries that were, to a large extent, prescribed by the various financial authorities in these countries. The entire Soviet system of accounting process was conceived for an assessment of i) the means put at the firm's disposal and ii) the manner in which the firm has used them. In the resulting financial analysis, the balance sheet components are evaluated, and the efficiency of the firm's performance scrutinized. In this system the state controls factors of production and makes all decisions about their use and distribution. In this system planners decide what should be produced and direct enterprises to produce those goods.
In other words this system is a top down approach to economic management. Another segment is the ministries. Ministries carried out the orders from the SPC to implement the Soviet economic system. The state owned enterprises, private enterprises directed by the state or a combination of both, carried out the instructions and orders to produce to what was required for the economy.

Under the centrally planned system, Cambodia had only one category of accountants with different grades in the civil service in various government ministries. To carry out the government accounting system there were about 356 government accountants attached to MEF and a few other ministries in Cambodia in early 1980s.
These accounting officers were included into public service (Government service) under the central planning system. Most of these accounting officers had qualifications from universities and colleges either from Cambodia or from Vietnam. Appointments, transfers promotions and demotions of these accounting officers were done according to administrative regulations of the state and accounting training was provided to them mostly by the MFE with the help of either Vietnamese accounting experts or experts who visited Cambodia from Soviet Russia. Russians assisted in developing accounting programs in Cambodian universities and significant number of accounting students graduated from Universities. During this period the government’s authority of hierarchical control through civil servants and accounting rules and procedures were monitored by the state’s legitimacy (MEF) and market and community concepts (as suggested by Puxty et al, 1987) were not in present. Clearly in this period state was dominant and there were no professional public accounting and auditing service and no external markets existed for accounting services in Cambodia.

Matters relating to the management and control of finance were set out in the MEF under the Code of Financial Procedure, which enabled the controller of finance with the approval of financial procedure to implement financial matters. These Regulations, which were issued for the guidance of all public officers, clearly indicated procedures for the collection, receipt, custody, expenditure, care and management of public moneys; and for the purchase and disposal of public property. In addition to the Financial Regulations, MEF instructions are also issued to amplify the financial and accounting procedures (MEF, 2000). Figure 2 shows an accounting model applied to centrally planned economies during Soviet style of ideology and economic management models adopted by most socialist countries. During this period
the Soviet style socialist accounting system was completely adopted in Cambodia. The other features of this accounting system were the voucher - journal accounting system, cash basis transactions including a cashbook. The aim of this accounting system was to implement the socialist system throughout the country to achieve uniformity (MEF, 2000). In order to achieve uniform system of accounting, a lot of training courses relating to socialist accounting were conducted in the MEF to train accounting officers in various government departments. According to the interview 29:

We worked closely with Vietnam experts and Russian experts. We were also educated with the communist accounting system…some of our staff went to study in Russia because Russia provided the support technically and also the support for the scholarship…. As revealed by the interviewee, Soviet accounting experts frequently visited Cambodia to educate and train Cambodian accounting offices who had held administrative competencies before 1953. As revealed in Interview No. 33, a significant number of officers attended these training sessions.

As a result of these initiatives by the Vietnamese in Cambodia, a uniform - Soviet style - accounting system was set up by the end of 1982. To further develop this system, MEF continuously issued standardized accounting procedures for major economic activities such as accounting for fixed assets, labor (salary) materials (inventory) and some costing bases for government departments.
Figure 2
Model of accounting methodology and regulation development, and accounting practice in a centrally planned economy

Source: Ministry of Economy and Finance, Cambodia, 2000
State Owned Enterprises (SOEs) played a key role in the Soviet regime of Cambodia. The First Five-Year Program of Socioeconomic Restoration and Development (1986-90), or First Plan, originated in February 1984, when the heads of the state planning commissions of Vietnam, Laos, and Cambodia met in Ho Chi Minh City (formerly Saigon) and agreed to coordinate their 1986 to 1990 economic plans. Heng Samrin formally announced Cambodia's plan in his political report to the congress (MEF, 2005). The plan placed increased emphasis on the distribution of goods. Trade organizations were to be perfected at all levels, and socialist trading networks were to be expanded in all localities. In particular, the trade relationship between the state and the peasantry was to be improved and consolidated in accordance with the nationalistic motto:

For the peasantry, selling rice and agricultural products to the state is patriotism; for the state, selling goods and delivering them directly to the people is being responsible to the people (MEF, 2005).

In order to perform these activities newly set up SOEs had to perform effectively and efficiently. The plan also required that investment be directed toward the improvement of the infrastructure, particularly toward the reconstruction of communication lines and waterworks. Road, inland waterways, and railroad networks had to be restored to serve the national economy and defense (MEF, 2005).

In addition to MEF, and the National Bank, the Ministry of Commerce was established in Cambodia to help people to secure a living. These institutions attempted to match the skills of workers with positions in the government. Employees were recruited off the street and people looking for work would put their names on a list in the Ministry of Commerce.
The National Bank built an accounting school and staff in accounting department who had no previous knowledge in accounting came to study part time. They also encouraged them to study in Vietnamese, Russian and German for the further study. It is clear that Vietnamese experts were the first to bring the socialist accounting system into Cambodia during their rule.

As the government at the time was socialist and the economy and centrally planned, most of the accounting jobs were in the government departments. The National Bank, MEF and Ministry of Commerce had the responsibility of managing accounting training and placing the trainees in jobs. Aptitude tests were used to determine the suitability of staff to training in accountancy and they would be sent on a 3 or 6 month accountancy course. The National Bank operated in the major cities as well as in the provinces. Accountants in the cities and provinces were usually recruited locally but if there was a lack of trained staff in the provinces, accountants were sent from the Phnom Penh city.

In 1981 there was only one accounting school which was located in Phnom Penh. Students from the provinces had to travel to Phnom Penh to study accounting. In 1985 some more accounting schools were set up in some of the major provinces, which made it easier for many provincial students to get accounting training.

In 1981 each Ministry had its own accounting school to train staff. Some of the Ministry accounting schools are still running today, although many have been replaced by the universities that were established in 1985. A number of interviewees from the National Bank said that when they first started in the bank they knew very little about accounting. Many other interviewees had the same story. One interviewee from the Ministry of Commerce (Interview, No. 28) said:
After the war I worked in the car repair department, but because my manager thought I was good with numbers, worked very hard and was patient I was placed in the accounting department. I worked as a typist, and checked the accounts of other departments. I worked closely with an overseas accounting expert and when the expert left Cambodia, I took over the accounting job. I did not have any formal accountancy training as I was only a student when the war started and I did not have the opportunity to get any training. My parents were killed by the Khmer Rouge so I had to work to support my brother and sister. I am now the Accounting Director in the Accounting department, due to my hard work and practical experience.

Having understood the importance of accounting field as a recorded system of economic operations and in providing information for management, MEF had issued rules and regulations which included a set of regulations which were labelled as national accounting policy to direct, control and regulate the financial procedure and administration throughout the economy. In 1980, as agreed in the accounting plan, the Council of Ministers had issued a decision (No. 41-80 KB SS dated 13 March 1980) on the disclosures of supporting evidence statements and general charts of accounts for use by the accounting/bookkeeping units of government departments (MEF, 2000). By 1981, the chart of accounts that served in the management of the national budget was required to be exercised by all the state institutions (as directed by the decision No 2359-81 KHV dated 14 December 1981). As indicated and directed by this accounting plan, a number of instructions were given for the efficient use of economic resources (for production and commercial sectors) of the state to ensure the economic gains for social and economic development. As indicated in Puxty et al model, the state has been dominating the accountancy work under the planned economic system in Cambodia during this time. As revealed by interviewees (Interviews, No. 36/39) most accounting records were made on the basis of a single
entry method of accounting. It was noticed that the financial system at that time was labelled as the system of “matching targeted revenues against targeted expenditures”.

By 1982, the Council of Ministers had issued the decision (No 169 SRC dated 7 October 1982) to disseminate the statute on the establishment of public sector accounting at all state units including state owned enterprises. To ensure the effectiveness of full implementation of the decision, the MEF had issued the decision (No 014 KHV-SRC dated 26 February 1982) on the directive to use an accounting format in the form of “vouchers” for state enterprises (MEF, 2000). An illustration of this system is shown in Figure 5.3. Another decision (No 1412-82 dated 20 September 1982) on the dissemination of cash accounting for industrial enterprises was issued explaining the importance of uniformity in the record keeping under cash accounting. Another important feature is that the state production and commercialized units had a financial regime called “a regime of setting off revenue against expenditures”. This meant that the state did not subsidize the budget deficits of state enterprises (MEF, 2000). In 1983, the accounting department of the MEF with the cooperation of other government departments and institutions had issued a number of rules as follows (MEF, 2000):

i) Uniform code of accounts for commercial enterprises

ii) Uniform code of accounts for industrial enterprises

iii) Uniform code of accounts for construction enterprises

These uniform codes were exactly the same codes which were applied in Vietnam during this time. Under the leadership of Minister Chhay Than (a prominent minister in the Cambodian government), these rules or uniform codes were implemented. In 1987, having noticed the inconsistency amongst the accounting rules, all the
accounting codes were categorized and prepared a new with “unified chart of accounts” prepared. Thereafter, the Ministry of Economy and Finance issued a directive (No 004 KHV-PK dated 13 July 1987) on the use of guidelines for the unified chart of accounts (MEF, 2000).

This unified chart of accounts comprised around 66 accounts and 64 sub-accounts. However, some accounts could be broken down as necessary. The whole system was divided into 11 groups and another group of non-balanced accounts consisted of 9 accounts as components.

There was a continuation of central planning and heavy reliance on Soviet (USSR) model of economic management with the Vietnamese occupation of Cambodia between 1979 and 1989.

5 The post 1990 period

With the collapse of the former USSR in the later part of the 1980s and the withdrawal of Vietnamese troops from Cambodia in the late 1980s and early 1990s, Cambodia embarked on open market oriented reforms. This led to resumption of relations with international financial institutions such as World Bank (WB), International Monitory Fund (IMF) and Asian Development Bank (ADB) in 1993 and opening Cambodia to other countries through internationalization⁴. This means that the country became interconnected with the world economy. Consequently, the predominance of state hierarchical control on the economy has commenced to melt

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⁴ According to the United Nations data, Cambodia has received more than US $3 billion in assistance since 1993 for infrastructure development including highways and educational supporting programs and particularly accounting and training infrastructure development programs (UN, 2005).
down, leaving some flexibility for the other two principles of ‘market’ and ‘community’ (Puxty et al, 1987) in Cambodia.

The promulgation of a new Constitution in 1993 laid the foundation for the development of Cambodia’s new governance system. The Constitution declared liberal democracy and a multi-party system as the basis of the political regime of Cambodia. The new Constitution that provided for a parliamentary system with a unicameral assembly and a purely ceremonial role for the King was also approved by the Constitutional Assembly on 21 September 1993, the same day Sihanouk acceded to the throne of the new Kingdom of Cambodia (Grotz et al., 2001). The Constitution defined a market economy as the foundation of Cambodia’s economic system. As a result, business openness to the outside world, which has had significant impact on various aspects of business, accounting and auditing, practices. The Plan Comptable General (the General Accounting Plan) was issued by the MEF in 1993 and was applicable to all sectors of the economy. The Plan contains a recommended Chart of Accounts, a list of the accounts to be applied, the accounting treatment for certain items, and accounting principles and guidelines for financial statement presentation. There is also a section that gives guidance for a new company in establishing its initial accounting records (Interview, No. 14/15). The Accounting Law (2001) requires that all private companies, including State-Owned Enterprises (SOEs), prepare and submit the annual financial statements including a balance sheet, income statement and notes to the accounts in the Khmer language. This is an important development of the Cambodian policy makers’ efforts in implementation of the market economic ideology (Interview, No. 14/15).
5.1 The National Accounting Council (NAC) and the Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA).

There was no professional accounting body in Cambodia until 2002 when the promulgation of the “Law on Corporate Accounts, Their Audit and the Accounting Profession 2002” resulted in the creation of two accounting institutions: the National Accounting Council (NAC) and the Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA). The NAC is a regulatory body of the Ministry of Economy and Finance, dealing with the development of the conceptual framework and accounting standards, and the examination and revision of the accounting standards and regulations (Seng, 2009). The NAC’s responsibilities are to: i) review and give its opinion on all draft laws and regulations, including accounting provisions whatever the status of the enterprises concerned, or their sector of activity, ii) develop the conceptual framework and the accounting standards, iii) come up with proposals aimed at improving accounting, and iv) represent Cambodia in international organizations and meetings dealing with accounting. In April 2003 the NAC had approved fifteen Cambodian Accounting Standards and ten Auditing Standards which became effective in September 2003. These standards were mainly based on the International Accounting Standards issued by the International Accounting Standards Committee (IASC) with minor adjustments to suit local conditions (Seng, 2009).

The KICPAA is the sole professional accounting body organising accounting professional training, promoting and defending the status and the interests of the profession, overseeing the quality assurance of its members and participating as a working member of the NAC. This indicates that the accounting function which was under the state principle has moved away from the state to become a communal
organisation. According to the article 13 of the KICPAA’s Constitution, it states following:

“no person shall exercise the profession of certified public accountant unless that person is registered as a member of the KICPAA”.

The Article 10 of its Constitution states that:

“Members must hold university qualifications in accounting, business or finance of a standard recognised by and acceptable to the Registration Committee”.

This indicates that the accounting profession which was directly monitored under MEF has now extended to KICPAA for operation while retaining some overseeing capacity by MEF. More over the university accounting degree qualification was considered for the profession. As a result of these reforms the accounting profession has organised as a community. These include the following:

- The accounting professional qualification should be obtainable only by examination.
- The accounting professional body determines the standards for persons wishing to become members of the accounting profession and to maintain the register of persons entitled to practice as accountants and auditors.
- The professional training is based on accounting traineeship.
- Development of university-based accounting education.

These developments obviously enhance the quality of the profession. It also indicates that during this time most of the practicing accounting firms have separated from the state.

Unlike accounting professional bodies in the Western world the KICPAA remains a government agency and therefore the question remains concerning the independence of the Cambodian accounting profession from the state. This may be due to its relatively new established body and inexperience as compared to most Western
countries. As revealed by the interviewees, these government bodies are the real “power behind the throne” and all staff members of the KICPAA are government officers and officials. The KICPAA is not financially independent. This is mainly because of the small size of the Institute. This suggests a common phenomenon in many ASEAN countries with regard to formation of accounting associations. Given the above review it is clear that the transition of the accounting profession in Cambodia was largely through the direct involvement and the direction of the Cambodian government. It is the state which brought the public accounting back in to the public interest and created a market for accounting services.

These developments are associated towards the national development under the new governments after the 1990s in Cambodia (NAC, 2002). Under the accounting law, enterprises are required to prepare annual financial statements that are in compliance with the conceptual framework and the accounting standards, the principles of which will be detailed by a decree (Anuk Kret) of the Royal Government.

These economic reforms brought about in the formation of a socialist market economy and the open economic policies attracted a great amount of foreign direct investments to Cambodia. There is now widespread adoption of IFRS especially by the private sector and State owned, self-accounting enterprises (Interview, No. 14).

With the on-going economic development with the assistance from the World Bank and International Monetary Fund (IMF) and the ADB, the need for a strong accounting profession with appropriate accounting standards became a necessary prerequisite for good financial governance. In establishing the KICPAA under the control of the MEF in 2003, the intention of the State was the development and strengthening of accounting skills and expertise in Cambodia. The KICPAA would
serve society by providing professionals and the Cambodian State would support this by providing facilities and the development of university-based accounting education. However, the Cambodian accounting profession is not well organised as a profession in the early years of economic reform.

Under the accounting law, incorporated companies will be required to submit their accounts to an independent audit as soon as their turnover, balance sheet total and number of employees are above the limits set by decree of the MEF. The accounting law states that the auditor should be appointed for a period of three years and must be a member of the Institute. These developments are towards the national development of Cambodia and under the national ideology of the new governments and represent significant work carried out for the development of accounting profession in Cambodia (Interview, No. 22).

During the past two decades, there has been a significant development in the public sector accounting in Cambodia in view of achieving the national ideology of the country. Among these developments was the establishment of the National Audit Authority (NAA), a significant achievement towards the nationalism in accountancy in Cambodia. The NAA was formed by the passing of the Audit Law in March 2000 and it is established as an independent public entity which reports directly to the National Assembly, Senate and the Government for information purposes. The Auditor-General who is assisted by two Deputy Auditors-General governs the NAA.

In addition, Cambodia has established diplomatic relations with most countries, including the United States. The country is a member of most major international organizations, including the UN and its specialized agencies, and became a member of the Association of Southeast Asian Nations (ASEAN) in 1998,

In 1989, private property rights were restored and price control was abolished. State-owned enterprises were privatized and increased incentives were provided to local and foreign private investment. This set the stage for the signing of the Paris Peace Accord in 1991, designed to put an end to the protracted civil wars and to assist the rehabilitation of the economy. After the 1993 general elections, the newly formed Royal Government of Cambodia (the Government) began formulating a comprehensive macroeconomic and structural reform and achieved some significant successes in stabilizing the economy. For example, as part of the economic reform, the Cambodian Government passed considerable legislation relating to the law on investment (1994), the Chamber of Commerce law (1995), the commercial Register Law (1995), the Cambodia Investment Board (1995) (MEF, 2005).

Various researchers also have studied the accounting profession and the development from centrally planned economies to market economies. Among them, researching the accounting regulation and organization, for example, in China, Hao (1999) discusses the incremental construction, of an accounting profession as a part of a larger program improvising a “socialist market economy” over the last two decades. The author states that it is important to understand that the re-emergence of the accounting profession in China was largely the work of the Chinese government. As Hao (1999: 293) pointed out the Chinese CPAs did not proactively organize themselves to become a self-regulated body. Any step forward was directed by state regulations. It is unlikely that a CPA association would have emerged at this time if regulations to constitute it and supportive market arrangements had not been established by the state. Hao (1999) also compared the difference between China and
other Western countries: In many Western countries the accounting profession has been promoted by practitioners and professional associations that are reasonably autonomous from the state. Even when the associations entered into “corporatist” arrangements with the state to regulate accounting practitioners or accounting practice, they did so as autonomous entities. It is important to understand that in China the situation is very different. It is the state which is bringing public accountants back into the limelight. Indeed, many important regulations affecting the development of the accounting profession were promulgated by the Chinese government between 1980 and 1985. This is an important reference for Cambodian accounting professional development as Chinese accounting development has similarities to Cambodian accounting project.

5. 2 The Profession of Certified Public Accountants

According to the approved law on the accounting profession in Cambodia, specific features of the accounting profession have been stipulated. The Law of 2002 empowered the KICPAA to determine the standards for persons wishing to become members of the accounting profession and to maintain the register of persons entitled to practice as accountants and auditors. Accordingly, the KICPAA was granted a certain authority over its members’ public practice. It is clear from the circumstances in which the KICPAA was created that the organisation of the profession should be understood as a medium for, as well as an outcome of, the pervasive forces of the state (through passing of Acts of Parliament, etc.). As Johnson (1982) puts it, “a profession emerges as a historically unique articulation which involves the interrelated process of state formation and professionalisation”. These elements are
apparent in the post 1990s in Cambodia in the transition of accounting and auditing disciplines.

As prescribed in the Accounting Law, the professional training by the KICPAA is based on accounting traineeship. This system requires the trainee to work with a business firm, who undertakes to offer relevant work experience. The period of traineeship is usually two years. In the Cambodian accounting profession, foreign nationals are authorized to practice as a practicing accountant. Professional bodies were shown to have been concerned with securing effective control over entry to the accounting profession and with maintaining some degree of autonomy from the state. In setting up the KICPAA in 2003, the intention was that it would be committed to serving society by providing professionals capable of resource management with the highest level of integrity and competence. The state supported this mission by providing various facilities including the parallel development of university-based accounting education.

However, interview evidence shows that British bodies such as ACCA, CPA Australia and MICPA- (Malaysian accounting body) have also started to recruit students, taking advantage of the market situation existing in Cambodia. As revealed in interviews presently, KICPAA is conducting joint training programs with ACCA (UK) to produce professional accountants in Cambodia to serve different sectors of the Cambodian economy. These British, Australian and Malaysian accounting bodies are making an effort to recruit student numbers for accounting qualifications. These qualifications are well accepted by multinational companies operating in Cambodia (Interview, No. 32/24).
In 2003, the Commission for the Cambodian Accounting System Reform launched a comprehensive training of 70 students in Certified Public Accountants (CPA) and another 37 students in the Certified Accounting Technicians (CAT) for both public and private sectors using the globally known ACCA programmes of the United Kingdom in professional accounting education. At present, there are two private institutions that offer this training program for ACCA (Sang, 2009). The NAC has just signed a Memorandum of Cooperation with CPA Australia in May 2006. As a result, Cambodian professional accountants can now participate in the CPA Australia training program that is internationally recognised. This will further enhance the status of accounting profession in Cambodia in the future. In addition, the KICPAA is currently recognised by and also a member of the Association of South East Asian Nations (ASEAN) Federation of Accountants (Ngy, 2006).

Although the KICPAA was technically a private organisation, it was governed and regulated by the MEF and KICPAA’s day to day functions were still directly influenced by the state. This is the national accounting body having responsibility in representing its members, promoting and defending the status and the interests of the profession and to participate in the work of the NAC (Narayan & Godden, 2000).

5.3 Present status (2006) of KICPAA

For the first time in 2006 KICPAA issued license certificates to its members who were practicing their professional career in Cambodia in 2006. The event has been organized by the KICPAA governing council. Currently the membership of KICPAA is composed as follows:
These membership numbers are as August 2006. The significant increase of trainee members is the result of KICPAA’s effort in promoting training. The accounting training has always been considered the prime mission of KICPAA ever since its inception. Beside the excellent co-operation with ACCA, KICPAA is satisfied by the rapprochement with other Institutes such as CPA Australia and Malaysian Institute of Accountants (MIA). The KICPAA is looking for this kind of relationship with other Institutes for the sake of the harmonious development of accounting and auditing profession. The development of KICPAA’s own training program is continuing on its way. In this regards KICPAA is co-operating with the French experts and the major universities in Cambodia in order to harmonize all existing educational programs under the leadership of KICPAA. The KICPAA is committed in this field, to providing the universities and students, with technical assistance and visiting professors. In conceiving the adequate syllabi in line with the international bodies’ requirements, KICPAA is hoping to reap the expected high quality of the national CPA diploma.
As a working member of the NAC, the Cambodian standards setter, KICPAA is committed to participating in all technical meetings, and discussing the establishment of small and medium size enterprises standards in Cambodia. The needs of the country’s economy should be treated appropriately. As result and after KICPAA’s approval, the MEF has issued the sub decree of “Financial Reporting Template For Small and Medium Size Enterprises” in June 2006. Moreover, recently, KICPAA has also submitted the draft Prakas on “Obligation To Submit Financial Statements For Audit”. In this regards, the NAC and KICPAA are working painstakingly in order to finish this vital document in a reasonable period of time.

6. The Capital Market Environment

The development and establishment of an effective and sustainable securities market that serves the capital development needs of the Cambodian government and people is part of the overall vision and development strategy that the government of Cambodia has embraced to achieve the long term development of the finance sector. Under the Prime Minister's initiative and the new trend of market economic focus, the government has made considerable efforts toward capital market development. The Government drafted a Capital Market Law in 1995, However, only limited progress has been made because of delays in the development of related financial and legal infrastructure.

Capital markets cannot be established and operational until accounting, legal, and other financial infrastructure is in place and the legal and accounting professions are organized and operational. Not only it is necessary to draft and pass key laws, but the implementing institutions must also be formed and developed. Furthermore, potential
listing companies must be willing to accept higher standards of corporate governance and be capable of producing audited financial statements. Thus, the Government has conducted feasibility studies to assess a critical mass of issuers in line with the promulgation of the Law on Commercial Enterprises. The Capital Market legislation appears to be a much-needed attempt to create an important legal framework covering two aspects: firstly the law relating to companies, and secondly, the law relating to a stock exchange.

This legislation is adequate for the Stock Exchange Articles, however, there are urgent legal matters, and regulations, which need to be promulgated immediately relating to Company Law. Many foreign institutions including banks have established subsidiaries in Cambodia and are operating on an unregulated activity basis. Some laws relating to parts of the Company Law have been established (Law on Banking and Financial Institutions and Law on the Commercial Rules and Registration). However, all the laws relating to companies have to be established and consolidated into one Act. There is presently a lack of a coherent code of Company Law in Cambodia with the result that it has been considered necessary to include within the draft Capital Market Law a number of articles covering those aspects of Company Law essential to the formation and ongoing regulation of public companies. As revealed by MEF interviewee (Interview, No. 27):

South Korea has agreed to help Cambodia set up a stock exchange, the latest sign of the Southeast Asian nation's recovery from the devastation of Pol Pot's regime. South Korea would spend $1.8 million on training and help set up the technology of the modern stock market Cambodia planned to open in 2009.
Another interviewee mentioned the following with regard to the development of stock exchange developments in Cambodia (Interview, No. 28):

Cambodian lawmakers have approved a securities law in 2007 in the latest move to prepare the country for establishing a stock market in the next two years. The adoption of the law on issuance and trading of non-government securities occurred just one week after the government's announcement of its bid to create a stock exchange in 2009.

In 2001, the Government of Cambodia, with assistance from the Asian Development Bank (ADB), formulated a long term vision and strategy for the development of the financial sector which included the development of an effective and sustainable capital market. As part of the capital market development plan contained in the Financial Sector Blueprint for 2001-2010, the ADB agreed to provide technical assistance to the MEF to develop the basis for a suitable legal framework for the development, establishment and supervision of a securities market in Cambodia. The framework for capital market development was to take place in three phases (MEF, 2001):


During 2001 to 2004 several key developments took place. For example, creating the key legal and regulatory framework was undertaken by the government which adopted the security law, some feasibility studies for security market operations and exchange regulations. Also a capacity building project was introduced with assistance from the ADB. In association with these developments, some training programs were introduced into the public and private sectors in Cambodia. As revealed by
interviewees a Commercial Enterprise Law (to support corporate governance), Negotiable Instruments and Payment Law was adopted; accounting and Auditing law (in 2000); Decree law 38 (Contract and quasi contract); a Draft of Civil Code (This will replace Decree law 38 regarding contact matters); a draft law on government securities (06-2003) prepared by the MEF, a draft law on the issuance and trading of non-government securities (dated 06-2003) all have been completed. In addition, feasibility studies for the creation of a securities market and suitable workshops and training programs have been conducted within this period.

In the second phase (2005 to 2007), a few more capital market developments have been taken place. Among these developments, an establishment of a capital market surveillance framework, establishment of a securities exchange board, trading system, depository and a clearing house are salient features. At the same time, issuance of public bonds and provision of incentives for the general public have been important events working towards the development of a capital market in Cambodia. As revealed by interviewees, it seems a massive public awareness programs have been happening in the country currently to strengthen the capacity building project.

With the progress in governance reform assisted by ADB and the World Bank, the Government has now renewed its efforts toward capital market development. For instance, it has established a capital market unit in MEF. The Government has also drafted a sub decree to create an independent securities supervisory body responsible for attending to all the functions of capital markets and bringing about its full operation. The main functions of the supervisory body include (ADB, 2001):

(i) implementing relevant regulations, including the making of administrative rulings;
(ii) supervising and safeguarding securities operations in settling and trading; and

(iii) licensing and registering all entities (broker dealers, registrars, investment companies, management companies, depositories, custodians) engaged in securities market activities.

However, the Central Banking Law (1996) assigns the National Bank of Cambodia (NBC) the responsibility of establishing and overseeing financial markets. According to this law, NBC has duties and functions to participate in the formation and supervision of the money and financial markets. In addition, the Central Banking Law empowers NBC to conduct securities operations to facilitate the registration, distribution, and trade of securities issued by the Government (Title VI, Article 23). These powers would have to be delegated by NBC to a securities and exchange commission once it is created.

During the 2008-2010 Phase, the government expects to strengthen capital market supervision and surveillance in accordance with regulations of International Organisation of Securities Commissions (IOSCO) and promote capital market participation through various incentives for large firms to go public or as corporations under the close supervision of the government. The creation of sufficient financial institutions and a regulatory framework for corporate bonds and development of the private bond market is another expectation of the government of Cambodia. Among such institutions, an Association of Securities Dealers, Training Institutions are to be set up to support and implement the capacity building for market participants. The interviewees whom I was able to meet had mixed feelings on the development of
these mechanisms for successful achievement of the capital market growth in Cambodia (Interview, No. 21/22/38/40).

7. Influence by Big accounting firms

With the socialist market economic reforms, there are now twenty one accounting firms in the country including three of the Big Four largest international accounting firms in the world have offices in Phnom Penh: Ernst & Young International, KPMG and PriceWaterhouseCoopers (KICPPA, 2003). The establishment of new local accounting firms must be approved by the MEF to be able to provide statutory services. Puxty et al (1987 p 275) states that the “hierarchical Control” the state is “characterised by its successful protection of actors from external threats”. Consistent with this coordination and allocation principle, Cambodian government has protected the setting up of accounting firms with the scrutiny of the MEF.

Most employees of the international accounting firms are expatriates. The three international accounting firms mainly carry out the audit work of subsidiaries of foreign firms located in Cambodia as well as joint ventures and State-owned enterprises at the request of the government. Cambodian accountants may form an accounting firm on a partnership basis and this has generally taken a limited liability form. While overseas firms have been permitted a presence the government adopted a policy of maximizing the existing accounting resources among Cambodians before allowing access to experts from overseas or depending on them. Therefore the big international firms are not allowed to do any statutory audit work under the Cambodian accounting law. However they are permitted to establish a presence and offer consulting services to foreign firms and a few Cambodian clients, set up joint ventures within local firms to perform audits on multinational corporations and
Cambodian firms listed overseas, accepting Cambodian accounting firms as their member firms, and apply for provisional operation licenses to set up operations in Cambodia. Many of these accounting firms carry out business project valuation and advise the Cambodian government to setup the stock market. Based on the demand from private and joint ventures, some accounting firms offer consultancy services and accounting and auditing training programs. This shows how those accounting firms are becoming a part of the accounting community in Cambodia in post 1990s.

7. Conclusion

In Puxty et al (1987) model suggests the analysis of accounting regulation as a social and organisational phenomenon which requires critical appreciation of its construction within a nexus of ‘market forces’, ‘bureaucratic controls’ and ‘communitarian ideals’. They argue that Streek and Schmitter (1985) organising principles do not specify the relative importance of state, market and community. We argue in this paper that while in the transition, the Cambodian state has been predominant in organising the accounting and auditing profession through various regulations despite the Communist (KR) disruptions in mid 1970s. As in the cases of both Czech Republic and China that have been directly influenced by Soviet models in the past and those countries have diverted from the Soviet model in different ways. It is difficult to find pure type of formation of professional associations. Traces of research over focus on early forms of communitarian – but not truly communitarian – it happens always with strong market, state and associative structures. What is there now has little to do with communitarian – much closer to notions of associative networks. Seeing a market takeover of the communitarian ‘accounting association’ is an overly simple reading of professional history. The absence of the association / network category in our typology has blinded us to the fact that these bodies (when
not imposed by the state) always represent a pact or agreement between different interest groups and blind to the politics of accounting associations. However, community, associations and market forces will remain under the framework of the state. This paper shows how foreign accounting firms gradually building the community and market for emerging businesses and accounting and auditing profession in Cambodia in post 1990s. The Czech Republic and Chinese development in accounting profession has some similarities to the professional development in accounting in the Kingdom of Cambodia over the three periods, colonial, central planning and socialist market economic regimes. In future comparative research on accounting and auditing profession, it shows the need to recognise mixed model, most importantly the nature of the association. Whether Cambodian experience is similar or dissimilar to other countries which have been directly influenced by Soviet model, we would argue that Streeck and Schmitter’s (1985) four part model has the potential to provide new insights into the regulation and organisation of accountants and auditors in future comparative research.

References:


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

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

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