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Political, economic, social and imperial influences on the establishment of the Institute of Cost and Works Accountants in India post independence

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ABSTRACT

Recently, there has been considerable interest in the professionalisation of accounting. However, within this literature, most of the focus has been on the chartered accounting profession and the development of the cost and management accounting profession has been paid less attention. This paper traces the establishment of the Institute of Cost and Works Accountants of India in the period 1954 to 1959, focusing on the political, economic, social and imperial influences on the development of cost accounting at this time, the role of the Government in promoting cost accounting in India and the interactions of the more established Institute of Chartered Accountants of India in the process used to establish the Institute of Cost and Works Accountants of India. The paper also compares the trajectory of professionalisation with that seen in other colonies.

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1. Introduction²

Recently, there has been considerable research interest in the development of accounting professions in different countries and in different time periods, influenced by the sociology of professions literature. As identified by Walker (2008) “the approach recognises that professions are intensely political, engaged in inter and intra occupational conflict and in the self interested pursuit of closure and collective mobility” (Walker, 2008, p. 203). This literature, which focuses mainly on the chartered accounting profession, is reviewed later in the paper.

There has been less interest in studying the development of cost and management accounting professions. In relation to cost and management accounting professions, some work has been undertaken on cost accounting institutes in New Zealand (Anderson, 1996), Canada (Richardson, 2002) and the UK (Loft, 1996). Anderson (1996) examines the professionalisation of cost accounting in New Zealand and its links with cost accounting in Australia. Richardson (2002) analyses the relationship between financial accounting and management accounting in Canada from 1926 to 1986 and explores the dominance of financial accounting over cost and management accounting in this period. The development of the Institute of Cost and Works Accountants (ICWA) in the UK in the period during and just after the First World War has been traced by Loft (1996) who examines “the interplay between knowledge, techniques, institutions and occupational claims” (Loft, 1996, p. 137).

These analyses have all focused on the development of cost accounting professions in Anglo-Saxon contexts and there has been little research on cost accounting professions in less developed economies. In response to the above, this paper extends

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the literature to the exploration of the establishment of the Institute of Cost and Works Accountants of India (ICWAI)³ under the Cost and Works Accountants Act 1959 in India in the time period 1954–1959 during which the ICWAI was established as an institute of cost accounting under statute.

This paper explores three main areas. Firstly, the paper explores the influence of the socio-economic and political context and the role of the Indian Government on the establishment of the ICWAI. Secondly, the paper explores closure activities undertaken within a political arena in post independence India and compares professionalisation of cost accounting with that seen in the UK and with professionalisation seen in other post colonial settler and non settler states. Finally the paper explores the influence of imperialism on the establishment of the cost and management profession during this time period in India. The paper highlights the linkages between the Government and cost and management accounting which significantly impacted the trajectory of cost accounting professionalisation in India during this time period, leading to the establishment of a cost accounting institute with a strong public interest remit.

The Indian cost and management accounting institute is of particular interest. The ICWAI is a large institute in an increasing important economy with over 300,000 members in 2014 (www.icwai.org) and has recently developed training links with the Chartered Institute of Management Accounting in the UK (www.cimaglobal.com). The time period is also an important one for Indian cost accounting with the establishment of the ICWAI as a statutory body in this period. The time period was also a period of major change in India, with the Indian Government taking charge of their own affairs after independence and instituting many of the social and economic institutions that have been important in India.

Primary data for the study comes from an analysis of Indian legislation used to establish the ICWAI under statute and the parliamentary reports and debates from the houses of parliament on the legislation. In addition to these, data is obtained from the Indian legislation relating to the Institute of Chartered Accountants of India (ICAI), “Chartered Accountant”, *Journal of the ICAI*, 1952–1960; “Management Accountant”, *Journal of the ICWAI*, 1966–1975 and “Cost Accountant”, *Journal of the ICWA*, 1939–1960.

The rest of the paper is structured as follows. A review of the concept of imperialism within postcolonial theory is presented followed by a review of the professionalisation literature and a summary of the political, economic and social context of India in the period 1947 to 1960. The establishment of the ICWAI in the period 1954–1959 is then traced, followed by the reasons for the establishment of a cost accounting institute in this time period, the key provisions of the Cost and Works Accountants Bill 1958 which was subsequently promulgated as the Cost and Works Accountants Act 1959 and the interactions between the Government and the more established ICAI in relation to the establishment of the ICWAI. Finally, discussion and conclusions are presented.

2. Post colonial theory and imperialism

Imperialism has been identified as an important influence on the development of accounting professions in countries with an imperial history. “Imperialism” and “Empire”, as discussed by Bush (2006) and Cain and Harrison (2001) have been attributed different meanings over time with much debate and contention over the meanings, particularly in relation to the term “imperialism”, within the imperial history literature. The term empire has been used to “imply expansion of states outside their territories, a widening of geographical space” (Bush, 2006, p. 1) and imperialism much more widely “inscribes social, cultural and political relations of power between the empire and its subordinated periphery” (Bush, 2006, p. 2).

Imperial research can broadly be broken down into two types, traditional research and post-colonial research (Cain and Harrison, 2001; Bush, 2006). As summarised by Bush (2006), traditional research within imperial history has focused mainly on the period of formal empire, on economic arguments, has been influenced by socialist/Marxist influenced debates from the 1880s to the 1970s and world systems theories (Bush, 2006). Issues raised have included informal and formal empire, reasons for imperial expansion and a focus both on the metropolis and the periphery (Robinson and Gallagher, 1961; Cain and Hopkins, 2002).

Post-colonial research has challenged the traditional approach, widening the area of study both in terms of period and subject, bringing a multi-disciplinary approach to the study of imperial history. The period of study has been extended to include periods after the end of formal empire. The focus of research has widened to look at issues such as decolonisation, freedom struggles, the voice of neglected imperial others, race, class, gender and sexuality. Other disciplines such as anthropology, literature and psychology have influenced the study of imperial history with much of the research influenced by literary and psycho-analytical studies (Fanon, 1967; Bhabha, 1984; Spivak, 1988; Said, 1994; Prakash, 1995a,b; Gandhi, 1998; Loomba, 2005; Bush, 2006).

Within the post-colonial literature, the definition of when post-colonial starts has been widely debated. It has been argued that the post-colonial does not just relate to the period after colonisation but can be viewed “as both the contestation of colonial domination and also the legacies of colonialism” (Loomba, 2005) and the latter is where the analysis in this paper is focused in relation to accounting. The legacies of colonialism and imperialism include both acceptance of ideals and practices of the imperial power and anti-imperial debates which continue to be relevant in the post imperial state.

³ Institute of Cost and Works Accountants of India abbreviated as ICWAI, the Institute of Chartered Accountants of India abbreviated as ICAI and the British Institute of Cost And Works Accountants abbreviated as ICWA.

Said's work on orientalism, coming from literary studies, has been very influential within post-colonial studies. Following Gramsci's notion of hegemony as the transformation of ideas and practices and Foucault's concepts of power and discourse, Said critiqued the objectivity of oriental studies and western scholarship on the orient. He argued that there was a reciprocal relationship between colonial knowledge and colonial power which needed to be challenged (Said, 1978, 1994).

Post colonialism has also been influenced by the field of psycho-analysis. A key contributor, Fanon argued that colonial authority works by inviting (some) black subjects to mimic white culture and don white masks. This leads to psychic trauma when the colonised subject realises that he can never be fully recognised as white (Fanon, 1963, 1967). The concept of mimicry has been extended by Bhabha to suggest that colonial authority invites mimicry but that this mimicry is not perfect, leading to hybridity. This, in turn, can lead to resistance and freedom struggles, often led by those elites created by colonial authority (Bhabha, 1983, 1984).

The notion of hybridity may be extended and applied to newly independent states. These newly independent states inherit colonial structures and ideals and, hence, the influence of imperialism does not end since both colonial hierarchies and knowledge persist after independence within the newly independent states (Said, 1978, 1994; Gandhi, 1998; Loomba, 2005). The inherited structures are not, usually, complete imitations of the structures of the former imperial master but instead are more hybrid in nature and thus inherited imperial structures are seen which have been "inflected" or "tinged with local colour" (Ahluwalia, 2001; Bhabha, 1983, 1984).

This hybridity continues as changes are made within the structures and processes of the newly independent states whose leaders attempt to deal with the social, economic and political contexts they face. The post independence changes that occur are very different in different newly independent states. For example, using a post-colonial approach within the field of politics, Ahluwalia (2001) studied newly independent states in Africa, analysing how different local inflections were seen in different states.

Post-colonial approaches have not been without criticism and these include that the work has often been very abstract, dominated by post structuralism, literary studies and psycho-analytical studies, has incorporated a wide focus which does not easily recognise specific locales and that the theory has not really engaged with the political and the economic (Gandhi, 1998; Loomba, 2005; Bush, 2006).

In this study, an attempt is made to apply post colonial concepts of imperialism and hybridity to accounting in post independence India. The period of analysis is the post-colonial period and the focus is on the periphery rather than the centre with the periphery being the newly decolonised Indian state in the early years of independence. The importance of the periphery has been highlighted by the post colonial literature and is the main area of focus in this paper since the establishment of the cost accounting profession is determined by actions in the periphery in the post colonial time period. In particular, the continuing legacy of imperialism, the changes to inherited accounting structures and ideals post independence increasing hybridity within the accounting system are explored in this paper.

3. Literature review

The literature on the development of accounting professions, influenced by the critical sociology of professions literature, has looked at many issues including the role of the state and inter-professional interactions in the development of accounting professions.

The state has been identified as an important influence on professions. For example within the sociology of professions literature, Torstendahl (1990) identified the state as being important for professions, both in supporting professions and in acting in ways detrimental to professions. It has also been discussed by Larson that professions ultimately depend on the power of the state to protect their domain of "expertise" (Larson, 1977, p. xii).

Building on this work, the importance of the state in relation to accounting professions has been identified and explored in different imperial contexts (Johnson, 1973; Chua and Poullaos, 1993, 1998, 2002; Johnson and Caygill, 1971). Chua and Poullaos (2002) recognise that "mapping the state-profession axis is crucial to understanding the professionalisation of accounting" (Chua and Poullaos, 2002, p 3), that this includes both state agencies at the centre and state agencies at the periphery (Chua and Poullaos, 1993, 1998, 2002) and that not all closure mechanisms are likely to be equally successful.

Inter-professional interactions with the use of different closure mechanisms to attain professional status has also been shown to be important in determining the trajectory of professionalisation of financial accounting in different contexts (Chua and Poullaos, 1998; Walker, 2008). In relation to colonial states, very different interactions are seen in settler and non-settler colonies which have also been very differently affected by imperialism and the influence of the state.

For dominion, settler states such as Australia, South Africa and Canada, the professionalisation of accounting was started in the late 19th century and early 20th century, with the establishment of local professional accounting institutes, very much based on the British model of private sector professionalisation and often influenced by British accountants settling in these countries (Walker, 1995, 2008; Carnegie and Napier, 1996; Chua and Poullaos, 1993, 1998, 2002; Walker and Shackleton, 1998; Carnegie and Parker, 1999; Carnegie and Edwards, 2001; Poullaos, 2009, 2010). The state, both at the centre and the periphery in these dominions, influenced accounting professionalisation in important but indirect ways (Chua and Poullaos, 1993, 1998, 2002; Richardson, 1989, 2010; Carnegie and Edwards, 2001; Poullaos, 2010). The interactions, sometimes supportive and sometimes antagonistic between British accounting institutes such as ICAEW and Society of Accountants and Auditors and accounting institutes established locally influenced the path of professionalisation seen in these settler states, leading to what has been identified by Poullaos (2002, 1993) as an "imperial accounting arena".

The trajectory for accounting professionalisation was very different in the non-settler colonies of the British Empire. Pre-independence, accounting in these states was dominated by British interests and ex-pat British accountants with little involvement of local accountants. Typically professionalisation of accounting was seen after independence in the latter half of the 20th century, was supported by the Governments of the newly formed states and was very much linked to wider social, economic and political agendas within these states.

The imperial legacy influenced the accounting professions in different countries in different ways with each country that has been studied showing its own particular path of accounting professionalisation, influenced by different socio-economic and political contexts and histories and with differing issues and concerns being important. The range of countries studied vary greatly and include former colonies from the Caribbean to Asia. However, some common themes emerge from studies of very diverse non settler states such as Trinidad, Jamaica, Nigeria and Malaysia. These themes include indigenous accounting professions being established post independence with Government support but with different interests and concerns leading to the continuing influence of the former empire for example with the influence of British based ACCA qualifications, links between the interests of British accounting institutes and local elites and the issues of race (Susela, 1999, 2010; Annisette, 1999, 2000, 2003, 2010; Uche, 2002, 2010; Bakre, 2005, 2006, 2010).

In terms of professionalisation of accounting in India, previous studies of the chartered accounting profession (Verma, 2010; Verma and Gray, 2006) have shown a trajectory of professionalisation that combines elements seen in both settler and non settler states. In common with professionalisation in settler states, accounting as a profession developed before independence with state registration of Indian accountants. However, in contrast to professionalisation in settler states, a local, independent chartered accounting institute was not allowed to develop. Instead, accounting was controlled by the British Government in the pre-independence period.

It is only in the post independence period, as seen in non settler states, that a local indigenous chartered accounting profession headed by an Indian accounting institute run by Indians was established. Again as seen in other non settler states, strong government involvement is seen in the chartered accounting institute and the institute is established using statute. However, in contrast to non settler states, there appears to be little involvement of ex-pats and foreign interests in the Indian chartered accounting institute and the Indian institute developed its own entrance examination rather than using British ACCA examinations.

These issues have all been raised in relation to chartered accounting institutes and the establishment of cost accounting institutes in non settler states has not been focused upon. This study therefore seeks to add to the literature on imperialism, inter-professional interactions and the state-profession axis by analysing the development of the ICWAI in India post independence where we see the interplay between the state and two rival accounting institutes, the ICWAI and the ICAI.

The political, economic and social context of India post independence until 1960 is now summarised, followed by an outline of the establishment of the ICWAI.

4. The political, economic and social environment of India at independence

India gained independence in 1947 from the British Empire after many years of colonisation. In 1947, India inherited a very underdeveloped economy with low per capita income, poor economic growth, many living under the poverty line, a large but low productivity agrarian sector and little industrialisation resulting, as some have argued, from the imperial policies implemented by Britain. Some successful Indian business had developed pre-independence. For example, Indian family based companies such as the Tata group and the Birla group ran successful businesses in textiles and steel. However, most Indian businesses showed low productivity and produced labour intensive goods with low wages paid to employees. In addition, there was a lack of infrastructure industries, modern banking and insurance (Panikkar, 1964; Spear, 1978; Kumar, 1982; Kulke and Rothermund, 1990; Rothermund, 1993).

The political system adopted in India at independence was one which had many similarities to the British Parliamentary system combining a cabinet style Government led by a Prime Minister in a house of commons (Lok Sabha) supported by a strong civil service and a second chamber equivalent to the house of Lords (Raj Sabha). Thus imperial influences continued to be seen post independence, as in many newly independent states, with systems inherited from the colonial period. However the system adopted was also inflected by local changes; for example, a federal structure was adopted in which there was both central government and government by regional states (Panikkar, 1964; Spear, 1978; Kumar, 1982; Kulke and Rothermund, 1990; Rothermund, 1993).

At independence, the Indian National Congress, which had been key in fighting for independence transformed into a centrist political party, the Congress party, led by Jawaharlal Nehru, a western educated Fabian socialist and Shri Vallabhai Patel who had links with Indian business and represented the right wing element of the party. The Congress party therefore had a wide social base with links to business as well as portraying itself as a party for the people of India. A few other parties emerged such as the Communist Party with strength in the south of India, the right wing Swatantra Party and the Hindu based Bhartiya Jana Sangh but the Congress party was and remained the overwhelmingly dominant political force, holding more than 70% of the parliamentary seats in the first three general elections, 1952, 1957 and 1962. The next largest party was the Communist Party with between 4 and 6% of the parliamentary seats and their main opposition related to the treatment of labour within business (Brass, 1994).

The Government of India led by the Congress party thus held a large mandate during this period representing both the right wing and left wing within Indian politics. In addition, after independence, there existed general support and consensus

on developing a strong, independent India in which its citizens were treated more fairly than they had been before when India had been a British colony. The ideals of self sufficiency, independence from foreign involvement in India and strong state involvement in all aspects of social and economic policy were prevalent in India resulting from the fight for independence from Britain and from the perception that India had been ruled, not in India's interest, but in Britain's interests (Brass, 1994; Rothermund, 1990).

The leaders of the Congress party argued that political and economic independence and self sufficiency were associated with industrialisation and promotion of Indian business which would enable India to free itself from dependence on foreign imports and further need for foreign aid. These ideals which had been a key motivation for the anti-imperial freedom struggle continued to be relevant in post independence India and played a part in the development of cost accounting (Brass, 1994; Rothermund, 1990).

Whilst recognising that there were differing views within the Congress party and within the minority parties, which are indicated in the parliamentary debates analysed, there was broad support for the Government led by the Congress party in the country as a whole during this time and is reflected in this article by referring to the Government of India as a collective and differences in views being discussed as part of the parliamentary debates.

The economic system was greatly influenced by the views of the first prime minister of India, Jawaharlal Nehru whose socialist view led the country towards a socialist model of economic planning. However this was balanced, to some extent, by the interests of the business community as represented by Vallabhai Patel and the right wing of the party. The Congress party therefore introduced a mixed economy into India, in which there was a role for both private and public enterprise and in which socialist ideals were operated within a secular democracy.

The key elements of the economic system that were implemented soon after independence included central planning of the economy, the development of a large public sector, control and licensing of private enterprise, price control within the private sector, the use of import substituting policies, the introduction of a predominantly public financial sector with nationalised banking and insurance, state control of foreign investment, protective tariffs and prohibition of imports. These were all set up using legislation promulgated by Parliament, government resolutions and ordinances and government bodies (Panikkar, 1964; Spear, 1978; Kumar, 1982; Kulke and Rothermund, 1990; Rothermund, 1993).

Despite initial optimism for strong economic growth and rapid social reform in the early 1950s, India started to face many economic problems from the late 1950s onwards. For instance in the late 1950s, there was deterioration in the balance of payments which led to India needing foreign aid, which was explicitly included for the first time in the third five year plan. However, despite the above, the Indian Government retained their aspirations of being independent and not reliant on foreign countries, institutions and companies.

It was during this time period that the ICWAI, which had initially been established as a private sector accounting institute in 1944, was established as a statutory body and this is outlined in the next section.

5. The establishment of the Institute of Cost and Works Accountants of India (ICWAI)

The ICWAI was established as a statutory body under the Cost and Works Accountants Act 1959, ten years after the establishment of the ICAI in 1949, under the Chartered Accountants Act, 1949. The ICAI had been established under parliamentary charter with strong government involvement both in the parliamentary process for setting up the ICAI under statute and in the Council set up to head the institute. At independence, chartered accountants in India had wanted to establish an independent accounting profession similar to that seen in the UK, reflecting continuing imperial influence. However, they were unable to do so since this was not congruent with the social and economic context of India in which, as outlined above, there was strong direct Government involvement in the economic arena. This context continued to be important for the establishment of the ICWAI.

The ICWAI was first set up in the period of colonisation as a private sector training and examination body to train Indian accountants to work in the defence industry and to help combat war profiteering during the Second World War. The institute was very much based on the model of accounting professionalisation seen in Britain i.e. accounting institutes and professions developed as private sector organisations set up to promote the professionalisation of accounting. This was the accepted ideal both in financial accounting and cost accounting and accepted by practising accountants in India pre-independence as shown in the debate on the establishment of the ICAI (Verma and Gray, 2006). Thus imperial influence was seen in the acceptance of the British model of professionalisation and the existence of a private sector cost accounting institute at independence.

After independence in 1947, the privately run ICWAI ceased its training activities but continued to operate as an examination body for cost accountants who it was hoped might find employment in industrial concerns. Indeed, some industrial concerns did start to employ cost accountants who had qualified from the privately run ICWAI, but numbers qualifying with the ICWAI were low in comparison with numbers qualifying with the ICAI at this time. Only 377 cost accountants qualified by 1959, whereas the ICAI had 4500 members. Details of the growth of the ICAI in the 1950s is given in Appendix 3. The use of cost accounting and cost accountants was not widespread as identified as follows in the parliamentary debates:

Now you see that our steel mills and other things, our big textile concerns, our jute mills, even the tea gardens etc. where ever we produce national wealth, you will find that cost checking has not at all developed (Shri Bhupesh

Gupta, Communist party, Indian parliamentary debates on [Cost and Works accountants Bill 1958, 10 December 1958](#), page 1780)

The term cost checking is used rather than cost accounting but nevertheless indicates a lack of any form of cost accounting within Indian organisations.

Private sector businesses may have been reluctant to institute cost accounting systems and provide more data on costs as this might have led to government imposed price decreases if costs were determined to be different to the high costs that the companies argued they were facing, as indicated in the parliamentary debates as follows.

The industrialists came out with the argument that if this cost accountants institute is started and if cost accountants are given recognition, some time later the Government might impose these cost accountants on them and their right to produce and fix prices as they liked would be impaired. (Shri JVK Vallabharao, Congress party, Indian parliamentary debates on [Cost and Works accountants Bill, 18 February, 1959](#), page 1176)

Even though cost accounting was not widespread in India after independence, a private sector cost accounting institute did exist at independence, a direct consequence of imperial practice being implemented in India in the colonial period. The Government of India became interested in this institute and in cost accounting more widely in the 1950s and this led to major changes to the cost accounting institute, changes from model inherited from the colonial period to one that reflected local concerns and issues. The reasons for this are discussed in the next section.

6. Reasons for the support of cost accounting in India in the 1950s by the Government

During the 1950s, the Indian Government started to recognise cost accounting both as important for the economic development of the country, in particular to help develop an efficient and effective public sector, but also as a tool which might contribute to some of the social concerns in the country at this time. The economic reasons are outlined in the statement of objects and reasons in respect of the Cost and Works Accountants Bill introduced in the Rajya Sabha as follows:

The increasing tempo of industrialisation in this country in the context of planning has brought the subject of costing and the cost accountancy to the forefront. Current discussions on the measures needed to improve productive skill and industrial management will not by themselves be adequate unless due account is taken of the necessity for the maximum utilisation of labour and materials at the minimum of cost. It is now recognised that this can be ensured only through a proper system of costing and cost accounting. (Statement of Objects and Reasons for Cost and Works Accountants Bill 1958)

Cost accounting was perceived to have an important role in helping to provide effective systems of cost control in, and ensure the efficient working of, nationalised undertakings, a key plank of the planned economy which the Indian Government had instituted post independence. In particular, information was needed on the optimum utilisation of labour and material resources in both the public and the private sector, which was vital for industrial development and to help in the efficient use of material resources, which were in short supply. Cost accountants and cost accounting were perceived to be vital to help eradicate waste and inefficiency in the public sector and profiteering and fraudulent activities in the private sector. Decreasing wastage would also help to reduce imports of raw materials which would, in turn, help reduce foreign exchange requirements and reliance on foreign countries, a key ambition at this time.

This was indicated throughout the parliamentary debates, as follows:

the function (of the cost accountant) is to assist the management in securing maximum utilisation at the minimum cost consistent with efficiency and quality, utilisation in respect of raw materials, labour, technical know-how (Shri Santosh Kumar Basu, Congress party, Indian parliamentary debates on [Cost and Works accountants Bill, 19 February, 1959](#), page 1232).

The hon minister was saying it is particularly for the public sector. That is not so. Even for the private sector, it is very helpful because in the complex system of manufacture wastage is a very important factor nowadays. ... Intimately connected with the textile industry, I have come across many instances of intentional wastage created so the management could get huge profits (Shri Warior, Communist party, Indian parliamentary debates on [Cost and Works accountants Bill, 20 December 1958](#), page 6614).

As well as economic reasons for the use of cost accounting, there were also social reasons for the implementation of cost accounting in businesses in India. These included a role in helping to reduce prices in the economy which would help consumers in the country.

In a protected industry today there is no competition from abroad and the industry gets a price for its product which may be fixed by the Tariff commission or the Government. It may command any price it likes because there is no competition with products coming from abroad. Hence, Sir, I feel that the consumers to a large extent are subsidising the industries today by agreeing to pay the price which the industries are demanding, particularly when there is no competition. Sir, in such an eventuality, it is very important that the costing of products is done in a scientific manner so that the consumer is

assured he pays the correct price for the products of the protected industry (Shri Bhupesh Gupta, Communist party, Indian parliamentary debates on [Cost and Works accountants Bill, 10 December 1958](#), page 1815).

It is high time we also know what is happening and how the price is fixed whether the price has any relation to the cost of production, whether it is an economic unit or whether it is making huge profits or whether it is manipulating its accounts (Shri JVK Vallabharao, Congress party, Indian parliamentary debates on [Cost and Works accountants Bill, 18 February, 1959](#), page 1179).

A role for cost accounting in facilitating industrial relations was also indicated as it was perceived that cost accounting would help to provide accurate information on costs, productivity and wages in the private sector.

In many cases it has become a very specious and convenient plea on the part of the employers to plead that the cost of production has gone up and therefore the industry has not the capacity to pay, and therefore, the claims of the working classes or the employees should be rejected. We cannot counter it and the tribunal is in difficulty. The other party, the representatives of labour are in difficulty because they do not have proper data to counter it. So we want the entire question to be properly gone into This is the social, the economic aspect which I have mentioned in this connection. . . (Shri Bhupesh Gupta, Communist party, Indian parliamentary debates on [Cost and Works accountants Bill, 10 December 1958](#), page 1781).

If at every stage of the processing the check is there the cost accounting is there, we can find out what the industry is gaining or losing. Hence it is very important from the point of view of planning, from the point of view of settling disputes amicably with labour (Shri Warior, Communist party, Indian parliamentary debates on [Cost and Works accountants Bill, 20 December 1958](#), page 6617).

These economic and social arguments supporting the need for cost accounting had been raised by the Public Estimates Committee in 1954 (Indian parliamentary debates on [Cost and Works accountants Bill, 1958](#)) and had persuaded the Government to initiate the process for establishing the ICWAI as a statutory body in the 1950s.

Imperial influences may be glimpsed in these debates in the stated reluctance to be reliant on foreign companies for key resources, a reaction against the colonial experience when India had been governed by Britain, mainly in the British interests and hence reliant on a foreign power. In addition, fairness between different sectors of society was an ideal espoused at this time which may also have been a reaction against the colonial experience when India felt that its citizens had not been treated fairly by the British Government. In this case, it was felt that cost accounting had a role to help in achieving a fairer distribution of rewards earned between labour, owners of businesses and managers of businesses. Thus anti-imperial concerns from the colonial period which had been important in the freedom struggles were again seen to be of continuing importance in post independent India.

The existing private sector ICWAI which had Government support during the war period was chosen as an appropriate institute to develop the profession of cost accounting under the Cost and Works Accountants Bill. The process for promulgating, and the main provisions of, the Cost and Works Accountants Bill 1958 are discussed in the next section.

7. The Cost and Works Accountants bill 1958

The Indian Government, dominated by the Congress party, was the most important influence within the process used to promulgate the Cost and Works Accountants Bill and took a lead role in promoting the ICWAI as a statutory body. In 1954, the parliamentary estimates committee (Indian parliamentary debates on [Cost and Works accountants Bill, 1958](#)) recommended the need for cost accounting in India for the economic and social reasons discussed above. There are indications in the parliamentary debates that there were links, including financial support for the ICWAI post independence by the Indian Government and it may be speculated that the ICWAI influenced the debate on cost accounting before the debate reached Parliament and hence were able to influence Government policy very effectively in their favour at the stage of policy formation. These links are hinted at in the parliamentary debates as follows:

The question of development of cost accountancy and recognition of cost accountants was carefully considered by Government in consultation with the Council of the existing institute and the consensus of opinion was that the profession should be on a statutory basis on the same lines as the Institute of Chartered Accountants of India (Shri Satish Chandra, Congress party, Indian parliamentary debates on [Cost and Works accountants Bill, 9 December 1958](#), page 1597).

The Government has also given 2 lakh rupees⁴ to the institute (Shri Amolakh Chand, Congress party, Indian parliamentary debates on [Cost and Works accountants Bill, 10 December 1958](#), page 1808).

In 1956, the Ministry of Finance granted administrative recognition to the privately run ICWAI and required the Institute to change its articles of association to enable 5 Government nominees out of a total of 12 to be on the council, giving the

⁴ 1 lakh is equivalent to 100,000 rupees.

Government some say in the running of the ICWAI. Thus the Government of India appears to have taken the decision at this point in time to promote the privately run ICWAI as an appropriate body to develop cost accounting in India. At this stage, the Government also prepared an initial draft of the Cost and Works Accountants Bill but it took two years before the Bill was introduced into Parliament. The delay was due to accountancy being in the reserved list i.e. requiring both national government and state government approval which took a year to obtain and due to discussions with the ICAI on the issue and changes that were required to other legislation before the Cost and Works Accountants Act could be promulgated. The actions of the ICAI are discussed later in the paper.

The Cost and Works Accountants Act was drafted by the Government and introduced into the Rajya Sabha on the 24th September 1958, as the Cost and Works Accountants Bill 1958. The Bill was debated in both the Rajya Sabha and the Lok Sabha in December 1958 and referred to a joint select committee of both houses of parliament. The joint select committee reviewed the Cost and Works Accountants Bill from December 1958 to February 1959, reporting back to Parliament on 7th February 1959 and parliamentary debates followed in February 1959 ([Report of the joint select committee report on the Cost and Works Accountants Bill 1958, 1959](#)).

The Cost and Works Accountants Bill 1958 covered the incorporation of the institute, the definition of cost accountants, fellows and associates of the institute, certificates of practice, the constitution of the council of the Institute and its committees, the functions of, and elections to, the Council, a register of members of the institute and misconduct by members of the institute (The Cost and Works Accountants Act 1959, Government of India).

The management of the affairs of the ICWAI was to be entrusted to a Council consisting of elected representatives of the Institute and nominees of the central government. In the parliamentary debates, the Government stated that it would retain overriding powers to issue directions to the ICWAI but also noted that the council of the ICWAI was expected to be autonomous, free from Government control except in respect of specified matters.⁵ These provisions were similar to those of the Chartered Accountants Act 1949, under which the ICAI had been established. It may be argued that this led to hybridity in the accounting profession with a combination of the concept of independent professions being autonomous of Government inherited at Indian independence being changed to a profession set up by statute and with strong government control but with the ability to run most of its affairs without undue interference from the Government.

To become a member of the ICWAI and obtain a certificate of practice allowing cost accounting work to be undertaken, cost accountants had to pass two sets of exams, an intermediate and a final but no articleship requirements were introduced. The entrance examinations included cost and management accounting, financial reporting, as well as general business and commerce papers and were set by the ICWAI. Details of subjects studied by cost accountants is given in [Appendix 1](#). The entry requirements of the ICWAI were similar to the entry requirements of the ICWA in Britain and there was acceptance that most cost accountants worked in, or would work in industry and within companies as employees and hence articleship was not appropriate.

There were two main areas of work that the ICWAI suggested should be reserved exclusively for their members who had passed the examinations and qualified for certificates of practice. The first related to the keeping of cost accounting records and cost audits which had been raised as important for certain key industries and were implemented in the 1960s and the second related to cost accounting work in industries and industrial concerns established by the Government in the public sector ([Kapadia, 1972, editorials, management accountant, 1965–1967; Conference summary, management accountant, 1966](#)). The introduction of cost audits is not within the scope of this paper but it seems that this was an important area of work that members of the ICWAI wished to gain exclusive rights to perform.

Imperial influences on the ICWAI post independence can be seen here in that the entrance requirements and the examination structure were similar to that of the ICWA in the UK, accepting the British institute as an appropriate model to follow. However, the ICWAI did not choose to import British qualifications directly and instead set their own entrance exams. This again shows hybridity with practices inherited from the colonial period being accepted as best practice and retained post independence even though a very differently constituted accounting institute and profession was adopted.

During the parliamentary debates, several members of parliament argued that a cost accounting institute separate to the ICAI should be established, as follows:

The work done by cost accountants is very different in nature from that of the chartered accountants It would not be possible for the Institute of chartered accountants of India to deal with both... Moreover the experience of other technologically advanced countries indicates that it is necessary to have a separate Institute of Cost and Works Accountants, as distinct from that of the chartered accountants. (Shri Satish Chandra, Congress party, Indian Parliamentary debates on [Cost and Works Accountants Bill 1958, 9 December 1958](#), pages 1594–1595)

It is a very advanced and specialised branch and it should be treated separately. (Dr P.J. Thomas, Communist party, Indian Parliamentary debates on [Cost and Works Accountants Bill 1958, 10 December 1958](#), page 1853)

The ICAI disputed that sole access to cost accounting work should be given to cost accountants. Although the ICWAI argued strongly for a separate cost accounting institute and that cost accounting work should be separate to that carried out by

⁵ These “specified matters” were not detailed in the debates, but as seen in the debates on the chartered accountants bill, the Government intervened in issues which they perceived would affect the Indian national interest for example in matters involving the Board of Trade in the UK.

chartered accountants, they were unsuccessful in being able to exclude some members of the ICAI from undertaking cost accounting work. This is discussed further in the next section.

8. Interactions between the ICAI and the Government in relation to the ICWAI and the Cost and Works Accountants Bill, 1958

In the 1950s, the ICAI introduced cost and management accounting into their syllabus deeming it to be an area of expertise needed by their members. One paper was introduced into their examinations and several technical articles on cost and management accounting were published in the Chartered Accountant, the Journal of the ICAI (Bhandari, 1955; Vasa, 1954; Iyer, 1955; Das Gupta, 1954).

Chartered accountants, as represented by the council of the ICAI, were therefore very concerned about the possibility of the establishment of a rival accounting body and contested the establishment of the ICWAI, both within and outside the parliamentary process. The whole process of professionalisation and closure activities were enacted within a political arena overseen and dictated, to a large extent, by the Government and, as such, constrained by Government policy and perception.

The Council of the ICAI was able to present their point of view in 1957, soon after the regional states had given their approval for a cost and works accountants bill. A government representative (Mr DL Mazumdar, secretary to the Government) was invited to a council meeting in June 1957. At this meeting the President of the ICAI voiced the feelings of disquiet of the Council at the possibility of a rival statutory institute being established which would lead to the curtailment of the areas of work for chartered accountants. He argued that no such institute was necessary as chartered accountants already carried out costing work and would be able to do so in the future too since all chartered accountants studied cost accounting as part of their examinations and therefore had expertise in cost accounting (Kapadia, 1972). At the meeting the Government representative tried to reassure the Council of the ICAI stating that

the profession should not get too unduly worried over the situation (Kapadia, 1972, page 259)

But, as outlined earlier, the Government had already decided to promulgate the Cost and Works Accountants bill, and to changing the privately run ICWAI into a statutory body with responsibility for cost accounting. So, subsequent to the above meeting, the Government informed the ICAI that they proposed to change the preamble to the Chartered Accountants Act from “profession of accountancy” to “profession of financial accountants and auditors”, in a letter dated 5th August 1957. The reason given at this stage was that the suggested change was necessary to accommodate the desire of the council that the ICAI should be understood and accepted as an educational institute (Kapadia, 1972, page 259).

The Council of the ICAI objected emphatically to the change in wording to the Chartered Accountants Act 1949 and to the setting up of the ICWAI as a statutory body in a later meeting in August 1957, arguing that this would lead to a reduction in the work available to their members since some chartered accountants undertook cost accounting work. The Government representative on the Council gave

a definite assurance that at the moment, Government had no intention whatsoever of taking away costing and secretarial work from the hand of the Chartered Accountants (Kapadia, 1972, page 260)

It was at this meeting that the Government representative admitted that the change to the chartered accountants act was indeed to facilitate the introduction of the Cost and Works Accountants bill into parliament rather than relating to the ICAI becoming an educational institute. The Council of the ICAI was very concerned both at the use of the phrase “at the moment” by the Government representative and at the proposed changes to the Chartered Accountants Act.

The objections and concerns of the ICAI were not successful. At the Council meeting of 24th February 1958, the Government representative on the Council of the ICAI informed the Council that the Ministry of Commerce had consulted with the Ministry of Law on whether changes to the wording of the Chartered Accountants Act was indeed needed for the Cost and Works Accountants Bill to go ahead. The Ministry of Law indicated that this was the case and that the law would need to be changed for the ICWAI to be set up as a statutory body to regulate cost accounting (Kapadia, 1972). Therefore despite continued opposition from the ICAI, the Chartered Accountants Act 1949 was amended by the Chartered Accountants (Amendment) Bill 1958 to read that members of the ICAI would undertake “financial accounting and auditing” rather than “accounting” (Chartered Accountants (Amendment) Bill 1958).

The Council of the ICAI continued to present arguments supporting their case at various points in time for example during council meetings which government representatives attended, in meetings with Government ministers, in correspondence to the Government, to the joint select committee and directly with members of parliament. Once again they reiterated the view that there was no need for a separate institute. They argued that some of their members had experience and competence in the field of cost accountancy. Cost accounting was a subset of accounting and hence the ICAI was in a better position to deal with cost accounting than the relatively new ICWAI. The ICAI also argued that there was no need for two accounting institutes, which would only increase bureaucracy and confusion in the accounting system (Kapadia, 1972).

This view was raised in the parliamentary debates by several parliamentary members who, although were not representing the ICAI, supported their stance, as follows.

It is very difficult to bifurcate the profession of accountancy. There is only one science, the science of accountancy. . . I will give you the analogy of medical science – there is only one medical science. . . You cannot be a good cost

accountant, unless you are a financial accountant. ... Cost accountancy is just a branch of accountancy. ... It will be an absolute waste of capital and waste of money if we have two training institutes ... I think there is some justifiable complaint so far as the chartered accountants are concerned. Cost accounting ... is really a specialisation. ... Why are you taking away a very important part of the audit from the realm and scope of the chartered accountants? (Shri Rajendra Pratap Sinha, Congress party, Indian Parliamentary debates on [Cost and Works Accountants Bill 1958, 10 December 1958](#), pages 1818–1822).

However, since it appeared that the Government was not to be persuaded of this, the ICAI also argued that if a separate institute was to be established, this should be done in a way that did not affect the status and function of chartered accountants. They therefore also argued that cost accounting should be added to the role of the ICAI in the Chartered Accountants Act 1949. If this was not acceptable to the Government, the ICAI argued that, at the very least, the rights of chartered accountants should be protected and that all chartered accountants should be allowed to have automatic membership of the ICWAI. These arguments were presented in the parliamentary debates as follows.

The chartered accountant may be permitted to go from one sphere to another. If that is allowed, it will allay a lot of fear. ...

... it is but proper that the chartered accountants should continue to certify cost statements and that they should, ipso facto, be enrolled as members of the institute and should be entitled to practice as cost and works accountants (Shri VK Dhage, Independent, Indian Parliamentary debates on Cost and Works Accountants Bill 1958, Minute of dissent to Joint committee report on Cost and Works Accountants Bill, 1958)

More widely, the ICAI argued that cost accounting was not being taken seriously by the corporate sector. It was more likely that cost accounting would be introduced into the corporate sector if it was regulated by the ICAI, a well established professional body which had a long and reputable history. The ICAI, interestingly, portrayed themselves as an institute with a long and reputable history, despite a relatively short existence but this was disputed, as discussed later in the paper.

The ICAI also argued, with reference to the low numbers of cost accountants qualifying with the privately run ICWAI, that the privately run ICWAI had been ineffective in increasing the numbers of cost accountants since the end of the war and that there were serious deficiencies in the examination process and lack of adequate training by the privately run ICWAI. It would, therefore, be better for cost accounting to reside with the more established accountancy institute. Again this view was raised in the parliamentary debates by several parliamentary members who, although were not representing the ICAI, supported their stance, as follows:

Then, it is also true that unless the cost accountants' institute is able to produce a number of cost accountants in a short time, there is going to be a Bill on the statute book without much use so far as industrial units are concerned (Shri Pattabhi Ramon, Congress party, Indian Parliamentary debates on [Cost and Works Accountants Bill 1958, 20 December 1958](#), page 6624).

In 1956 there were 55 fellows and in 1957 there were 58. The increase was only 3. Associates were 267 in 1956 and in 1957 the number was 285. The increase was only 18. Therefore we find the net number of students was 3,947 in 1956 and 5,312 in 1957. In January 1957, 1,100 students appeared in the examination. Only 78 passed. In July 1957, those that appeared in the intermediate examination were 1,374 and those passed were 87 only. In the final examination in 1957, 200 appeared and 39 passed. Therefore this large number of students should not give the impression as if a large number of qualified persons is being turned out by the particular institution. The progress in the matter of training people in cost and works accountancy has been very negligible indeed (Shri Bhupesh Gupta, Communist party, Indian Parliamentary debates on [Cost and Works Accountants Bill 1958, 10 December 1958](#), page 1778).

There have been many complaints about the low percentage of passes in the examinations and inadequate facilities provided for training for intending students (Shri Satish Chandra, Congress party, Indian Parliamentary debates on [Cost and Works Accountants Bill 1958, 20 December 1958](#), page 6611).

Finally, the ICAI argued that assurances should be given that, if the ICWAI was set up, its activities would be restricted to a limited purpose, for example, limited to cost accounting in the public sector. The Government was reluctant to offer concessions to the ICAI in the Cost and Works Accountants Bill and possible reasons why are discussed later in this section. However, the Government representative did state informally in council meetings and in the parliamentary debates that the ICAI should not worry about the setting up of the ICWAI, although they did not make any specific promises to the ICAI (Indian parliamentary debates on [Cost and Works Accountants Bill, 1958](#)).

The ICAI also tried to protect their rights to undertake cost accounting by sending the following memo to the government after their Council meeting in November 1958:

I. the council has felt and feels apprehensive that the inclusion of the words “other than cost and works accountants”⁶ in the preamble (to the cost and works accountants bill) will limit and/or abridge the work of chartered accountants. In the view of the matter, the Council respectfully submits that these words be excluded.

In the event that this is not acceptable to government, the council suggests that the Cost and Works accountants Bill may include a saving clause indicating that nothing in that act will limit or abridge the scope of a chartered accountants work.

The council accepts in the utmost good faith and with sincerity the assurance given by the Government that in no way the Cost and Works Accountants Bill will reduce or limit the work of chartered accountants.

II. The Council is also of the view that Section 2(2)(i) of the Ch acc Act should be amended to make it clear that cost accountancy comes within the scope of chartered accountants by adding the words “including cost accountancy” after the words “practice of accountancy”.

(Part of memo reproduced in Kapadia, 1972, page 264)

The ICAI was unsuccessful in having the Cost and Works Accountants bill or the Chartered Accountants Bill changed in their favour. There was much support for the Cost and Works Accountants bill and many arguments were presented in favour of setting up a statutory cost and works accountants institute to the joint select committee and in the parliamentary debates and this view was supported by most of the members of parliament. The interests between the Government and the ICWAI converged and the economic and social reasons for supporting cost accounting persuaded many members of parliament for the need for cost accounting and for the ICWAI.

These arguments included that cost accounting was very different from financial accounting and therefore it was more appropriate to have a separate institute to regulate cost accounting. Chartered accountants had only studied cost accounting as a subsidiary subject and this was not sufficient for them to have enough costing expertise to qualify as cost accountants. Chartered accountants were more focused on financial accounting and auditing and hence would not have the motivation to devote enough time to the vast task of cost accounting needed in industry.

Cost accountants are engaged in a much more difficult and complicated kind of task, a task in which the country is much more interested. In the other case, it is a question of share-holders not being defrauded or the owner of a concern knowing that his accounts are correct. Or the Government getting the income tax properly. . . But in this case the matter concerns the whole country. It affects our whole economic development. An industry should have the lowest cost of production so that its products may be able to compete in the world markets and in our own markets also. So, this is very important. It is very important. (Dr PJ Thomas, Independent, Indian Parliamentary debates on *Cost and Works Accountants Bill 1958*, 10 December 1958, page 1854).

The chartered accountants work is of a different nature. . . Their function is mainly to make an overall assessment of the results of the working of an undertaking. But the duties of cost and works accountants are entirely different. They deal with the efficiency of the management, the control exercised during various stages of production. . .

Cost accounting is a function entirely different from general or financial accounting . . . in view of this fact, it is considered desirable to entrust the regulation of the professions of chartered and cost accountancy to different institutes (Shri Santosh Kumar Basu, Congress party, Indian Parliamentary debates on *Cost and Works Accountants Bill 1958*, 19 February, 1959, pages 1232–1235)

Some members of parliament also argued that financial accounting and auditing and cost accounting were carried out by separate institutes in other advanced countries too, supporting the need for a separate cost accounting institute in India too. Reference to cost accounting in Britain was made by several speakers but references to cost accounting in other countries with Russia, China and the USA being specifically mentioned was also seen, as indicated below:

Further the experiences of various advanced countries indicate that it is necessary to have a separate Institute of Cost and Works Accountants as distinct from that of chartered accountants (Shri Satish Chandra, Congress party, Indian parliamentary debates on *Cost and Works Accountants Bill 1958*, 20 December 1958, page 6610).

Today in a planned economy whether in the Soviet Union or in the People's Republic of China or in other countries, you will find that cost accountancy of this type and cost calculation etc., have acquired a very prominent position (Shri Bhupesh Gupta, Communist party, Indian Parliamentary debates on *Cost and Works Accountants Bill 1958*, 10 December 1958, pages 1779)

It is no doubt true that in England you have an institute of cost and works accountants. . . I find that so as guidance from advanced countries, as they are called, - so far as the USA and the UK are concerned, they do not have a separate

⁶ Indicating that only cost accountants could undertake cost accounting work.

profession as envisaged here in India. (Shri C.R. Pattabhai Raman, Congress party, Indian Parliamentary debates on [Cost and Works Accountants Bill 1958](#), 20 December 1958, page 6623)

Imperial influence is seen in the parliamentary debates with reference to cost accounting in Britain as an appropriate model to follow being suggested. Imperial influence was also seen in a less positive way in relation to the ICWA and the issue of reciprocity. Accountants qualified with the British ICWA were to be allowed to have membership of the ICWAI but no reciprocal arrangements for members of the ICWAI to become members of the British ICWA was in place. This was criticised in the debates by only a few members of parliaments and did not seem to be as important an issue as it had been for the ICAI when they set up their institute ten years earlier (Verma, 2010).

Whoever passes the British examinations will become automatically a member of the British Institute and of the Indian Institute. This is one way traffic. I do not like one way traffic. If you have reciprocal arrangements and if the British Institute recognises Ipso facto our people, it is all right. I can understand reciprocal arrangements, but why should there be only one way traffic... (Shri Bhupesh Gupta, Communist party, Indian Parliamentary debates on [Cost and Works Accountants Bill 1958, 10 December 1958](#), page 1787).

Criticism of chartered accountants and the ICAI may also have contributed to the decisions taken by Government to support the ICWAI. For example, chartered accountants had been criticised on the grounds of lack of independence of the auditing profession from the corporate sector (CAB, 1955; [Indian parliamentary debates on Chartered Accountants Amendment Bill 1955](#); [Indian parliamentary debates on Chartered Accountants Amendment Bill 1958](#); [Indian Parliamentary debates on Cost and Works Accountants Bill 1958](#)). Though not explicitly stated in the debates, the underlying sentiment may have been that it was better to have a separate institute for cost accounting, which would introduce a rival to the ICAI and hopefully lead to improvements in the standards of the accounting profession and how it operated in practice.

We have experienced quite a lot of difficulty in the Institute of Chartered Accountants (Shri M P Bhargav, Congress party, Indian Parliamentary debates on [Cost and Works Accountants Bill 1958](#), 10 December 1958, page 1859)

The working of the chartered accountants act has disclosed that conducting the practice in partnership and in the name of the firm has resulted in a concentration of work taking place in fewer hands, thereby developing a monopolistic trend in the established firms such that not only is this happening but even the entry of a young man into the firm means a payment of huge goodwill. . . Thus employment opportunities are denied to an increasingly large number of young people (Shri V Dhage, Independent, Minute of dissent to joint select committee report on Cost and works Accountants Bill).

I may not be casting aspersions on the profession if I say that I am afraid that this institute of Chartered Accountants – well – carries around it a not very happy name in the sense that we see so many companies' accounts being audited by very famous names and yet the companies are involved in all kinds of things (Shri JVK Vallabharao, Communist party, Indian Parliamentary debates on [Cost and Works Accountants Bill 1958](#), 18 February, 1959, page 1177).

These debates indicate that the ICAI were not without criticism and perhaps were not perceived as having the reputation they themselves portrayed, as noted earlier.

The predominant view in the parliamentary debates supported the establishment of a separate statutory ICWAI, independent from the ICAI and these arguments may have contributed to the Government not wanting to give formal concessions to the ICAI in relation to cost accounting. However, despite the stronger support for a separate institute for cost accounting, some concessions were made by Shri Satish Chandra, the Government minister sponsoring the bill, to try and allay some of the concerns of the ICAI and offered some informal reassurance that chartered accountants who currently undertook cost accounting work were to be allowed to continue with this work. In the debates, Shri Satish Chandra of the Congress party discussed that:

- Very senior practising chartered accountants who have some costing experience and who by reason of their age, professional experience and attainments may be considered as eligible for membership of the new institute.
- Other chartered accountants who have also been practising as cost accountants for a reasonable number of years and whose experience as such is considered adequate for membership of the new institute.
- All other chartered accountants who may have no costing experience but who may have passed examinations on subjects which are common to the curricula of the Institute of Chartered Accountants and the new institute of Cost and Works Accountants and in respect of which subjects some concession in the examinations by the Institute of Cost and Works Accountants might be considered justified.

These concessions were discussed in the parliamentary debates but not included formally in the Cost and Works Accountants Bill and the members of parliament indicated that the issue of which chartered accountants would be allowed to practice as a cost and works accountants would be left to the two institutes to negotiate and agree upon once the cost and work accountants institute was established as a statutory body. This was not an outcome that was favourable to chartered accountants and the ICAI was unhappy at such an outcome. However as they had been able to protect the rights of some of their members to undertake cost accounting work and had prevented the ICWAI gaining exclusive rights to this type of work, they recognised that there was little

more that they could do to influence this outcome further (Indian Parliamentary debates on Cost and Works Accountants Bill 1958; Desai, 1959; Choski, 1960; Shastri, 1959; Dandekar, 1960).

Thus, although the ICAI was unable to prevent the establishment of the ICWAI or gain automatic membership of this institute for their members, the ICAI was able to gain concessions such that some members of the ICAI could undertake cost accounting work. As a consequence ICWAI members were not given sole access to private or public sector cost accounting or cost audit work, either by the passing of the ICWAI Act or by any other means.

The parliamentary debates do not explicitly discuss how the Government expected the ICWAI to increase its membership and achieve its social and economic aims without any exclusive rights to cost accounting work. However, it may have been the case that the ICWAI expected to be able to attract new members as the ICWAI would have the same statutory recognition as the ICAI and because it would be recognised as an important institute by the Government. In addition, the training requirements of the ICWAI were different to those of the ICAI. The ICWAI had no articleship requirement and they expected that this would help to attract members to the ICWAI. It may also be speculated that the Government expected members of the ICWAI to be able to play a role in the Government's economic and social plans through the education and training offered and the application of this knowledge in both the public and private sector to make business operations more efficient and effective.

The reasons why the Indian Government did not give exclusive rights to cost accounting work to members of the ICAI are also not presented in the parliamentary debates but again it may be speculated that the Indian Government recognised that the numbers of cost accountants were too few to undertake all the cost accounting requirements at this time. The Indian Government may also have been persuaded by some of the arguments put forward in support of the ICAI retaining some rights to this type of work, for example that some of its members had experience of cost accounting work.

The cost and works accountant's bill was passed in both the Lok Sabha and Rajya Sabha in 1959, with very little change and the ICWAI was then set up as a statutory body, under the Cost and Works Accountants Act of 1959. The privately run ICWAI was dissolved and its assets transferred to the newly formed statutory ICWAI.

9. Discussion

Economic and social considerations were most important for the establishment of the ICWAI as a statutory body in India. Cost accounting was seen as a key tool, even more so than financial accounting and auditing, for the achievement of Government economic and social objectives. These related to increasing productivity, reducing waste of valuable resources, fair pricing and improving industrial relations in both the public and private sectors. Strong state involvement in all aspects of social and economic life was accepted in this period in India and nationalist leaders felt strongly that political and economic independence were interrelated (Brass, 1994). In such a social, political and economic context, private sector institutions were not deemed to be appropriate. The socialist leanings of the political leadership in India influenced the establishment of the ICWAI as a statutory institute with a public interest remit in supporting economic and social change. This may, to some extent, explain the lack of success seen in the development of the private sector ICWAI in terms of growth of the institute in the 1950s in comparison to the statutory ICAI. This may also have contributed to the desire for the ICWAI to change its format to that of a statutory body in the 1950s which was proposed by the Government.

The Government was dominant in dictating the process for the establishment of the ICWAI rather than letting two accounting institutes undertake closure activities in the private sector without interference. This would have been contrary to the high level of planning and control that the Government exercised in other economic and social areas and therefore not a possibility at this point in time. This led to increasing hybridity in the accounting system with a government influenced statutory cost accounting institute introducing examinations based on those of the British model.

Closure activities were very different to the closure activities employed by Anglo-Saxon accounting professions. For example in the UK, as discussed by Loft (1986), the ICWA was set up in 1919, as a private sector organisation to promote and support cost and management accounting that had developed within industry and to promote professionalisation as shown by other accounting institutes in the UK such as the ICAEW. The ICWA recruited members interested in cost accounting and entered into activities to promote cost accounting as a profession including the publication of a journal, the definition of a body of knowledge linked to scientific management for cost accounting and setting examinations for entrance into the institute. The First World War provided an opportunity for cost accounting and cost accountants to "come into the light" (Loft, 1996, p. 141) by having an important role against war profiteering. The economic and business climate also changed after the First World War with mergers creating larger organisations that needed more sophisticated management and an increasing need to manage labour directly. Post war reconstruction was underway and cost accounting was seen to have an important role in the creation of efficient organisations leading to an efficient nation. Cost accounting was generally supported by industrialists for various reasons including its role in helping to make production decisions in times of fluctuating prices, its role in helping to maintain survival and profitability in post war recession and its role in defending against Government interference. Cost accountants too were supported as the industrialists thought that a new managerial class of cost accountants would support management rather than trade unions who were increasingly powerful at this time (Loft, 1996).

The Indian experience of cost accounting showed some similarities to the experience of cost accounting in Britain. The ICWAI too was set up in a time of war, the Second World War, and was supported by the British Government for its role against war time profiteering. It is probable that the British experience with cost accounting in the First World War,

encouraged the promotion of cost accounting in India during the Second World War. The ICWAI was set up as a private organisation, modelled on the ICWA institutional format and this was in existence at independence. In addition, although in different time periods, cost accounting developed due to the perception that it potentially facilitated economic growth, profitability and efficiency, both of businesses and the nation.

However, post independence, the trajectory of professionalisation differed significantly from the British experience. The ICWAI faced a very different social, economic and political context to that faced by the ICWA and they found that the format they had inherited was not appropriate. This led to the ICWAI being reformed as a statutory institute by the Government through the parliamentary system and with direct Government representation in the institute. Industrialists also seemed less welcoming of cost accounting in India than in Britain, and as discussed in the parliamentary debates, this may have been due to the protection they received in the mixed economy of India and any technique that reduced their ability to determine their own prices was not welcomed.

The closure activities of the ICAI and the ICWAI revolved around formal and informal interactions between members of the council of the professional institutes and the Government. The ICAI interacted with Government ministers and Government representatives in council meetings to try and initially prevent the establishment of the ICWAI. When this was not successful, the ICAI tried to argue that chartered accountants as well as cost accountants should be allowed to undertake cost accounting work, thus limiting the ICWAI's exclusive right to cost accounting work. Arguments were presented both in the parliamentary debates and to Government representatives outside of the parliamentary process. The ICWAI wished to retain cost accounting work, particularly that relating to the proposed keeping of cost accounting records, cost audit and cost accounting in Government industries solely for their members and again closure activities were closely linked to the Government and parliamentary process. Both sides of the argument were presented in the parliamentary debates. Exclusivity was not achieved with the ICAI gaining some informal concessions for some of their members to undertake all cost accounting work (Indian Parliamentary debates on Cost and Works Accountants Bill 1958; Kapadia, 1972).

Interestingly, there is no evidence in the Indian parliamentary debates or in the journal of the ICWA during the 1940s and 1950s of links between the British ICWA and the Indian ICWAI, either during the war or post independence. The ICWA does not seem to have been involved in the establishment of the ICWAI as a private sector body in India in the 1940s. There is no reference in the Indian parliamentary debates or in the journal of the ICWA raising the issues of reciprocity or the designation of the ICWAI after independence. There is also no reference to cost accounting developments in India in the journal of the ICWA, either positive or negative (Indian Parliamentary debates on Cost and Works Accountants Bill 1958; Cost Accountant, 1930–1960). This silence is interesting when compared to the debates on the establishment of the ICAI as discussed by Verma and Gray (2006) and Verma (2010) and this is also an area that would benefit from further exploration.

Imperialism and imperial concerns are seen in the establishment of the ICWAI in three main ways. Firstly, part of the support for cost accounting in India resulted from not wanting to be reliant on foreign companies for key resources and for wanting fairness in the rewards shared by owners, managers and workers. These may be argued as reactions against India's imperial history when India had been governed mainly in the British interest and when Indian citizens had not always been treated fairly. Thus debates that were important in the freedom struggle pre-independence continued to be important in the post-independence context.

Secondly, the imperial influence is also seen with the entrance and examination process of the ICWAI being similar to that of the ICWA and the acceptance that this was an appropriate model to follow, although rather than importing British examinations, the ICWAI set their own examinations.

Thirdly, imperial influences are also glimpsed in the issue of reciprocity in the Cost and Works Accountants Act which allowed members of the British ICWA to become members of the ICWAI without reciprocal arrangements for the members of the ICWAI, although less debate on this was seen than in the debate on the establishment of the ICAI ten years previously.

It may also be argued that the post colonial concept of hybridity can usefully applied to the establishment of the ICWAI post independence. Inherited ideals of private sector, independent accounting professions were not accepted in post independence India. Instead the accounting institute and profession was set up under statute with strong government involvement. However the examination and entrance requirements used by British institutes were still accepted as ideals and were still adopted in the ICWAI, although British qualifications were not directly used but were the model for the ICWAI's own examinations. In addition the ideals of independence in professional accounting institutes inherited from the colonial legacy was still discussed in the debates on professionalisation and included with some constraints in the cost accounting bill.

In terms of the general trajectory of professionalisation of cost accounting in India, the path is again seen to be one that is somewhat in between that seen in settler states and that seen in non settler states for chartered accounting. In common with settler states, professionalisation was started in the pre-independence period with the British Government encouraging the establishment of a private sector cost accounting institute in India, something not seen in most other non settler states where accounting was dominated by British interests, capital and ex pat accountants before independence.

This was also in direct contrast to the development of the ICAI where the British Government discouraged the establishment of an indigenous chartered accounting institute pre-independence despite the wishes of Indian chartered accountants. However, an indigenous cost accounting institute was allowed to be established pre independence and this may have been due to an overwhelming and immediate British economic need for cost control during the war since Britain was India's strongest customer in key war supplies. It may be speculated that established British chartered accounting institutes opposed the development of a chartered accounting institute in India but because the ICWA was itself relatively

new in Britain and focused on promoting itself as a profession against more established accounting institutes in Britain, it was less interested in what was happening in India, both in terms of helping to set up cost accounting in India during the second world war and in opposing the setting up of an indigenous institute. In terms of overseas interests, the ICWA ran exams in overseas centres but numbers of Indians qualifying with the ICWA were small as shown in Appendix 2. In terms of professionalisation, the ICWA seemed more interested in developing cost accounting in South Africa than in developing anywhere else (Editorials, *Cost accountant*, 1939–1960).

Although professionalisation of cost accounting started before independence, it can be seen that the main developments in professionalisation occurred post independence with direct Government involvement in the establishment of a statutory cost accounting institute, in common with accounting professionalisation in non settler states. The cost accounting profession, although initially set up as a private sector body, was relatively unsuccessful in growing compared to the statutory ICAI and was re-established in the 1950s as a statutory based institute by the Government. Imperial influences are glimpsed as discussed above but direct imperial influence is not as strong in India as in other former non-settler colonies where the interests of the ACCA are seen to influence the accounting profession and ACCA examinations are used. India chose to set up its own accounting institutes and although based on entrance criteria of British institutes, the entrance criteria including examinations were set by the Indian institute.

Interestingly, it may be noted that India appears to be the only newly independent state in which a separate cost accounting institute was established under statute so soon after independence and this warrants further research.

10. Conclusion

This paper has explored the first step in establishing a cost and management accounting profession in India post independence and explores three main areas: the influence of the socio-economic and political context and the role of the Indian Government on the establishment of the ICWAI, the closure activities undertaken by accounting institutes post independence and the influence of imperialism on the establishment of the cost and management profession during this time period in India.

The socio-economic context of strong Government involvement in all areas of economic and social life in India significantly influenced the establishment of a cost accounting institute in 1959. The ICWAI was established under statute with strong Government involvement in the parliamentary process used to establish the Institute and with direct Government representation on the board of the institute. Cost and management accounting was seen as important in facilitating efficiency and effective use of scarce resources, hence contributing to economic growth, a key aim of the Indian Government post independence. In addition, cost and management accounting was also seen as having an important role in social concerns such as industrial relations and pricing. As such, it is noted that a statutory based cost accounting profession was established with a strong public interest role rather than one led by accountants and companies.

The closure activities of the ICWAI and its main rivals, the ICAI were undertaken within the parliamentary process and Government interaction within the closure activities was important in determining the outcome of closure.

Continuing imperial influence post independence and the notion of hybridity, as identified in the post colonial literature, have been indicated in the establishment of the ICWAI post independence. Imperial influences on the establishment of the ICWAI are seen to come from both anti-imperial concerns such as wanting to be free from foreign influence and the acceptance of imperial practises in the entrance procedures of the ICWAI leading to hybridity in the accounting system. For example an institute is established very differently to that of the UK institute but with entrance and examination practices based on the UK institutes practices.

The paper also compares the trajectory of professionalisation in India to that of the UK and to that seen in non settler and settler colonies. The process of professionalisation has been shown to be very different from that seen in the UK but is seen to have both some commonalities between professionalisation in both settler and non settler states. The professionalisation of cost accounting and chartered accounting in India is also shown to be different.

Further research on the development of the cost accounting profession in India is now needed, encompassing an exploration of the development of the ICWAI pre independence, the motivation of those promoting the institute and the links with UK professional accounting bodies. Post independence developments in cost accounting such as the introduction of cost audit requirements in the 1960s, whether the ICWAI achieved its public interest remit and the links between UK and Indian cost accounting institutes, including recent links with CIMA in the UK too warrant attention. In addition, more comparative research on the path and processes of professionalisation of cost accounting in different social, economic and political contexts would also be interesting, exploring the issue of why cost accounting developed just after independence in India but not in other newly independent non-settler states.

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Appendix 1. ICWAI examinations in 1960s, Management Accountant, Journal of ICWAI 1967

Intermediate exams

Office organisation and general knowledge
Modern economics
Office commerce and finance
Commercial law
Bookkeeping and accountancy
Mathematics
Factory organisation and elements of engineering
Cost accountancy (3 papers)
Final exams
Company law
Advanced accountancy
Taxation
Cost accountancy (3 papers)

Appendix 2. Details of ICWA examinations and membership, The Cost accountant, Journal of ICWA, 1944–1955

Home exams

Exam	June 1944	June 1949	June 1951	December 1955
Intermediate		133	880	2367
Final		31	477	1271

Overseas exams

Exam	June 1944	June 1949	June 1951	December 1955
Intermediate total overseas		133	141	234
Intermediate Indians		75	74	71
Final total overseas		31	92	186
Intermediate Indians		11	38	67

December 1959 – no split between home and overseas.

Intermediate 1332 passed of which 36 were Indians

Final 382 passed of which 22 were Indians

Appendix 3. Membership of ICAI from 1950 to 1959, Kapadia, 1972, page 447

Year	Total members
1950	
1951	
1952	
1953	
1954	
1955	
1956	
1957	
1958	
1959	

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