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**THE EMERGENCE AND DEVELOPMENT OF THE
ACCOUNTANCY PROFESSION IN CYPRUS: THE CASE OF
THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF
CYPRUS (ICPAC)**

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Dedication

This thesis is dedicated to my late grandparents, Neoklis Christou Neokleous and Margarita Sophocleous and to my parents, Andreas and Anastasia Neokleous.

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Abstract

Accountants have distinct status, niches and markets from other occupational groups. Moreover, they are professionalised differently in different contexts. Many former British colonies, for instance Nigeria, Australia and India, have adopted the British model of accountancy profession as it is shown in the extant accounting literature. However, little is known about the accounting profession in Cyprus; an island that was once a British colony and later became European Union (hereafter, EU) member. This thesis sets out to examine the emergence and development of the accountancy profession in Cyprus and the establishment of the local professional accountancy body, namely ICPAC. Using the lens of critical realism and supplementing it with the notions of capitalism, colonialism, imperialism and globalisation, this research explores the societal relationships, interactions and structural factors that have influenced the local accounting profession and the establishment of ICPAC. The data of the study are derived oral history interviews and an analysis of archival sources.

The study demonstrates that the accounting profession in Cyprus has emerged and developed with the help of the existing structures produced and reproduced throughout the years under the influence of local (e.g. the State, ministers, MPs, non-qualified accountants) and global (e.g. the EU, 'Big Four' firms, British professional bodies) forces. The evidence presented in the thesis illustrates how a small island with an emerging economy has been forced to change strategies, choices and plans based on colonial, local and later global influences. This transformation has had a profound impact on the emergence of the local accounting profession and on constructing the island's identity. Cypriots continue to emulate the British accounting model, British professional bodies, their services and products. This thesis argues that the British legacies in the form of social structures have remained strong and uninfluenced throughout time. Cyprus still seems to be under British colonialism, perhaps in its new form, neocolonialism, in terms of the development and functioning of the accounting profession.

Table of Contents

Dedication	i
Acknowledgements	ii
Abstract	iv
Table of Contents	v
List of Tables	ix
List of Graphs	x
List of Figures	xi
List of Maps	xii
List of Appendices	xiii
List of Abbreviations	xv
Chapter 1 Introduction	1
1.1 Background	1
1.2 Rationale for selecting accounting profession in Cyprus.....	2
1.3 Brief Discussion on the Research Methodology	6
1.4 Outline of the Thesis	8
1.5 Summary and Discussion of the Chapter	12
Chapter 2 Literature Review	13
2.1 Introduction	13
2.2 Accounting, Accountants and Society	17
2.3 Sociological Perspectives on Professions	23
2.3.1 Conventional/Traditional Perspectives: From Trait to Functionalist Perspectives	24
2.3.1.1 Critique on Conventional/Traditional Perspectives	26
2.3.2 Critical Perspectives	27
2.3.2.1 The Weberian Perspective.....	27
2.3.2.2 The Marxist Perspective	32
2.3.2.2.1 State-Profession Relationship from a Marxist Perspective	34
2.3.2.3 The Foucauldian Perspective.....	37
2.3.3 A Connective Summary.....	40
2.4 Literature on the Emergence and Development of Accounting Profession in Former British Colonies.....	42

2.4.1	The Export of British Accounting Profession in Former British Colonies	43
2.4.1.1	Settler British Colonies	44
2.4.1.2	Non-Settler British Colonies	45
2.4.2	The Recognition and Regulation of Local Accounting Profession in British Colonies	47
2.4.2.1	Settler British Colonies	47
2.4.2.2	Non-Settler British Colonies	48
2.4.3	Identity, Professional Closure and Intra-Professional Struggles in Former British Colonies	54
2.4.3.1	Settler British Colonies	55
2.4.3.2	Non-Settler British Colonies	57
2.4.4	The Influence of British Professional Accountancy Bodies on Accounting Education of Former British Colonies	61
2.4.5	Resistance by Former Non-Settler British Colonies on Inherited Accounting Models	65
2.5	Summary and Discussion of the Chapter	69
Chapter 3	Research Methodology	72
3.1	Introduction	72
3.2	Methodology in Perspective	76
3.2.1	The Subjective-Objective Dimension for Analysing the Nature of Social Science	79
3.2.2	The Assumptions about the Nature of Society	83
3.2.3	The Four Paradigms for Sociological Analysis	87
3.2.4	Various Methodological/Theoretical Frameworks in Accounting Research	91
3.3	A Connective Summary	96
3.4	Structure and Agency Framework	97
3.4.1	Critical Realism	99
3.5	Linking Colonialism and Capitalism in Western World	107
3.6	Imperialism and the Expansion of Global Capitalist System	110
3.7	The ‘West’, the Global Capitalism and the Emergence of International Corporations	112
3.8	Locating the Accounting Profession in the Colonialism, Imperialism, Capitalism and Globalisation Framework	115

3.9	Research Methods	122
3.10	Summary and Discussion of the Chapter	125
Chapter 4 The Social, Political and Economic Context of Cyprus: Effects on Local Accounting Profession		128
4.1	Introduction	128
4.2	Pre-Independence	132
4.2.1	Education	133
4.2.2	Accounting and Law	140
4.2.3	First Accounting Firms in Cyprus	145
4.3	Post-Independence	147
4.3.1	General and Professional Education	148
4.3.2	Trade Links between the UK and Cyprus	156
4.3.3	Accounting and Offshore Business	160
4.3.4	Accounting, Taxation and Law	164
4.3.5	Professional Accountants and Accounting Firms	170
4.3.6	Accounting Profession and European Union Accession	173
4.4	Summary and Discussion of the Chapter	175
Chapter 5 The Establishment of ICPAC: Some Evidence.....		179
5.1	Introduction	179
5.2	First attempt to create a local accounting society during the colonial period...	182
5.3	Second attempt in the postcolonial period: The formation of ICPAC	188
5.3.1	The aspirations and politics related to the ICPAC formation in the dynamics of colonial legacies and post-independence realities	189
5.4	ICPAC Membership	196
5.4.1	Patriarchy and Gender in Accounting Profession	198
5.4.2	Securing ICPAC's Nationalism from Turkish Cypriot Accountants ...	205
5.4.3	Tensions about US CPA Qualification Holders	208
5.4.4	Jurisdictional Battles between Local Qualified and Non-Qualified Accountants	213
5.5	The Continuity of Professional Exclusion	218
5.6	Summary and Discussion of the Chapter	220
Chapter 6 The Development, Recognition and Regulation of Local Accounting Profession and ICPAC: Some Evidence		223

6.1	Introduction.....	223
6.2	The Continuity of British Education and Training in the Postcolonial Cyprus	228
6.3	The Influence of British-European Relations on the Formation of Local Professional Examinations and Audit Monitoring.....	237
6.3.1	The Sense of Inferiority for the Local Professional Examinations.....	238
6.3.2	The Europeanization Process of Accounting Profession and the Influence of British Legacies via ACCA Agreements	241
6.4	Inter-professional Conflicts over Jurisdictions between Lawyers and Accountants.....	251
6.4.1	The Advocates (Amendment) Law of 1984 and the Applications to Cyprus Central Bank	251
6.4.2	Claim of Jurisdictional Rights through a Recourse of ICPAC and others against Cyprus Central Bank.....	254
6.5	The Regulation of the Accounting Profession by the State	261
6.5.1	The First Attempt to Regulate the Accounting Profession in Cyprus ..	262
6.5.2	The Second Attempt to Regulate the Accounting Profession in Cyprus...	269
6.5.2.1	Intra-professional Conflicts and Professional Exclusion of Independent and Graduate Accountants	271
6.5.2.2	Influence of the Groups of Professional Accountants over MPs ..	278
6.6	Summary and Discussion.....	287
Chapter 7 Summary, Reflections and Conclusions		290
7.1	Introduction.....	290
7.2	An Overview of the Thesis	292
7.3	Some Reflections on Theoretical Issues	298
7.4	Contributions of the Thesis	302
7.5	Limitations of the Study.....	305
7.6	Suggested Areas for Further Research.....	306
7.7	Conclusion	308
APPENDICES		310
REFERENCES		395

List of Tables

Table 4.1: National Primary Enrolment Ratios by Decade for Cyprus during 1870-1940	136
Table 4.2: The number of Cypriot Students and the Subjects studied Full-time in UK for the Academic Years 1945, 1946 and 1947	137
Table 4.3: Cypriot Students at England and Wales Universities for Undergraduate/Postgraduate Studies for the Period 1970-1980.....	149
Table 4.4: Tertiary Cypriot Students Abroad by Country of Study for Period 1966/67-2010/11	151
Table 4.5: Tertiary Cypriot Students Abroad by Field of Study for Period 1966/67-2010/11	151
Table 4.6: Tourist Arrivals in Cyprus from UK for the period 1980-2014	158
Table 4.7: The Number of Fully-Fledged IBCs in Cyprus for Years 1985-2003.....	162
Table 4.8: Origin of New Registrations of Offshore Enterprises by Geographic Region in Cyprus	163
Table 4.9: Permits for the Registration of IBCs in Cyprus.....	164
Table 4.10: Average Payments of Audit and Legal Activities to Cypriot Residents by the Average Fully Fledged IBCs	168
Table 4.11: International Trade on Services (Total New Amount, €million)	168
Table 4.12: Employment in Broad Sectors (including Professional Services).....	169
Table 4.13: Employment in Specific Sectors (including Accounting)	169
Table 4.14: Audit Firms in Cyprus	173
Table 5.1: Membership ICPAC for Years 1961-2009.....	197
Table 5.2: Rate of Membership Growth for the Years 2007-2011	197
Table 5.3: Literacy Rates 1976-2011.....	200
Table 5.4: Cypriot Students in Tertiary University Education in Cyprus and Abroad 1999/2000-2009/10.....	201
Table 6.1: Number of ACCA and ICAEW Cypriots as ICPAC members per year ..	229
Table 6.2: ACCA Joint Examination Scheme Partners	243
Table 6.3: Proposals of ACCA and ICAEW	249

List of Graphs

Graph 4.1: Enrolments by Level of Education (1970/71-2013/14).....	148
Graph 4.2: Number of Schools by Level (1971-2014).....	149
Graph 4.3: Student numbers in Cyprus by UK Institution during the period 2013-2014	155
Graph 5.1: Literacy Rates 1976-2011.....	200
Graph 5.2: Cypriot Students in Tertiary University Education in Cyprus and Abroad 1999/2000-2009/10.....	201
Graph 5.3: Cypriot Female Students in Tertiary University Education in Cyprus and Abroad 1999/2000-2009/10.....	202
Graph 5.4: Percentage Distribution of Women aged 20 years and over by Highest Educational Attainment during 1992-2010	202

List of Figures

Figure 1.1: Outline of the Thesis	9
Figure 2.1: Flow of Chapter Two	16
Figure 3.1: Flow of Chapter Three	75
Figure 3.2: The Subjective-Objective Dimension for Analysing Assumptions about the Nature of Social Science.....	80
Figure 3.3: The Theories of Society	84
Figure 3.4: The Regulation-Radical Change Dimension.....	84
Figure 3.5: Four Paradigms for the Analysis of Social Theory	86
Figure 3.6: Critical Realism in Burrell and Morgan's Model	100
Figure 3.7: The Durkheimian Model	101
Figure 3.8: The Weberian Model.....	102
Figure 3.9: Berger and Luckmann Model.....	103
Figure 3.10: The Transformational Model of Social Activity (TMSA)	104
Figure 3.11: Diagram of Critical Realism	106
Figure 4.1: Flow of Chapter Four	131
Figure 4.2: Financial Statements of Bank of Larnaca Limited.....	142
Figure 4.3: Mergers of Big Audit Firms with Local Accounting Firms (Part 1).....	171
Figure 4.4: Mergers of Big Audit Firms with Local Accounting Firms (Part 2).....	171
Figure 5.1: Flow of Chapter Five	181
Figure 6.1: Flow of Chapter Six	227
Figure 6.2: The First Attempt for a 'Regulatory Space' for the Accounting Profession	264
Figure 6.3: Second Attempt for a 'Regulatory Space' for the Accounting Profession	271
Figure 7.1: Flow of Chapter Seven.....	291

List of Maps

Map 4.1: Location of Cyprus	132
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List of Appendices

Appendix 1: Biographical Notes of the individuals mentioned in the thesis	310
Appendix 2: List of Interviewees	315
Appendix 3: Confirmation Email for the access to ICPAC archives	316
Appendix 4: Participant Information Sheet	317
Appendix 5: Participant Consent Form	318
Appendix 6: Email to confirm the Content of Interview Transcript	319
Appendix 7: Interview Guide	320
Appendix 8: The Cyprus Gazette, 29 th November 1956 (p.623).....	324
Appendix 9: Certificate of Registration of Russell and Co	325
Appendix 10: BPP (Cyprus) Advertisement.....	326
Appendix 11: Local Private Colleges and Universities.....	327
Appendix 12: Intercollege Advertisement (No.1)	328
Appendix 13: Intercollege Advertisement (No.2)	329
Appendix 14: Composition and Structure of Agricultural Output by Main Subsector (at current market prices in thousands of Cyprus pounds)	330
Appendix 15: Share of Agriculture Exports in Total Exports from Cyprus (FOB prices in thousands of Cyprus pounds).....	331
Appendix 16: Exports of Main Agricultural Products from Cyprus between 1960 and 1989 (in '000 and C£'000)	332
Appendix 17: Cyprus Tax Treaty Partners	333
Appendix 18: Coopers & Lybrand Advertisement.....	335
Appendix 19: Income Tax (Amendment) Law 15 of 1977 (set up offshore regime).....	336
Appendix 20: Announcement, KPMG Peat Marwick – Metaxas Loizides Syrimis	339
Appendix 21: Ernst & Young, Russell Lakoufis & Co – Advertisement.....	340
Appendix 22: Pricewaterhouse Announcement.....	341
Appendix 23: Distribution of Local (LO) and Expatriate Staff (EX) by Main Business Activity	342
Appendix 24: Distribution of Revenue from Fully Fledged IBCs by Main Business Activity	343
Appendix 25: Average Payments to Cypriot Residents by the Average Fully Fledged International Business Company	344
Appendix 26: Distribution of Total Payments to Cypriot Residents by Fully Fledged IBCs	345
Appendix 27: Distribution of Fully Fledged IBCs by Main Business Activity	346
Appendix 28: Process towards Accession – Limitations & Recommendations.....	347
Appendix 29: Letter dated 7 December 1955.....	349
Appendix 30: Letter dated 3 January 1956.....	350
Appendix 31: Letter dated 26 January 1956	351
Appendix 32: Permit for a Meeting Form	352
Appendix 33: Letter dated 22 February 1956.....	353
Appendix 34: Letter dated 15 March 1956.....	354
Appendix 35: Letter dated 12 April 1956.....	355

Appendix 36: Letter dated 24 April 1957	356
Appendix 37: Founding Members and their Background	357
Appendix 38: Establishing Document with signatures by Seven Founding Members	361
Appendix 39: Letter dated 30 January 1964 from Ministry of Finance	362
Appendix 40: Letter dated 5 March 1990 – Application to obtain license to exercise the profession for tax purposes only	363
Appendix 41: Professional Certificates issued by ICPAC	364
Appendix 42: Agreement with ACCA for Joint Examinations Scheme between ICPAC and ACCA.....	371
Appendix 43: Agreement with ACCA for Aptitude Tests	380
Appendix 44: Invitation by ICPAC to Members of ICPAC Council dated 9 October 1967	387
Appendix 45: ACCA Payments for the Services provided to ICPAC (2003-2014)..	388
Appendix 46: Recognition of ICPAC by the State – Letter dated 28 February 2002 from Ministry of Commerce, Industry and Tourism and Extract from Minutes of Council of Ministers’ Meeting dated 5 th February 2002	389
Appendix 47: Legislations regarding the qualifications for the appointment of company auditor	391

List of Abbreviations

- AAT – Association of Accounting Technicians
- ACCA – Association of Chartered Certified Accountants
- AIA – Association of International Accountants
- AICPA – American Institute of Certified Public Accountants
- ANAN – Association of National Accountants of Nigeria
- AUEB – Athens University of Economics and Business
- CAI – Chartered Accountants Ireland
- CAMD - Company and Allied Matters Decree
- CCSA – Cyprus Civil Service Association
- EU – European Union
- FDI – Foreign Direct Investment
- IASs – International Accounting Standards
- IAGAAC – Institute of Approved Graduate Accountants-Auditors of Cyprus
- IFRSs – International Financial Reporting Standards
- IBC – International Business Company
- ICAC – Institute of Chartered Accountants of the Caribbean
- ICAEW – Institute of Chartered Accountants of England and Wales
- ICAI – Institute of Chartered Accountants of India
- ICAJ – Institute of Chartered Accountants of Jamaica
- ICAN – Institute of Chartered Accountants of Nigeria
- ICAS – Institute of Chartered Accountants of Scotland
- ICASL – Institute of Chartered Accountants of Sri Lanka
- ICATT – Institute of Chartered Accountants of Trinidad and Tobago
- ICWAI – Institute of Cost and Works Accountants in India
- ICMA – Institute of Cost and Management Accountants
- ICPAC – Institute of Certified Public Accountants of Cyprus
- IFAC – International Federation of Accountants

IIANZ – Incorporated Institute of Accountants of New Zealand

IIAV – Incorporated Institute of Accountants Victoria

IMF – International Monetary Fund

IIAC – Institute of Independent Accountants of Cyprus

LCCI – London Chamber of Commerce and Industry

MAS – Malaysian Accounting Standard

MIA – Malaysian Institute of Accountants

MICPA - Malaysian Institute of Certified Public Accountants

MNCs – Multinational Corporations

OTC – Over-The-Counter

PCCI – Parliamentary Committee on Commerce and Industry

PCFBA – Parliamentary Committee on Financial and Budgetary Affairs

PCFEA – Parliamentary Committee on Foreign and European Affairs

T & T – Trinidad and Tobago

TMSA - Transformational Model of Social Activity

TRNC – Turkish Republic of Northern Cyprus

USNY – University of the State of New York

UWE – University of the West of England

UWI – University of the West Indies

WTO – World Trade Organisation

Chapter 1 Introduction

1.1 Background

Professionalization is considered to be an on-going project of social mobility in which an occupational group distinguishes itself from competitors to secure status, niches and markets (Larson, 1977; Abbott, 1988). Accountants are one such group that has sought to distinguish themselves from others by advancing claims of higher education, command of theoretical knowledge, technical competence, codes of ethics and a service to the public interest (Millerson, 1964). They have also forged alliances with economic elites by serving the interests of capital through the provision of financial information to capital markets and watching over the interests of capital (Johnson, 1972). Such services have enabled the State to manage the recurring crisis of capitalism (O'Connor, 1987) and instil a degree of stability conducive to a smooth accumulation of economic surpluses by capitalist enterprises. Increasingly, accounting has become central to the State's administration of trade, war, peace and economic cycles and has nurtured a close and complex relationship between the two (Loft, 1986).

The status of accountancy as a profession is underwritten by the State through the provision of Royal Charters and/or enactment of specific legislation. The Institute of Chartered Accountants of Scotland (hereafter, ICAS) was one of the earliest bodies to secure the patronage of State, as evidenced by its Royal Charter in 1854. This was rapidly followed in 1880 by the Institute of Chartered Accountants of England and Wales (hereafter, ICAEW). Subsequently, the classic model of the accountancy profession was adopted by former British colonies, including, amongst others, Nigeria (Uche, 2002; Wallace, 1990; Okike, 1994; Duke, 2010), Jamaica (Bakre, 2005, 2006,

2008), Trinidad and Tobago (hereafter, T & T) (Annisette, 1996, 2000, 2003) and Australia (Carnegie and Parker, 1999; Chua and Poullaos, 1993, 1998, 2002). The patronage of the State is, of course, not automatic. Rather it has to be negotiated in the context of specific historical circumstances, institutional structures, local struggles and aspirations.

This thesis aims to examine the emergence and development of the accountancy profession in Cyprus, a former British colony which retains considerable cultural and economic links with the UK and whose development continues to be shaped by the residues of British influences. Cyprus warrants attention because despite being a small island with an emerging economy, it plays a significant role in global financial flows (see World Finance, 2014; Epasto, 2013) and it has hitherto attracted little attention from accounting scholars. The remainder of this chapter provides a rationale for selecting Cyprus, it sets out the research aims and research questions, provides a brief research methodology discussion and an overview of the structure of the thesis.

1.2 Rationale for selecting accounting profession in Cyprus

This thesis examines the emergence and development of the professional accountancy body of Cyprus, the Institute of Certified Public Accountants of Cyprus (hereafter, ICPAC) and the local accounting profession. Cyprus, as the third largest Mediterranean island, has a mixture of Greek, Turkish and Cypriot population. In modern times, it was controlled by the Ottoman Empire and subsequently in the late nineteenth century (1878-1959) it was colonised by Britain. The British Rule was accompanied by significant developments in education, economy and business legislation. Following

the London-Zurich agreement¹ between Britain, Greece and Turkey, Cyprus became independent on 16th August 1960. The ICPAC was formed on 4th April 1961 and arguably “despite Cyprus’s links to both Greece and Turkey, it was the experience of British rule that significantly influenced the development of accounting practice in Cyprus” (Clarke and Varnava, 2013, p.293).

Prior studies (see Arnold and Sikka, 2001; Johnson and Caygill, 1971; Neu, 1999; Tinker, 1985) demonstrate that accounting is closely intertwined with colonialism, capitalism and imperialism² and has been used as a mechanism for administration and collection of economic surpluses to secure the interests of colonial powers and regulate the flow of capital. Some of the literature emphasise the role of accounting education (see Wijewardena and Yapa, 1998; Annisette, 1999, 2000; Briston and Kedslie, 1997) in shaping the aspirations of the local population, encouraging them to emulate their colonial masters and persuading some elites to establish their local professional accountancy bodies (see Carnegie and Parker, 1999; Annisette, 1999, 2000; Chua and Poullaos, 1998, 2002; Bakre, 2005, 2006; Macdonald and Richardson, 2004). Such aspirations frequently emphasise the role of accountants and accounting rationalities in the development of the local economy (see Alam et al, 2004) and thus enabling the State to manage the economy (see Uche, 2002; Dedoulis and Caramanis, 2007; Caramanis, 2002, 2005). The development of local bodies has also been simultaneously enabled and constrained by practices of the professional bodies, such as ICAEW and Association of Chartered Certified Accountants (hereafter, ACCA), as they compete for global influence (Bakre, 2005, 2006; Annisette, 1999, 2000; Sian 2006). The later

¹ On 19th February 1959 a final agreement was reached at a conference in London by Greece, Turkey, Britain and two Cypriot groups leading to the drafting of a constitution and Cyprus’ independence on 16th August 1960.

² The theories of colonialism, capitalism, imperialism and globalisation will be discussed and analysed in Chapter Three.

part of this thesis will show that the influence of the British bodies shaped the development of the ICPAC and the Cypriot profession on the whole.

Earlier studies (see Clarke, 2011; Clarke and Varnava, 2013; Varnava and Clarke, 2014) acknowledge the British connection, arguing that the British rule has influenced the development of accounting profession, focusing on the period before the island's independence. Clarke (2011) examined the factors (e.g. education, trade, income tax, legislation reforms etc.) that either hindered or encouraged the development of accounting practice on the island, by looking at four distinct political time periods. Moreover, Clarke and Varnava (2013) concentrated on the four decades immediately after First World War until the Independence of Cyprus in 1960 and tried to identify and interpret the factors, consequences and events which influenced the development of accounting in Cyprus. They argued that significant local, socio-economic-political and institutional developments by imperial and colonial forces (e.g. education growth, commercial legislation, the introduction of income tax, the Companies Law 1951 etc.) had a significant impact on the emergence and development of the accounting profession locally.

Apostolides (2010, p.12) identified the need to explore further the case of Cyprus, stating that “with the exception of Jenness’ (1922) work on the pre-1914 economic development of Cyprus [...] knowledge of the island’s economic history is limited”. These studies argue that historical legacies incubated the development of the profession and recommended that the role of historical developments, including the role of institutions, the State and the elite, should attract greater attention. This calls for the development of interdisciplinary theoretical frameworks, which will be outlined in Chapter Three. For instance, it states that historical trajectories do not necessarily follow linear developments and they are full of continuities, discontinuities and novel

developments. A major event in the development of ICPAC was the political independence of Cyprus from Britain, an event which had the potential to mark novel developments.

This thesis will pay particular attention to the history of accountancy profession both before (1878-1959) and after (1960-2004) independence. Therefore, it will contribute to the literature of professionalism of former British colonies by exploring the accounting profession in postcolonial Cyprus for the period from 1960 (independence year) to 2004 (EU accession year). It will offer theoretical and empirical explanations of the advance of this particular profession on the island, with particular emphasis on the emergence and development of ICPAC. It will also provide evidence about local profession by exploring the societal relationships and structural factors. Considering the role of individuals in shaping outcomes in order to achieve the aforementioned aims and objectives, this thesis will address the following questions:

- (1) What factors have affected the emergence and development of local accounting profession in Cyprus?
- (2) How residues of the British Rule influenced the emergence and development of accounting profession in Cyprus and the development of ICPAC in postcolonial period?

The next section provides a brief overview of the research methodology, including the theoretical framework, adopted for this thesis.

1.3 Brief Discussion on the Research

Methodology

The construction of a suitable research methodology is a key to any investigation as it shapes the approach to the research topic, the methods of data collection and the way the material collected is interpreted and presented (Ryan et al., 2002). The methodological framework guides and helps to understand the complexity surrounding the accounting profession in former British colonies, in particular small islands with emerging economies as Cyprus where communities are often closely integrated and the elite can have comparatively easy access to the State officials. The development of institutions rarely begins from scratch and is nested in social structures, history, politics and social networks, industrialisation, globalisation, imperial powers and others (e.g. EU institution, the State, MPs etc.). As a small island with an emerging economy, Cyprus has attracted global accounting firms, British accountancy bodies and Western practices. These accounting practices or/and institutions are shaped by social processes (Miller, 1994; Hopwood, 2000). As a social process, accounting and professional developments are shaped by an interplay of social agents and social systems within the context of local histories (Loft, 1988; Miller, 1994). Therefore, a methodological/theoretical framework needs to pay attention to power, which is not necessarily the property of an individual, but acts in ways to shape people's subjectivity and identifies what might have persuaded some Cypriots to emulate the British and other institutional practices and structures.

For this thesis, a critical realist approach with historical analysis is considered to be a suitable framework and this will be developed in Chapter Three. This approach sees reality as something that exists at a much deeper, structural level, preventing or

obscuring humans' ability to observe, understand and verbalise various situations or/and social structures (Collier, 1994). The critical realist holds that there are layers of reality, with the observable world at one level and at the deeper level, the unobserved causal mechanisms of which only limited knowledge exists (Bhaskar, 1989). Structures and mechanisms, as the causal powers or the essential nature of things, are independent of the events they produce; they exist at a deeper level of reality and may counteract each other to produce no observable events (Bhaskar, 1989; Collier, 1994). Therefore, critical realism is located in the broader socio-economic-political and cultural context which is shaped by the interaction of powerful global, local and British influences with ICPAC and the local profession in postcolonial Cyprus. This approach critiques taken-for-granted assumptions and examines conscious and unconscious intentions of underlying values and socio-economic-political influences which local inhabitants at the time may have assumed to be natural and fixed. As accounting is a key technology for the advance of capitalism in its various forms (Catchpowle et al., 2004; Puxty et al., 1987), the methodological/theoretical framework will also consider varieties of capitalism, colonialism, postcolonialism, imperialism and globalisation in an effort to understand accounting developments in Cyprus.

All research depends on the availability of evidence often from diverse sources and reaching to a distinctive interpretation through chosen theoretical lenses. This thesis has used a number of research methods and sources. These include data from archival sources (see Clarke, 2011; Clarke and Varnava, 2013; Carnegie and Parker, 1999; Bakre, 2005, 2006) as well as oral history interviews to gather testimonies of key individuals and interventions of institutions (see Collins and Bloom, 1991; Carnegie and Napier, 1996; Hammond and Sikka, 1996). The archival data primarily consists of ICPAC archives (minutes, letters, reports, accounting magazine, statistics etc.),

newspaper articles, parliamentary reports and minutes, legislations and law cases. A total of 20 oral history interviews with former ICPAC Presidents, officers, lawyer, the General Manager of the ICPAC and professional accountants (ACCA, ICAEW) were conducted for this research (see Appendix 2). The interviews were conducted to gather information on how accounting profession and ICPAC were developed and key events that shaped its formation and development. The interview participants shared their experiences in accounting profession, giving evidence of several events that happened during that time³. Further details on the theoretical framework and the research methods will be given in Chapter Three.

The next section provides a map and an outline of the thesis chapters.

1.4 Outline of the Thesis

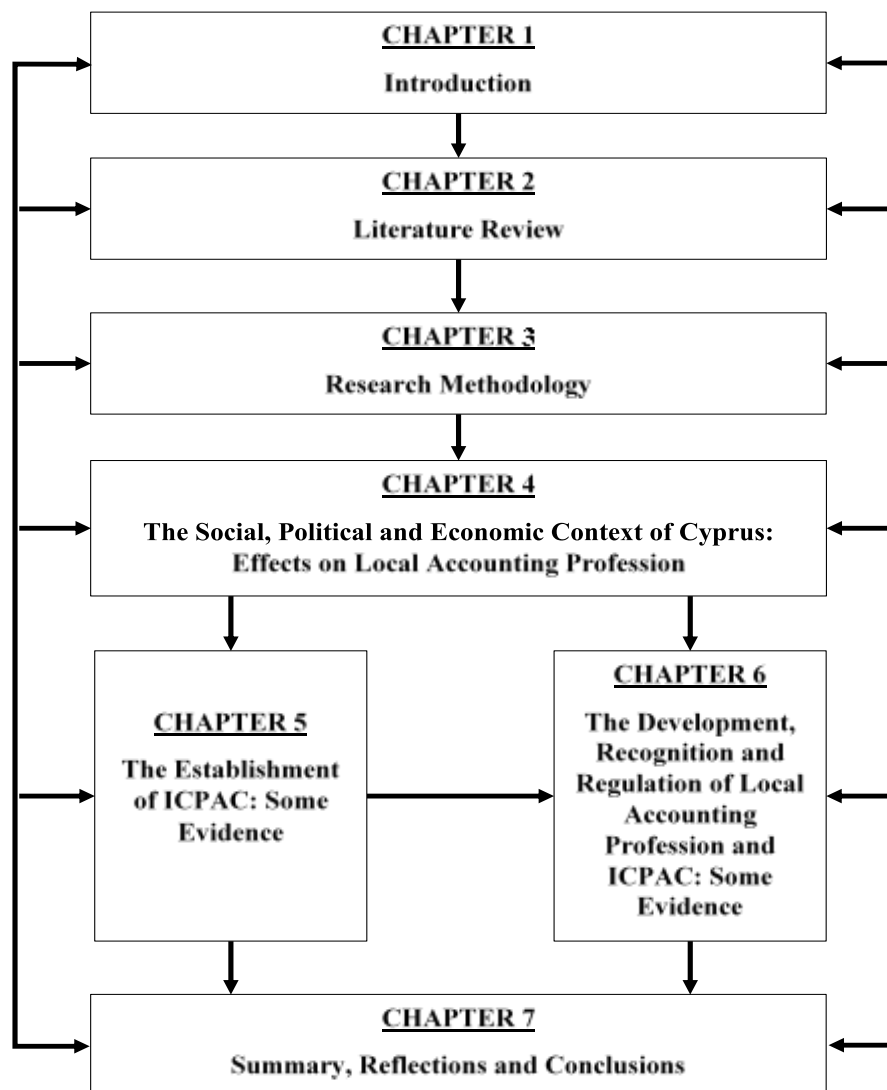
The thesis consists of seven chapters and their structure is shown in Figure 1.1 below. The first chapter has presented the background and context of the research, the rationale behind this thesis and its research aims and research questions as well as a brief research methodology and the outline of the thesis.

The second chapter reviews the extant literature to become aware of the dominant research themes, issues and gaps in the literature as this enables the construction of the research questions and the search for methodologies for addressing the specific questions. Chapter Two notes that much of the literature uses insights from the sociology of professions literature to analyse and understand accountancy as a profession. It also reviews studies on the accounting profession in former British colonies and shows how the accounting profession emerged and developed in those

³ Appendix 1 provides biographical notes of the individuals mentioned in this thesis.

countries and the kind of tensions that informed its development. As accountancy is considered to be an ‘expert’ profession, the chapter also reviews the literature on the role of accounting education in training and recognition of the professional accountants in advancing their professionalization project. The insights of this chapter inform the development of a suitable interdisciplinary methodological/theoretical perspective for examining the case of Cyprus.

Figure 1.1: Outline of the Thesis



Chapter Three constructs a ‘methodological/theoretical framework’ which attaches high importance to theory as a vital lens through which to explore the social landscape and to guide researchers. It explores ontological and epistemological assumptions in developing the framework. In view of the diverse factors identified in Chapter Two and the research questions outlined above, this thesis uses critical realism as an appropriate theoretical framework. Critical realism is selected because it pays particular attention to history, institutional structures, autonomy (albeit constrained) of individuals, power and politics. The theories of capitalism, colonialism, imperialism and globalisation are utilised as they have a capacity to illuminate professional developments in Cyprus. Furthermore, this chapter also provides details about the research methods and data sources.

Following the methodological/theoretical position that historical developments are nested in the residues of the past, Chapter four examines the socio-economic-political events, particularly during the colonial rule by Britain, to understand how some subsequent events, such as the formation of ICPAC, unfolded. This chapter traces the development of laws, institutions and education which laid the foundations for the development of accounting profession at a later stage. This chapter provides the necessary historical background for an appreciation of the material encountered in later chapters.

Chapter Five explores the establishment of the ICPAC. It draws attention to key factors and players that shaped its emergence and development. It notes that there were two attempts to form a local professional body. It examines the first attempt to create an accounting society, a precursor to a full professional body, during the era of colonial rule which was unsuccessful. The second attempt was made after the political independence and resulted in the formation of ICPAC. The chapter provides details of

the political processes, tensions, conflicts and compromises surrounding the setting up of the ICPAC. It is noted that the newly formed body had to negotiate challenges arising from gender differences, local tensions as well competitions from economic elites. Furthermore, the issue of membership is examined, revealing jurisdictional conflicts between various occupational groups and the issue of professional exclusion.

Chapter Six examines the development, recognition and regulation of the local accounting profession and ICPAC. It draws attention to the politics that ICPAC, as a newly established association, followed to organise and boost the professional environment and opportunities for its members based on educational development and training opportunities. This professionalization project reflects the continuity of British legacies through the involvement of British professional accountancy bodies in local professional arena and how their dominance influenced the subjectivity of Cypriots and subsequently their professional identity, creating the sense of self-inferiority for any local professional scheme attempts. The conflicts between professional groups of accountants and lawyers and the EU demands to comply with EU Directives brought the need to regulate the accounting profession by issuing a relevant legislation. Two attempts were made to issue a Bill for the accounting profession; the second attempt was a success. This regulatory arrangement brought inequalities and professional exclusion for some groups of accountants. There were interactions between various groups in the 'regulatory space' for the accounting profession such as the EU, professional groups of accountants, British bodies, MPs, the State and its ministers among others. Nevertheless, the British-European relations influenced Cypriots' actions and choices about the type of professionalization project needed to be implemented locally.

Chapter Seven summarises and discusses the evidence of this thesis and provides reflections on the theoretical framework used. The contributions of the thesis to the knowledge are also discussed, the limitations of the study are acknowledged and areas for further research are suggested.

1.5 Summary and Discussion of the Chapter

This chapter has provided an overview of the nature of this thesis, including the background, rationale and research aims relating to the emergence and development of accounting profession in Cyprus and the establishment of ICPAC during the postcolonial period. This thesis also puts forward the questions of what factors have affected the emergence and development of the accounting profession in Cyprus and how British residues influenced the development of local accounting profession and of ICPAC in postcolonial Cyprus. The structure of the thesis was shown in Figure 1.1 above and the reader was asked to make frequent references to it. This chapter has chosen critical realism as its theoretical framework as it has the capacity to engage with complex social forces arising from historical legacies, contemporary socio-economic developments and aspirations of individuals. The next chapter marks a long intellectual journey by reviewing the extant literature paying particular attention to what has implicitly or explicitly informed it, as well as an examination of the specific insights.

Chapter 2 Literature Review

2.1 Introduction

The introductory chapter noted that the colonialism of Cyprus by the British Empire played significant role in the emergence and development of the accounting profession locally. Generally, from a historical perspective, the rise of the accountancy profession and its spread to other parts of the world has attracted the attention of accounting scholars. Various studies investigated and analysed the historical development of the profession across different countries, reflecting various theoretical perspectives with different philosophical methodological assumptions. These theoretical perspectives broadened the understanding of how accountancy as a profession came to be established and secured professional status for its members. The aim of this literature review chapter is to become acquainted with the variety of theoretical and empirical perspectives regarding the emergence and development of accounting profession in former British colonies⁴.

The role of a literature review is to contribute and enhance the researcher's understanding of the world, based on his/her research field (Hart, 1998). A literature review goes beyond the search for information and includes the identification and articulation of relationships between the literature and the researcher's field of research, describing, summarizing, evaluating and clarifying the related literature. It is defined as "a selection of documents on the topic, which contain information, ideas, data and

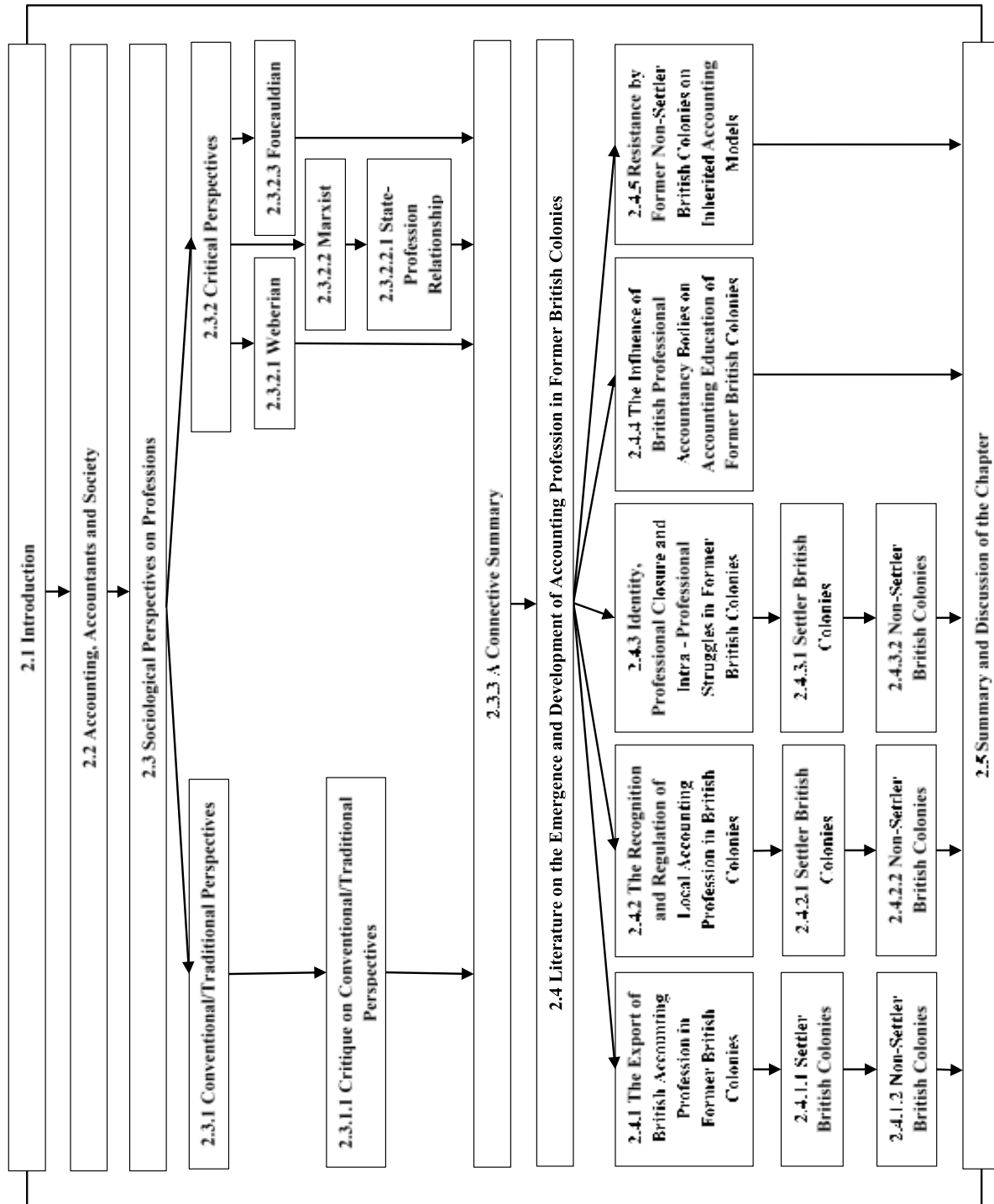
⁴ Most researchers usually divide these studies into two groups; developed and developing countries. However, the terms 'developing', 'less developed' and 'poor' countries have been criticised as they imply inferiority of these countries compared to developed countries. Said (1995) in his book 'Orientalism' explored and analysed the ways of thinking about colonialism and the distinction between 'inferiority' and 'superiority'. Thus, for this thesis, the author will use the terms 'settler' and 'non-settler' colonies based on political dimensions.

evidence written in order to fulfil [research] aims or express certain views upon the topic, the investigation process used and the effective evaluation of these documents” (Hart, 1998, p.13). Thus, an overview of critical and theoretical questioning and approaches regarding the inquiry of this thesis will be given in this chapter. This investigation will help to develop an appropriate theoretical framework for conducting this research study and exploring the history of the accountancy profession in Cyprus.

This chapter consists of four more sections (see Figure 2.1 below). Section 2.2 begins by providing a background about the accounting profession; what it does, what is its role in the society and why the work of such an occupational group is valued. It provides a starting point for the reader to understand the social significance of accounting and accountants and to prepare the ground for what will follow in the next sections. Section 2.3 reviews the theories of professions so as to understand the emergence and development of the accounting profession and to investigate how the sociological perspectives on professions in general and the accounting profession in particular have been analysed. Section 2.3.1 analyses the Trait and Functionalist approaches to professionalism, known as the Conventional/Traditional frameworks (see Willmott, 1986; Saks, 1983; Cooper and Hopper, 1990) with a critique given in subsection 2.3.1.1. Section 2.3.2 investigates the approaches based on professionalism in a broader social context, namely the critical perspectives (see Willmott, 1986; Cooper and Hopper, 1990), and it is further divided into subsection 2.3.2.1 focusing on the Weberian perspective, subsection 2.3.2.2 discussing the Marxist perspective (including a subsection 2.3.2.2.1 focused on the State-profession relationship from a Marxist perspective) and subsection 2.3.2.3 dedicated to the Foucauldian perspective. Section 2.3.3 provides an overview and critique on the aforementioned perspectives and indicates how the previous discussion paves the way for the forthcoming sections.

An analysis and examination of the sociological perspectives is conducted in relation to the accounting profession in former British colonies in section 2.4 which is divided into various themes. Lastly, section 2.5 provides a summary and discussion of the chapter, identifying the key issues and preparing the reader for the next chapter.

Figure 2.1: Flow of Chapter Two



2.2 Accounting, Accountants and Society

Accounting, particularly the bookkeeping double-entry system, emerged in ancient civilizations (e.g. Mesopotamia, Babylonia, Egypt, Rome and Greece) and was used by wealthy landowners, emperors, princes and kings to keep records of their means after sales and purchases (Littleton and Yamey, 1956). Soll (2014, p.xi) placed accounting “at the basis of building businesses, states and empires, [helping] leaders [to] craft their policies and measure their power”. Turning to Britain, an Italian firm of merchants, ‘the Gallerani company’, employed a double-entry bookkeeping at their London branch between 1305 and 1308 (Nobes, 1982) while the first English text dealing with this technique was published in 1543 by Hugh Oldcastle (Matthews et al., 1998). The widespread adoption of double-entry bookkeeping in Britain in place of existing systems of single-entry bookkeeping occurred later with the birth of the British Industrial Revolution (1750-1830). Therefore, from the nineteenth century, trading became a source of economic strength and at the same time the accounting system was further developed to address the aggregation of capital, methods of labour and production costs and income determination. This economic development made accounting a key social technology of capitalist societies as it was “concerned with collecting, analysing and communicating economic information” (McLaney and Atrill, 2012, p.2).

The Industrial Revolution in England marked the beginning of the factory system, mechanised production and large scale businesses, and a time when the demand of accounting started to increase. During that period, Josiah Wedgwood, the founder of Wedgwood Potteries, was presented as one of the first who developed and applied a system of cost-accounting to keep track of the total expenses and revenues on a weekly

basis for efficiently labouring to use materials (see McKendrick, 1970; Hopwood, 1987b, 1992). Furthermore, for iron and railway companies (e.g. Dowlais Iron Company⁵), enormous capital was required for new investments and subsequently, accounting policies and procedures were employed to record the financial transactions (Edwards and Baber, 1979; Pollins, 1956). The rapid economic growth brought the development of transport and technical innovations which made England ‘the workshop of the world’. Based on this development, the firms that offered accounting (basic bookkeeping) services started to proliferate (Matthews et al., 1998; Jones, 1981; Macdonald, 1984), showing that early accountants were concerned about bookkeeping matters. Thus, accounting practices were regarded as fundamental to the development and functioning of modern capitalist societies (see Burchell et al., 1980; Miller and O’Leary, 1987, 1994; Hopwood, 1992; Miller, 1994; Bryer, 1993).

Various theorists have articulated the role of accounting in society and its relationship to the development of capitalism. Yamey (1949) asserted that double-entry bookkeeping was inconsequential to the development of capitalism and it evolved as a consequence of the reporting needs of the environment. On the other hand, Werner Sombart (1919) argued that double-entry bookkeeping enabled the birth of capitalism. He further stated that it allowed assets to become quantitative values within a business while systematic accounting in the form of double-entry bookkeeping made it possible for capitalist entrepreneurs to plan, conduct and measure the impact of their activities. From this perspective, Weber (1964, 1968) argued that the calculative practice of bookkeeping played a significant role in the modern, rational organisation of

⁵ It was established on 19th September, 1759 by Thomas Lewes in Glamorgan in South Wales. It was considered to be the biggest company in the world for productive capacity of iron and it became one of the founding forces of the Industrial Revolution. From 1847 to the 1850s, it sank into a slump due to long series of strikes and capital overinvestment (see Edwards and Baber, 1979)

capitalistic enterprise. Double-entry bookkeeping was considered by Weber (1956) to be “the most highly developed” (p.92) form of bookkeeping while it allowed “a check in the technically most perfect manner on the profitability of each individual step or measure” (p.93). He placed calculation at the heart of a sociological analysis of economic activity. Together with the arguments of Weber, Sombart helped establish a link between accounting and sociology where accounting was identified as a proper object of sociological analysis.

Therefore, accounting is increasingly understood as a social and institutional practice (see Hopwood, 1987a, 1992; Potter, 2005; Miller and O’Leary, 1990; Miller and Napier, 1993; Power, 1994, 1997). It is considered both pervasive and enabling, with impacts, whether intended or not, on organisational and social functioning (see Hines, 1988, 1991a, 1991b; Miller, 1992; Miller and Napier, 1993). As a technology, accounting converts qualitative attributes into quantitative measures and subsequently renders activities, individuals and objects in possession of these attributes, resulting an evaluation, comparison and transformation to predetermined target. An additional aspect of accounting’s social and institutional embeddedness is the rationality, including accounting’s ability to resonate with the language and concerns of other bodies of knowledge. Based on these perspectives, accounting scholars started to portray accounting practices as a means (such as activities, processes and events in financial terms) to provide particular ways of ‘representing’ and ‘understanding’ several phenomena that may not be alternatively perceived and understood. They also attempted to standardise and compare actions and achievements of individuals or groups of individuals/associations. The outcome of calculative practices and rationales and the implication of social agents strengthened the notion that it was no longer

appropriate to think of accounting merely as a technical practice (see Gowler and Legge, 1983; Hines, 1988; Miller, 1994; Hopwood, 2000).

As a social and institutional practice, accounting affects the social reality individuals inhabit (Miller, 1994). When the decisions and actions of individuals as social agents are based on the accounts of reality, the result is that they are used to construct, maintain and reproduce social reality (Hines, 1991a). This social and institutional process of accounting practice defines individuals' understanding of the choices open to businesses and reflects how they organise and administer the lives of others and themselves (Miller, 1994). Thus, accounting practices and calculations are considered as an "important facet of society" (Wyatt, 2004, p.53). Accounting influences society and accounting is influenced by society.

The role of accounting as a profession and practice informs how individuals see accounting, the impact on accounting discourse and the context from which they are seen to influence accounting (Burchell et al., 1980). Accounting professions can be considered as "mirrors of the societies or organisations in which they are implicated" (Burchell et al., 1980, p.10). In this extent, the early developments in UK and Scotland after the Industrial Revolution and the succession of corporate scandals and insolvencies related with railway companies in the mid-1800s (Jones, 2011) created the need for company regulations and the rise of advanced cost accounting systems and greater control through winding up procedures. The need for company regulation and taxation was the starting point of the accounting profession and its subsequent development in the UK. The emergence of the accounting profession was also evident on Royal Charters of ICAS in 1854 and ICAEW in 1880 where accountants mobilised powers of the State to secure markets, niches and monopolies to enjoy considerable rights and privileges (Willmott, 1986).

The British professional accountancy bodies attempted to raise and maintain their status, to take control of the market for their own services and to achieve autonomy for the negotiation and maintenance of their professional position (see Walker, 2004; Macdonald, 1984; Shackleton, 1995). This strategy was located to social conditions to identify the available sources of power and the relationship of professional bodies with other institutional forces such as the State and its relationship with the profession. The State had the power to shape the activities and rewards given to professions directly, through laws and statutes or by providing funding for professional services. It may also be involved or offer guidance and support on the emergence and development of the accounting profession and the professional accountancy body itself. Therefore, the professional bodies tend to keep relationships and continuous contact with the State and its related sectors (e.g. Ministry of Finance or/and Commerce, Finance industry etc.) to facilitate the ascendancy of their professional bodies in society or/and to obtain support during legitimisation crises.

When discussing regulation in societies, Hancher and Moran (1989) argued that change is a key feature of regulation, which is triggered by new economic ideas, changes in socio-economic-political ideologies and settings, historical timing, organisational structure, the character of markets, the power of key actors and institutions and the role of the State and institutions. They further stated that regulation is better understood as a complex net of interactions and interdependencies, where a number of actors contribute to a process of creating and shaping it. The idea behind their metaphor 'regulatory space' is that resources relevant to holding of regulatory power and exercising of capacities are dispersed or fragmented. This particular space is constructed by people, organisations and events acting together upon a set of specific regulatory issues subject to public decisions (Young, 1994, 1995). Within this space,

different issues and interests are voiced and regulatory agendas and the “destiny for different forms of regulation are set” (Jonnergard and Larsson, 2007, p.471). The regulatory space seeks to understand the nature of the shared space, the rules of admission to the space and the relations between actors such as which powerful organisations gain, maintain and sometimes lose their dominant positions within a regulatory arena (Hancher and Moran, 1989). In the case of accounting profession, a regulatory space can be created or shaped based on socio-economic-political factors, the power of key players such political institutions, associations, professionals, the State and key events, helping to examine changes or renegotiations of rules within an existing regulatory arena (Scott, 2001). From this perspective, the history and development of professional bodies in various countries show the attempts of local accountants to secure and maintain their professional status in local contexts and regulatory arenas.

The local cultures and histories play a significant role in the history of professional accountancy bodies as several countries act differently when they face various difficulties and sudden events relating to accounting profession. Robson and Cooper (1990, p.385) argued that “the accountancy professions in various nations have shown differential willingnesses to invest in their theory to justify, guide and perhaps even change practice”. Furthermore, Rueschemeyer (1986) stated that the continued expansion of the profession was deemed as a response to politics (e.g. demand for company regulation, accounting standards, various financial scandals and lobbying) in order to reach the acceptance of validity and relevance and the final outcome by the clients and regulators. The accounting profession, particularly in former British colonies, demonstrates that the capital and the continuous expansion of capitalism play a significant role in the emergence and development of local accounting profession

(Cooper, 1995). Thus, the interplay of accountants, accounting and society bring the need to explore the theories of professions, including their key assumptions and limitations.

2.3 Sociological Perspectives on Professions

A large number of studies have employed sociological theories of the professions to explore the emergence and development of the accounting profession. One school focused on the distinctive claims advanced by aspiring groups in an attempt to distinguish themselves from their competitors to justify their social privileges. In the case of accounting, the focus was on whether accounting is considered to be a profession with specific characteristics or traits including those of specialised knowledge and code of ethics. Theories of professions generally focus on the relations between occupational groups, theoretical knowledge and the possibilities for practitioners to exclusively apply such knowledge within their occupational practice. They provide an analysis of the social actors, strategies, power relations and knowledge claims interrelated with the institutionalisation of a profession (Abbott, 1988; Burrage et al., 1990; Johnson, 1972; Larson, 1977; Parsons, 1954; Freidson, 1986; Macdonald, 1995). Brante (1988, p.119) argued that they show the “interplay between general conceptions of society and history, sociological theory, definitions of social categories, empirical research and political values or more briefly, between theory, facts and politics”. The reason for adopting these perspectives in this thesis is to understand the emergence and the role of the accounting profession in society and how this particular occupational group formed its professional status.

The sociological perspectives on professions help to explore, understand and analyse the role, power and prestige of accountants and accounting. Various researchers (see

Flint, 1988; Robson and Cooper, 1990; Saks, 1983; Abbott, 1988; Willmott, 1986) explored the notions of professionalism by adopting various sociological perspectives. Each perspective, such as Conventional/Traditional (Trait and Functionalist) and Critical (Weberian, Marxist and Foucauldian), offers competing views on the social and political role of accounting and accountants. These perspectives are discussed in the following sections, together with their capacity to explain the emergence and development of the accountancy profession.

2.3.1 Conventional/Traditional Perspectives: From Trait to Functionalist Perspectives

The Trait and Functionalist perspectives on the nature of the professions were dominant until the late 1960s (Saks, 1983; Millerson, 1964; Willmott, 1986). In this school, the professions were characterised as associations of individuals that emerged autonomously to institutionalise and regulate a specific area of practice (Johnson, 1972; Larson, 1977). They were defined as distinguished and specialised occupational groups which secured recognition for their particular services, after receiving specialised education and training and having certain characteristics or attributes that confirm their capability to hold this particular position and privileges (Millerson, 1964). In his classic study, Millerson (1964) identified twenty-four characteristics or traits that formed the essential elements of a profession. These included claims of theoretical knowledge, provision of training, testing of competence of members, adherence to a professional code of conduct and altruistic service (Millerson, 1964; Johnson, 1972; Freidson, 1983).

Based on the Trait approach, professions were characterised as homogenous occupational groups whose members shared common interests, values and worldviews

(DiMaggio and Powell, 1983; Meyer, 2000; Factor et al., 2012). Analysing the occupation of accounting, Roy and McNeil (1967) concluded that certified public accountants share all of these professional attributes that “represent the core features of professional occupation” (Saks, 1983, p.2). Accountants modelled themselves on successful peers such as recognised professionals of law, medicine and theology in order to be regarded by society as deserving that professional status (Windal and Corley, 1980; Robson and Cooper, 1990).

The Functionalist perspective defines professions based on their functions in society (e.g. norms, traditions, institutions, customs etc.) either for the wider social system (see Parsons, 1954; Saks, 1983; Johnson, 1972) or for the professional-client relationship (see Barber, 1963; Saks, 1983; Johnson, 1972). This theoretical perspective views professions as particular occupational groups, offering services to various human needs that are considered important to the society (Lindblom and Ruland, 1997). It looks at the professions as integrated communities⁶ whose members undertake advanced duties for the integration and smooth operation of society (see Willmott, 1986; Carr-Saunders and Wilson, 1964; Greenwood, 1957). The motive of professionals is the pursuit of only impersonal values and virtues such as the development of science and the offer of altruistic services to the public (Parsons, 1954). However, these Conventional/Traditional perspectives have been criticized and as a result of which their limitations have been exposed.

⁶ The term ‘integrated’ is used to emphasize professions as part of a larger unit or/and with various parts or aspects linked or coordinated and to be opened to people of all races or ethnic groups without any restrictions.

2.3.1.1 Critique on Conventional/Traditional Perspectives

The Trait perspective has come under criticism (see Eraut, 1994; Johnson, 1972) in relation to the fact that the list of these characteristics is not supported by solid arguments. This particular list may be based on each author's view of what constitutes the most salient features for high-status professions and traits may relate to specific cultures and would therefore have more relevance in particular countries. While authors select new traits and they add them to the list, there is no consensus of the quantity and the identification of the attributes that are necessary for defining a profession. An additional limitation of the Trait perspective is that it is based on the implicit assumption that there is an 'ideal type' or 'true profession' that can be abstracted from existing occupations.

As a result of this theoretical inadequacy, the tendency is to accept the self-definitions of the professionals. The rhetoric of professional codes and ethics often functions as a legitimization of professional prestige and cements its position as a neutral arbiter of social order (Johnson, 1972). The Trait approach is atheoretical and ahistorical and its application causes difficulties in fully understanding the dynamics between occupational groups, such as the accounting profession and society. In order to engage with the limitations of the Trait perspective, emphasis has shifted from the processes by which occupations gain professional status to the attempts made by practitioners to impose their own definitions of social needs and how these should be fulfilled.

The Functionalist perspective also ignores the historical and social struggles of occupational groups and fails to explore intra-professional group power struggles to defend and expand their professional jurisdictions (Abbott, 1988). Ignoring the history of events, it fails to identify the possible external events that might have caused this

particular social change or the change of a particular process (Robson and Cooper, 1990). It offers an understanding of the nature of professions only in terms of current practices arising from social needs. Robson and Cooper (1990, p.371) argued that “questions about the need, origin, articulation and value of these services to society were not addressed [and] alternative ways of meeting the needs were ignored”.

Therefore, the Conventional/Traditional perspectives present professional organisations as static phenomena in fixed social contexts and they failed to give a socio-economic-political rationale for their development (see Willmott, 1986; Saks, 1983; Robson and Cooper, 1990; Johnson, 1972). They are considered too narrow to capture the complexity of professionalism as they do not offer any insights into the historical, political and economic aspects relating to the accounting profession. Their limitations have encouraged the emergence and development of critical perspectives such as Weberian, Marxian and Foucauldian perspectives to professionalism in order to analyse the emergence and development of occupational groups in a broader socio-economic-political context.

2.3.2 Critical Perspectives

This section will examine the perspectives associated with Weber, Marx and Foucault regarding the professions. These theories help to locate professions in broader social, political and organisational contexts and highlight their role in conflict, continuity and change.

2.3.2.1 The Weberian Perspective

Weberian theories of the professions focus on the dynamics of a market economy and social stratification. Professionalization is seen as a process by which an occupation

attempts to translate one category of scarce resources (e.g. special knowledge and skills) into another such as social and economic rewards. During this process, interplay takes place among interest groups who compete for wealth, power and status in order to gain social mobility in society. The closure theory was advanced by Weber (1964, 1968) to explain the way in which commercial and property classes (the elite) legitimise their social status, boost their life-chances and secure social and political domination. Thus, the Weberian perspective to the study of professions relies on the power to explain the process of how professional status is achieved by individuals. According to Willmott (1986, p.558), professionalism is defined within Weberian perspective as:

“a strategy for controlling an occupation involving solidarity and closure, which regulates the supply of professional workers to the market and also provides a basis for the domination of institutions, organisations and other occupations associated with it.”

The Closure theory by Weber attempted to uncover processes of domination by considering the relationships between private property ownership, credentialism⁷, status, race and gender. A fundamental quality of all social relationships is that participation or membership in them can be either open or closed to outsiders, constituting parts of other social formations such as status groups and organisations (Weber, 1964, 1968). These relationships provide an understanding on how society functions and how individuals' opportunities are restricted or expanded based on social status and group membership. One group monopolises advantages by restricting opportunities to outsiders which it considers inferior and therefore ineligible (Murphy 1986). The notion of closure refers to the process by which occupational groups, organisations or individuals seek to “regulate market conditions in their favour, in face

⁷ Credentialism is defined as the inflated use of educational certificates as a means of monitoring entry to key positions in the division of labour.

of actual or potential competition from outsiders, by restricting access to specific opportunities to a limited group of eligibles” (Saks, 1983, pp.5-6).

Parkin (1979) extended Weber’s concept of ‘social closure’ to encompass other forms of competitive social action designed to maximize collective aims to rewards and opportunities. He argued that two main types of social closure may be taken into consideration, ‘exclusion’ and ‘usurpation’; with the latter being a consequence of, and collective response to, the former. The exclusionary closure is associated with the exercise of power in a downward direction through the subordination of socially defined inferiors consisting of a group, class or stratum. On the other hand, usurpation represents the use of power in an upward direction wherein collective attempts are made by the excluded group to win a greater share of resources and to bite into the privileges of higher group or legally defined superiors. Thus, social closure should be treated as a dual process where it provides the means for interpreting the process by which a profession or professional organisation mobilises power to enhance or defend its share of resources or rewards (Parkin, 1979; Murphy, 1984).

The term ‘neo-Weberian approach’ to the professions has been used to denote work which has attempted directly or indirectly, explicitly or implicitly to apply the Weberian concept of ‘social closure’ to the consideration of professional occupations in society. Based on Abbott’s (1988) theory, Macdonald (2006, p.366) argued that:

“Having secured a monopoly an occupation must compete in the marketplace against others who can provide similar or substitute or complementary services. It must, therefore, at the least defend and probably enlarge, the scope of its activities’ or its jurisdiction.”

Professionalization is distinguished by “a particular type of exclusionary closure based on credentialism and viewed as a strategy designed, amongst other things, to limit and control the supply of entrants to an occupation in order to safeguard or enhance its

market value” (Saks, 1983, p.6). Social closure is usually constructed or/and advanced around education and knowledge. In the case of the accounting profession, individuals with PhD, MA/MSc degrees in accounting are not eligible to audit company accounts due to lack of appropriate practical knowledge required to perform an audit for a company. Furthermore, they are not allowed to become members of a professional body if they do not have the required credentials (e.g. ACCA, ACA or any other similar professional qualification) and work experience. Accountants mobilise resources for social closure such as educational credentials, technical knowledge and need for apprenticeship before admission in order to keep out undesirables, to secure monopolies and control supply.

Leadership of the profession and attainment of its goals are partly explained by personal qualities. Researchers have also explored Weber’s concept of charisma⁸ (see Caramanis, 2005) to shed light on the development of accounting profession. This concept was used by Weber (1964, pp.358-359) to describe:

“a certain quality of an individual personality by virtue of which he is set apart from ordinary men and treated as endowed with supernatural, superhuman, or at least specifically exceptional powers or qualities. These are such as are not accessible to the ordinary person, but are regarded as of divine origin or as exemplary, and on the basis of them the individual concerned is treated as a leader.”

Charisma is socially constructed and dependent upon the personal aura of a personality within its social context. Charismatic leadership, according to Weber, is found in a leader with extraordinary characteristics of individual, whose mission and vision inspire others and seen as the head of any social or political movement, sometimes gifted with divine powers. However, charismatic leadership is considered unstable as

⁸ The term Charisma comes from the Greek word ‘χάρισμα or kharisma’ meaning a ‘gift’ or ‘divine favour’ or ‘supernatural power’. In ancient times, it was believed that certain individuals such as prophets or religious leaders or healers were given gifts from the Gods to help them in their earthly tasks.

it is related to faith and belief; once these fade, the authority and leadership dissolve. Thus, charismatic authority depends on the extent to which a religious or political figure is able to preserve moral influence and prosperity to his/her followers. In the case of professions, individuals with extraordinary abilities are considered professionals with particular knowledge and education who are the appropriate ones for some particular duties and the eligibility to become members of a professional group. In the case of the accounting profession, charismatic personalities (e.g. politicians, governors, lawyers, founders etc.) were involved in the development of the profession (Caramanis, 2005). These leaders have established or supported professional accountancy bodies, aiming to make a particular occupational group distinct from other groups and to build its image in a way that is considered superior from others (Caramanis, 2005).

Despite their usefulness in relating professions to markets, status, reward, hierarchies, leadership and connections, Weberian theorists make little attempt to investigate professional groups in broader societal terms. There is no assumption that patterns of historical change can be explained in terms of the evolution of the relationship between classes. Weber sees class as only one aspect of the distribution of power in society, stating that class position does not necessarily lead to class-determined economic or political action but rather, the focus is on the market as the source of inequalities in life chances. No assumption is made considering class as major source of conflict within a capitalist society or as a source of collective action. Furthermore, there is considerable difficulty in explaining why some groups succeed in securing status, reward and monopolies and others do not. Weberian theories of the professions did not mention what it is that some groups do and for whom that enables them to secure professional status and the accompanying rewards and why some groups secure patronage of the

State. Therefore, Marxian theorists tried to bridge this gap by examining the structure of classes and the State-profession relationship.

2.3.2.2 The Marxist Perspective

Marxist theories tend to explain the social power of profession in relation to the mode of production and their usefulness in advancing the power of capital. Marxism emphasises the idea that social life is based upon ‘conflicts of interest’; particularly the conflicts between capital and labour. It attempts to expose the political and economic contradictions inherent in capitalism where the capitalist class appropriates the goods produced by labour for its private profit. Marxism provides a critique on the capitalist society to understand the way things appear and how social life is the product of a combination of economic, political and ideological conflicts.

Marxist theorists locate occupations in the capitalist structure (economic system) taking into consideration the relations of production rather than just in the market (Saks, 1983). Diversity in Marxist thought is about the ways in which such occupations are linked to what are seen to be the dichotomous and exploitative relations of production under capitalism. Marxist theories are concerned with the location and behaviour of the professions within the vertical hierarchy of classes defined by relations of production. Professionals may not easily fit into the standard categories of ‘capital’ and ‘labour’ or bureaucrats and State officials and thus, the position of professional workers may be ambiguous.

Marxists encounter difficulties in placing professionals; they could be capitalists but they do not own the means of productions or they could be workers but the tasks they perform, the rewards they receive and their relations with superiors are vastly different from those of most workers. Therefore, both Poulantzas (1975) and Carchedi (1975a,

1975b) gave emphasis on the role of authority in defining the division between the working class and the new middle class. Locating the professions within the ranks of the new petty bourgeoisie, Poulantzas (1975) argued that professionals are directly involved in the control and surveillance of the working class under a capitalist society. Furthermore, professionals can simultaneously occupy competing and conflicting class positions as their activities are linked to the global functions of capital (realisation, appropriation and reproduction of surplus value) or/and the collective labourer (routine labour process of production) (Carchedi, 1975a, 1975b).

The accounting profession is seen as a mechanism of social organisation or division of workers with accounting/auditing skills considered as vital for both the operation and sustainability of capitalistic mode of production. Professionals combine both the global function of capital and that of the collective labourer to fulfil the related functions. For example, accountants can be part of the proletariat (e.g. doing routine work which is subject to considerable control) or they may represent capital (e.g. partners of accounting firms) or agents of capital (e.g. supervisors) or of the State (through their membership of regulatory bodies such as the accounting standards board). As a pivotal study directly referred to accountants, Johnson (1972, p.66) stated that “the functions of the accountant in providing the means of cost or management control were regarded as so crucial for the development of capitalist enterprise” due to the high demand by corporate business as a form of internal control and by the public sector as a form of risk bearer. Accounting and accountants perform the function of ‘watching over capital’, of checking and controlling the process of its enlargement. Therefore, accountants facilitate control and surveillance on behalf of capital through a design of systems of internal controls and by ensuring that economic surpluses are appropriated by the capital.

Professional accountants play a significant role in expressing the interests and forming the policies of the professions and verifying that the profession fulfils the global functions of capital. It is shown how social relations enable or/and constrain the formation and development of professional associations and the role of the professional elite in establishing the conditions for the ascendancy of professional bodies. However, the role of the State and its patronage are essential in the professionalization process and in retaining professional jurisdictions. Thus, the impact of the policies of the State upon the development of the professions should be taken into consideration from a Marxist perspective.

2.3.2.2.1 State-Profession Relationship from a Marxist Perspective

Marxists have considered the origin of the State from a materialistic standpoint, emphasising that although the State is the creation of human, there is only influence of material (economic) conditions. As a repressive apparatus, its emergence is considered as a product of the social division of labour, irreconcilable class conflict within the social structure which seeks to regulate on behalf of the ruling class. Every State is the organ of a given system of production based upon a predominant form of property ownership, which invests in that State with a specific class bias and content. A particular class in society such as Bourgeoisie used the State to articulate the interests of the capitalists and consequently to fulfil their economic and other interests. Although the capitalist State works as an instrument at the hands of the dominant class, it exercises its power independently and it is not always dictated by the capitalists.

Therefore, the character of the State cannot be determined only by its prevailing form of rule which can vary from time to time but the type of property and productive

relations that its institutions and prime beneficiaries protect and promote. The power of the State may be exercised by a monarch, his/her ministers, their administrators, by other elites and parties such as professions. The professions' relation with the State is considered fundamental as they attempt to secure for themselves market control and social mobility in the society. The role of professionals in the reproduction of the capitalist social order is considered important as they help the State to uphold the capitalist system. Consequently, professional occupations permit a strong State's hold over society and in return, the State is interested in helping them to professionalize themselves, since they will prolong its own action over society. Johnson (1972, 1982) and Larkin (1983) expressed such views, arguing that professionalization is part of a wider process of State formation. As Johnson (1982, p.189) put it, "the professions are emergent as an aspect of State formation and State formation is a major condition of professional autonomy".

In the case of accounting, many researchers have placed the organisation of the State and the relationship between the State and accounting profession in the context of the contradictory pressures and demands of a capitalist economy (see Tinker, 1984; Puxty et al., 1987; Cooper et al., 1989; Puxty, 1990). Willmott (1986, p.564) argued that "the State has become dependent upon the professions for training and supplying the skilled labour which shapes, regulates and legitimises the routines of modern social and economic life". Thus, certain occupational groups adopt certain policies, namely corporatism, through which they exchange with the State the advancement of State's interests for being "recognised or licensed by the State and granted" (Cooper et al., 1989, p.252).

The accounting profession as an occupational group has gained recognition, grants and certain privileges by the State such as monopolisation of audit and self-regulation in

exchange to meet certain interests of the State. A significant dimension of the State-profession formation was pointed by Johnson (1982) as that of Empire with its colonies. The expansion and consolidation of the British Imperial State was associated with the Imperial involvement of emergent professional associations in a form which significantly affected the State-profession relationship in Britain itself. The reason of these direct institutional links between the State and the profession was to facilitate the administration and servicing of the colonies. British professions were considered as “indicators for association membership, the formation of branches, their role as qualifiers and the developing systems of recognition and registration” (Johnson, 1982, p.198). This development of State-profession relationship in the accountancy arena helped to define the limits and abilities of State powers, functions and capacities.

This section pointed out that the emphasis of Marxists was on the conflicts of interest between classes where the dominant class exploits the lower class for its own economic interests. Professionals, particularly accountants, were considered as a mechanism to organise and divide workers using accounting skills to achieve a smooth operation and sustainability of the capitalistic model of production. The State and its policies played a considerable role in the development of the professions and their interests as it empowers the dominant class and secure its dominance over the working class. However, the Marxist perspective has its limitations in that it only focused on class structure and it did not pay adequate attention to issues such as race, gender and other social divisions (see Carchedi, 1975a, 1975b; Poulantzas, 1975). On the other hand, the Foucauldian perspective, which is the focus of the following section, is concerned with the relationship between power and knowledge to the development of the professions.

2.3.2.3 The Foucauldian Perspective

Foucauldian theorists understand the world as socially constructed through discourses, being considered influential societal representations of ‘truth’, formed and communicated with language, through writing, speaking and action. They are concerned with understanding and transformation of constellations of power, knowledge and truth while power is instantiated in rules, languages and institutions. From this perspective, a profession appropriates and delineates language and knowledge, transforming it into the dominant discourse that aligns it with the traits of a profession. These traits are a discursive formation, a form of truth and measuring a profession against them legitimates it. The concept of governmentality demonstrates Foucault’s working hypothesis on the reciprocal constitution of power techniques and forms of knowledge. Foucault was interested in the way in which power and authority were exercised in the world by further exploring the power exercised by institutions, organisations and the State and how it particularly affects the lives of ordinary people.

The professions have identified State intervention as a process synonymous with the decline of *laissez-faire* where the history was only viewed with autonomy or intervention (Johnson, 1995). However, Foucault rejected any attempt to present these competing accounts; professionalization or state intervention as adequate histories (Johnson, 1995). The implication for the professions “is not defined as being inherently generated by knowledge and expertise per se; rather, this [occupational group] is seen as based on the selective political incorporation of expertise into State formation as a key resource of governance” (Johnson, 1995; Saks, 2012, p.3). According to Goldstein (1984, p.175), “unlike the sociological theory of the professions, Foucault’s construct of the ‘disciplines’ is not put forth as a theory about occupational groups”. Foucault’s

work is focused not on “professional men” and why and how they acquire a particular status in society, but rather on the general structural attributes of their practice as seen from the vantage point of those upon whom this practice is exercised and whose bodies are “broken in” and “trained” by it (ibid, p.176).

Therefore, professions become part of the transformation of power associated with governmentality, as ‘the disposition of things’. Johnson (1995, p.11) argued that “the rapid crystallisation of expertise and the establishment of professional associations [were] directly linked to the problems of governmentality, including the classification and surveillance of populations, the normalisation of the subject-citizen and the discipline of the aberrant subject”. These problems of government (see Rabinow, 1984) led to the creation of jurisdictions on the professional arenas of medicine, law and accountancy, making the professions part of the process of State formation (Johnson, 1995). The State-profession relationship is considered as a conception of power and social relation of tension rather than the attribute of a subject, resulting power to never being reduced to an act of domination or non-reciprocal intervention. In this perspective, “the professions have developed in association with the process of governmentality, as they emerged as part of the State apparatus” (ibid, p.12).

Various researchers started to explore accounting as an activity considered both social and political in itself (see Loft, 1988), while accounting was used to be examined as a technical process. Loft (1988) has examined the history of accounting, providing a means to explore the complicated relationship between accounting and society. In particular, the aspect of her research was the emergence of management accounting in professionalism context and the formation of the Institute of Cost and Management Accountants (hereafter, ICMA). As a new association, ICMA started to act as a focal point for the growth of the discussion about the nature of cost accounting knowledge

and technique and the role of cost accountants in society. The reason for this formation was the fact that First World War marks an important milestone for cost accounting, “almost one could say as an unintended consequence of the way in which the Government attempted to prevent profiteering and to price their contracts with the manufacturers in the absence of a free market” (Loft, 1986, p.141). While cost and management accounting was considered as one of the techniques of surveillance and meticulous control of individuals in business organisations, Loft (1986, 1988), adopting a Foucauldian perspective, viewed it as a disciplinary technology that emerged within the institution of the factory.

Based on this assertion, cost and management accounting systems are viewed as apparatuses for producing knowledge in a very specific form. The cost records are an enabling device for power to act but, at the same time, the very fact of making the record, of producing knowledge, is an act of power. Loft (1986, 1988) argued that as the practitioners of cost and management accounting are members of a professional accountancy body (e.g. ICMA, ACCA, ICAEW), these professional bodies mediate between practitioners and clients in that they certify individuals as qualified to practice, and after qualification, their disciplinary procedures provide a continuous source of potential control over members’ activities. By controlling the syllabus of the examinations, they exercise influence over both practitioners and their knowledge. In particular, the formation of a professional accounting body itself creates a physical place for discourse about the role of practitioners, in this case professional accountants, and the nature of the knowledge and the practice (the duties and responsibilities of a professional accountant). Thus, knowledge and techniques of a profession seem to be related to the socio-economic-political context and to the internal dynamics of the profession itself.

This section reflected on the relationship of power and knowledge and the importance of discipline to achieve control and surveillance by an occupational group to particular individuals. Professionals are subjected to disciplinary technologies via domination and the Self. Domination is exerted through control, either managerial or foreign via regimes of economy, efficiency and effectiveness, target setting and achievement, and performance measurement (Pollitt, 2006). Technologies of the Self occur as professionals become self-critical (Stronach et al., 2002) and through processes such as appraisal they are encouraged to identify more closely with the new regime, to confess their successes and shortcomings and to modify their behaviour according to managerial or compliance requirements.

2.3.3 A Connective Summary

Accounting, particularly the bookkeeping double-entry system, emerged during ancient times as a tool to keep records of sales and purchases of wealthy individuals. The role of accounting in society was characterised as important and gained significant recognition for the development of trading and economic exchanges between countries and individuals. The arguments of Weber and Sombart regarding the contribution of double-entry bookkeeping to the birth of capitalism, helped to create a link between accounting and sociology where the former was considered as an object of sociological analysis. Therefore, accounting was understood as a social and institutional practice and subsequently, accountancy as a profession was considered as a mirror of society.

An examination of the sociological perspectives of professions was conducted to explore the emergence and development of the accounting profession. Various theories offered distinctive insights into how an occupational group secures and advances its claims of professionalism with each perspective having its own limitations. The trait

and functionalist theorists viewed professions as possessing unique and positive characteristics including distinctive knowledge and expertise and presenting professional organisations as static phenomena in fixed social contexts. Critical writers, using the theories of Weber, Marx and Foucault, considered professions in broader socio-economic-political contexts, highlighting their role in knowledge and expertise for a profession in conflict, continuity and change. The Weberian theories of social closure and charisma explained the domination of a particular group and the professional exclusion of others for securing their status in society and the role of charismatic leaders in the development of the profession or professional group. From a Marxist perspective, professionals were considered as part of the middle class, located in the capitalist structure where they used to express the interests of the dominant class and form the policies of the professions. To facilitate their advancement, professionals used to create relationships with the State. The Foucauldian perspective was concerned with the understanding and transformation of power knowledge and truth. Based on the theories of governmentality and power, accounting was used as a control and disciplinary technology to explore the power exercised by institutions, organisations and the State.

In this thesis, these sociological theories of professions can help to explore the factors that affected the emergence and development of the accounting profession in Cyprus and ICPAC after independence. The theories of social closure, charisma, conflicts of occupational groups, control/discipline and power and the State can help to explore and understand any changes or/and transformations on professionalization project and the procedure to form and operate ICPAC. Any inter- and intra- professional conflicts, intervention or/and support from the State or other parties may be identified. Therefore, a consideration of accounting profession in former British colonies using the

sociological perspectives on professions can give insights on how these theories have been articulated and utilised by other researchers. It will also facilitate the researcher to identify the appropriate theoretical framework for this thesis.

2.4 Literature on the Emergence and Development of Accounting Profession in Former British Colonies

Various studies have examined the emergence and development of the accounting profession in former British colonies by adopting the theories of professions. These studies were focused on the formation of professional accountancy bodies in the colonies, the development of accounting education, training and recognition of professional accountants, the involvement of British professional accountancy bodies, the State-profession relationship in these countries and the importance of accounting profession in their economic development. However, there are cases where some professional accountancy bodies did not follow the same development path due to several factors such as the dynamics of the country to establish the professional body regarding its economic strength and State intervention in the development of the profession and the capital market as the main source to funding for business leading to increasing demand of accounting information. Thus, the next subsections will explore and analyse the studies on former British colonies⁹ using the sociological perspectives on professions and by identifying the key themes.

⁹ The former British colonies were divided into Settler and Non-Settler due to political dimensions and racial politics, providing reflections from both sides; the 'West' and 'the Orient' (see Said, 1995).

2.4.1 The Export of British Accounting Profession in Former British Colonies

Accounting has been advanced at different levels and sectors, such as organisation (Laughlin, 1987), regulation (Cooper and Robson, 2006), administration (May, 1947), taxation (Lamb, 2006) and in various socio-economic-political contexts. As long as these levels and sectors are combined, they generate demand for accounting and accountants. The reason behind the increased demand of accountants in UK was to increase the capital market not only locally but also at an international level (Poullaos and Sian, 2010). Capital market was considered as a mechanism of global economy to absorb and allocate savings, investment opportunities and financial projects. A careful and effective monitoring and financial control was needed to develop a capital market. Based on this aspect, accounting was deemed as an important controlling tool while capital market was depended on reliable information where investors and creditors were needed to make investment decisions. During the colonial period, the activities of British accountants were expanded throughout the Empire and the Commonwealth, with the purpose of spreading the ideology of their profession and of dominating in these countries (Johnson and Caygill, 1971). This would facilitate them to expand their commercial and financial activities and subsequently to increase their capital.

Various British associations exerted a continuous influence on accountancy in the Commonwealth, but some individual institutions (e.g. ACCA, ICAEW) have exhibited a unique pattern of influence on the local accounting education and professionalization projects. In these countries the Commonwealth membership of British accountancy bodies, the spread of overseas branches and examination centres, the export of qualifications (overseas and in the UK) and the struggles to achieve registration and

recognition (Johnson and Caygill, 1971) was noted. The main reason for this expansion was to “increase its membership and [to expand] its organisation in such a way as to create a widely-based Empire power in professional life” (ibid, p.157). Furthermore, this expansion was “an effort to attract members, money and influence” (ibid, p.159). Therefore, the notions of professionalism had been transferred from Britain by foreign businesses/organisations and their employees, local inhabitants with foreign university or/and professional education and work experience from abroad and by the colonisers themselves to the former British colonies. However, the tactics to expand and implement the British accounting model in these countries and the reactions of local inhabitants distinguished the Settler from the Non-Settler colonies.

2.4.1.1 Settler British Colonies

In Australia, the British based Society of Accountants and Auditors was able to form local branches and it was actively engaged in local accounting politics in Melbourne and Sydney (Chua and Poullaos, 1993). The expansionist activities of British professional accountancy bodies played a role in the establishment of the leading accounting body in Australia, the Incorporated Institute of Accountants Victoria (hereafter, IIAV) in 1906. Chua and Poullaos (1993, 1998) found that the local professional bodies aimed for a mutual recognition and mimesis. Furthermore, Carnegie, Edwards and West (2003) stated that the formation of IIAV shows the intent of founders to emulate the more successful British associations such as the ICAEW. Based on this, Carnegie and Parker (1999) explained how professional accountancy emerged locally, reflecting that the import of the idea of professionalization was the predominant influence and the import of qualifications and qualified accountants was less influential.

New Zealand followed similar path as indicated by Velayutham and Rahman (2000). They discussed and analysed the four stages of the evolution of professional bodies (formation, proliferation, consolidation and market differentiation) in Australia and New Zealand, reflecting identical procedures and objectives behind the changes in these two countries and connection and similarities with British associations. Furthermore, in Canada, local accountants have resisted attempts by British professional bodies to expand their domains of influence in their territory (Richardson, 1987). They organised themselves and established local professional bodies in direct response to that threat. Thus, in settler colonies, elite accounting associations advanced professionalization with the reproduction of British chartered accounting model (Chua and Poullaos, 1993; Parker, 1989; Richardson, 1987). Professional formation on these territories did not occur prior to their independence because the audits of public companies were restricted to members of British bodies (Parker, 1989).

2.4.1.2 Non-Settler British Colonies

The Non-Settler colonies show a deep influence of colonialism on local accounting profession, causing the emulation of British accounting principles and systems and consequently the impact on the organisation and practice of accountancy in these countries with different cultural context (Briston, 1978). The cases of T & T (Annisette, 1999), Nigeria (Uche, 2010), Malaysia (Susela, 1999) and Jamaica (Bakre, 2005, 2006) revealed the manner in which the British model of professional accountancy was transported across national boundaries and how this particular profession was developed along the lines of the British model in these countries. The British accountancy profession was deemed as the ideal professional organisation, the best professional model under colonial rule that these countries could aspire to form their

local professional bodies. This perception was constructed from the fact that these countries lacked economic development and infrastructure and the British legacies formed their perceptions and professional identity. Apart from the profession, the colonial heritage of these countries influenced the development of company law along the lines of British law (Uche, 2010; Verma and Gray, 2009). During colonialism, British reformed the local company law in these countries to facilitate the flow of capital and for the British businesses and accounting firms to dominate and proliferate locally (ibid).

However, some countries preferred to form their own professional body without adopting any British qualifications and subsequently the non-recognition of these qualifications in their country. The Institute of Chartered Accountants of India (hereafter, ICAI) chose to set up its own examinations, disciplinary procedures and code of ethics without the choice of using British qualifications directly (Verma and Gray, 2006). But, the structure of examinations showed similarities with those of British associations, indicating the continuance of the imperial influence on the ICAI post-independence. The politics of difference were used to construct and perpetrate the relations of domination and subsequently, the continuities and discontinuities of colonialism and imperialism were evident. Thus, the regulation of accounting profession by applying for Royal Charter or by legislation was deemed a way for professional accountants of former British colonies to organise themselves into professional bodies and to secure their professional status from other groups. This intention brought into the light the issue of creating or/and shaping a ‘regulatory space’ for the local profession. In this ‘space’, the interactions between various groups or/and individuals are meaningful based on who will maintain or lose its professional rights.

2.4.2 The Recognition and Regulation of Local Accounting Profession in British Colonies

For both Settler and Non-Settler British colonies, the macro and micro level issues and matters of nationalism played a significant role in the professional exclusion. These were used to protect their professional accountants' status and to exclude those that could damage the reputation of local professional bodies and profession. The creation of a 'regulatory space' for local profession, either by a Charter or by legislation, was for occupational groups a way to secure their professional position in society. In professional movements, the State held a significant role since its decisions had an impact, either negative or positive, on the future of the professional group. Differences between Settler and Non-Settler colonies, were evident showing either patronage or dislike for some groups.

2.4.2.1 Settler British Colonies

In Settler British colonies, the professional accountancy bodies were usually formed by elite groups to close market opportunities to outsiders considered as non-elite practitioners (Chua and Poullaos, 1998). Chua and Poullaos (1993) examined and analysed the attempt by Victorian accountants to obtain Royal charter for 1904-1906 focusing on the State-profession relationship and the reasons of the Victorian Charter attempt and its failure. According to Chua and Poullaos (1998), this attempt was to promote the IIAV as the leading producer of accountants in Australia. However, its change from openness to closure to achieve market dominance and legitimacy did not succeed due to political and communal tensions and interventions from classes, status groups and political parties. By achieving monopoly in professional arena, there was the hope to exclude opposing camps of professional accountancy bodies.

In Canada, the process to regulate the local profession was undertaken by the Public Accountant's Council of Ontario to implement the Public Accountancy Act of 1950. Its aim was to construct its identity and to form its 'regulatory space', revealing the challenges to practice rights legislation and the pressure received from interest groups (Macdonald and Richardson, 2004; Richardson, 1989). Thus, Canadian professional bodies were considered as anti-egalitarianism, anti-laissez-faire and they were met with suspicion from both the State and the local community (Brown, 1905; Chua and Poullaos, 1998). However, the case of South Africa provides a new dimension to the history of closure strategies as it shows and explains "how a proactive State facilitated professional closure and State regulation in collaboration with the profession" (Verhoef, 2013, p.185). The State did not intervene as an authoritarian apparatus to regulate the profession; its aim was to facilitate the intra-professional collaboration and to reach a simultaneous consensus within the profession and between the profession and itself (ibid).

2.4.2.2 Non-Settler British Colonies

For Non-Settler colonies, the establishment of local professional bodies was part of wider State-sponsored human resource development programmes (Annisette, 1999; Dias and Paul, 1981; Yapa, 1999) and a means to provide opportunities to individuals who were excluded from the profession (Annisette, 1999; Susela, 1999). In T & T, the local Institute of Chartered Accountants was formed as the means by which the country would reduce its dependence on the ACCA regarding training and education of professional accountants. Annisette (1999) revealed how the State directly and indirectly attempted to influence the size and composition of the local profession and the nature of professional training. The Case of T & T provides evidence on how

accounting elites responded purposefully to shifting socio-economic-political and ideological conditions and how they changed their conception of the training, composition of the membership and the State-profession relationship. Based on this aspect, Annisette (2000) argued that the local institution created a relative autonomy from the State and succeeded in subverting the State's plans to indigenise the system of professional training and certification for accountants in the country. Taking a similar path, Jamaican professional accountancy body attempted to localise the profession by passing the Public Accountancy Law in 1968 (Bakre, 2005, 2006). The aim of this legislation was to protect the interests of the Jamaican accountants against external encroachments by foreign accounting firms and professional accountants, particularly from the UK (ibid). However, the two attempts failed due to the resilient opposition from the global capitalist elites in the Jamaican accounting society (ibid).

In Nigeria, a different strategy was followed on how to secure professional status, as the auditing profession was already under the control of the Institute of Chartered Accountants of Nigeria (hereafter, ICAN). According to Okike (1994), in the course of its exclusion practices, it was presented with many challenges in its effort to legitimate itself such as three provisions in the country's Company and Allied Matters Decree (hereafter, CAMD) of 1990 with potential negative consequences of challenging the ICAN's closure strategy. Uche (2002, p.493) stated that the development of the profession in Nigeria was not solely a function of "public expectations and professional competence" but was also influenced by the nature of the existing government (military or democratic) and the lobbying of interest groups and personal relationships.

In Kenya, the professionalization of accounting was nuanced by "the aspirations of the State to implement its Africanisation policy in the profession" (Sian, 2006, p.317). It did not involve exclusion of professional accountants' groups but indicated attempts

by the State to include all indigenous accountants as a strategy to achieve its Africanisation goals. Furthermore, following a similar inclusion strategy, Malaysian State's role emerged through a discourse of the struggles of the local professional accountancy bodies (Susela, 1996). On the one hand, the Malaysian Institute of Certified Public Accountants (hereafter, MICPA) was in associationism mode with attempts to become a national professional body and, the professionalization of accounting was nuanced by the aspirations of the State to implement its Africanisation policy in the profession on the other hand, the Malaysian Institute of Accountants (hereafter, MIA) was in a corporatist mode as the statutory body was established by the State (ibid). The State appears, on the one hand, to promote self-regulation and to avoid implementing any accounting regulatory setting but, on the other hand; it seems to promote both the corporatist and associationist mode of regulation. While the State established MIA as an apparatus to achieve its socio-economic goals, it had a close rapport with the 'Big Six' firms and the public accounting fraternity through its support of MICPA, market driven organisation.

Having similar aims with the Malaysian professional body, a professionalization project was initiated by the Greek State during the late 1940s and early 1950s as an instrument to serve the needs of capital, of business enterprises and to fulfil the socio-economic agenda (Ballas, 1998). Caramanis (1999), using the State-profession axis, explained the micro-politics of how professional groups were organised to define, defend and extend their domain of practice. He described how SELE¹⁰ (the International firms) assisted by the Confederation of Greek Industries and other local and international actors, managed to lobby the conservative government (1990-1993)

¹⁰ SELE are the initials of the Greek acronym ΣΕΑΕ (Association of Certified Accountants and Auditors of Greece). It was instituted and comprised by members of multinational audit firms which had practiced in Greece since the late 1970s (see Dedoulis, 2006).

to influence the audit reform. An abortive attempt by SOL¹¹ to reverse the ‘liberalisation¹²’ reforms of 1992 in the market for statutory audit shows the impact of forces of globalisation (State, politico-economic blocs) (Caramanis, 1999, 2002). This led to a local intra-professional conflict over the jurisdiction of statutory auditing in Greece, against a background of advancing neoliberal thinking and the increasing internationalisation of the world economy. By examining the formation of Greek auditing institution in the aftermath of WWII, Dedoulis and Caramanis (2007) found that although Western influences played a catalyst role in local developments and other aspects such as the scope of operation and model of organisation of the local auditing institution, they were within the jurisdiction of the local State.

By locating the formation and development of the Greek professional body in the imperialism of influence framework, it aimed to indicate “the role of global pressures, channelled through Western governments, professional bodies and supranational organisations, to implement the Anglo-American model upon emerging economies on the development of their professional accounting bodies” (ibid, p.397). The local State retained a relative autonomy to prioritise public over market needs and objectives that were accomplished by corporatist accounting institutions. A historical analysis basically concluded that “the organisation of auditing in emerging economies at particular historical moments may not come as the predetermined outcome of a standardised process of emulating the dominant Western paradigm” (ibid, p.409).

¹¹ SOL are the initials for the Greek acronym ΣΟΛ (Body of Sworn-in-Accountants). It was established in 1955 by law 3329/1955, in an attempt by the government to introduce an effective corporate auditing infrastructure (see Caramanis, 1999). “It was instituted as a State corporatist intermediary with a legally sanctioned monopoly in the statutory audits market” (Caramanis, 2005, p.204).

¹² According to Caramanis (1997, p.85), “the term liberalisation was used to denote the introduction of competition in the market for statutory audits and the concomitant economic dependence of auditors on audited companies.”

In Philippines, the emergence of the local public accounting profession began with the Philippine accounting law in 1923 instigated by the Government, during the colonial period of the country by the United States (Dyball et al., 2007). This professional project was an expression of the conflict of the local elite, using as a tool the Filipino legislature, against the local American administration to achieve independence. It was found that this professionalization could not be attributed without having dynamics associated with booming markets for accountancy services, a proactive, self-identifying accountancy community or a modern State apparatus in an empirical context (ibid). Dyball and Valcarcel (1999) examined whether the regulation of accounting was corporatist in which the State conferred upon the accounting profession certain privileges in exchange for the profession's role in governing institutions on behalf of the State. Their study demonstrated that the traditionalist/familial culture mediated the rationalist/legalist corporatist framework of the accounting profession in Philippines resulting in the corporatist framework as becoming inoperable in the local context.

A different case is that of Indian accounting association as the country was one of the first British colonies that gained independence and developed its accounting system, containing elements from both Settler and Non-Settler trajectories of professionalization projects. The main accounting institutions and regulations were developed during post-independence period but the development of the accounting profession was traced in the pre-independence period (Verma and Gray, 2006, 2009; Verma, 2015). The role of the State was considered important for the process of accounting change, initiating change, determining the processes and mechanisms of change, and using the legislation and influencing the committees and the parliamentary processes used to promulgate and amend the Companies Act 1956. ICAI was

established by a Statute and there was a governmental membership on the ICAI's Council and an involvement of the State in its disciplinary procedures.

Accounting was seen to be a political process with accounting change being influenced by the government and the result of interactions between the main parties interested in accounting such as the Ministries of Commerce and Finance within the government, Parliament, corporate sector and ICAI. An intra-governmental activity involved interactions between regulatory authorities and government departments such as taking early control of professionalization process by the Ministry of Commerce. This intra-system activity influenced the structure of the ICAI, although the Ministry of Commerce allowed ICAI to operate with the autonomy it desired but only when the interests of the Ministry were not impacted, as illustrated in the mutual recognition dispute (Verma and Gray, 2006). Furthermore, Verma (2015) identified a strong government involvement in the parliamentary process used during the establishment of the Institute of Cost and Works Accountants in India (hereafter, ICWAI) in postcolonial period.

Through the process of establishment, informal interactions between key parties were important as also evident in other Non-Settler colonies (see Uche, 2002; Sian, 2006). However, in comparison with Non-Settler colonies, expatriates and foreign interests were involved in the formation of Indian association. The reason was that the Ministry of Commerce was concerned about the interests and the negotiation position of the Indian association on other issues that might be impaired if goodwill with UK authorities was lost over the reciprocity issue. Thus, it put pressure on the ICAI to continue recognising British professional accounting bodies and their qualifications both at the meetings of the ICAI Council and in written letters directed to the Council (Kapadia, 1973). The route to becoming an accountant with British qualifications was

not available as ICAI chose to develop its own entrance examinations rather than using the British ACCA examinations (Verma and Gray, 2006).

Settler and Non-Settler British colonies exhibit diverse professionalization trajectories to achieve a recognition of their local professional accountancy bodies and to create or/and shape a 'regulatory space' for their local accounting profession. They attempted to construct their own identity related to the professionalization projects and consequently to maintain professional closure. However, this created various conflicts between occupational groups of the same profession. Furthermore, a change of professional identity towards British ideologies and models was noted, bringing professional exclusion for some professional groups in former British colonies.

2.4.3 Identity, Professional Closure and Intra-Professional Struggles in Former British Colonies

The formation of local professional accountancy bodies in former British colonies was a movement to keep the national identity of the profession and to escape from British colonial dependence. The professional closure was used as a way to identify the individuals that would be eligible to become members of local institutes and to exercise the profession locally. However, a conflict of identity emerged as local accountants with British credentials and colonially-trained dominated the accounting profession in these countries. The closure strategy created intra-professional struggles between professional groups and their associations. These conflicts were considered as an important force in shaping the local accounting profession (see Macdonald, 1995; Willmott, 1986; Richardson, 1987, 1989). Thus, many members of the accounting profession in these countries have attempted to establish local professional accountancy bodies relevant to their socio-economic-political and cultural context.

2.4.3.1 Settler British Colonies

In Australia, the formation of IIAV created professional rivalries fuelled by international relations of power and national self-interests influenced the timing and structure of the association (Carnegie and Edwards, 2001). It was characterised as a determinant of organisational fusion as there was nationalist opposition to membership of British bodies. Chua and Poullaos (1998) examined how the activities of the Victorian Accounting Association were shaped by multiple and changing divisions (e.g. State agencies, business community, financial press and ‘class’ competitors) within the associations and between the Victorian Association and the competing colonial and imperial associations. They changed the strategy from an open to a closed system (‘closed shop’) so as to gain market power. They argued that the notion of closure was considered “too blunt a descriptor of either associational intent or outcome” (ibid, p.156). The factors identified by Chua and Poullaos (1998) as affecting issues of closure in Australia are also mirrored those in New Zealand.

The restriction of membership and usage of terms ‘accountant’ and ‘auditor’ was used in New Zealand professionalization project as the formation of the Incorporated Institute of Accountants of New Zealand (hereafter, IIANZ) in 1894 adopted a professional exclusion strategy (Graham, 1960). The Australian and New Zealand Associations used to seek and achieve different levels of market influence in different periods. The set of strategies used to achieve closure depended on the resources of each association where this shaped the on-going class-party-status struggles within each association. The professionalization efforts by local accountants were strongly influenced by an opening of borders but the long-distance influence from UK to these

countries did not result in clones of the British bodies in these countries but in new types of professional organisations.

The problems were the same for these earlier associations in both countries such as having respectable examinations, demanding testimonials and establishing disciplinary mechanisms. Velayutham and Rahman (2000) explored the evolution of professional bodies in Australia and New Zealand regarding their formation, proliferation and consolidation. They identified that they were no longer seeking closure and were moving towards achieving market differentiation. The reason for this turn was that the closure reasoning was incapable of explaining the changes in the profession in both countries. The professional change was not merely a lack of success in achieving a strategy but a response to the socio-economic changes in the interplay of the State, market and interest groups. The socio-economic context for both countries was biased towards a market orientation where the customer orientation superseded client orientation. The outcome of this change was a profession that attempted to be consumer focused with a corporatist structure, within the shade of professional identity.

A similar path was followed by the Canadian professional association as it was segmented according to the status of its members and their work (e.g. education, symbolic attributes, occupational license), creating intra-professional competition in the 'regulatory space' for the exercise of accounting profession locally (Richardson, 1987). In Settler British colonies, the local accountants attempted to form local professional bodies and to achieve professionalization projects within the shade of their local identity without being influenced from colonisers and following strategies that best served their local socio-economic needs. The scene seemed to have changed for Non-Settler British colonies. They attempted to keep their professional identity but

without success and the result was the predominance of British accountants and British bodies in the professional arena.

2.4.3.2 Non-Settler British Colonies

The social closure was used as a strategy during the formation of the Institutes of Non-Settler British colonies to keep their national identity in the professional arena. However, this strategy created conflicts between occupational groups. Yapa (2006) stated that in Sri Lanka, the development of the profession was hampered by attempts of local accountants to close the accounting/auditing market by controlling the supply of public-practising accountants. The profession failed to grow due to a cross border competition between ex-colonisers (British) professional bodies and attempts at market closure by local accountants. It was characterised as being beset by cross-border competition between British institutions seeking to exert influence within a former colony and a local organisation concerned with achieving closure over practitioners. The Institute of Chartered Accountants of Sri Lanka (hereafter, ICASL) pursued an agenda of 'occupational closure' by seeking to restrict the supply of qualified public accounting practitioners.

Following the same strategy, the ICAN was formed. Many Nigerians, who were not members of British recognised accountancy bodies, were excluded from becoming members of ICAN. Okike (1994) explained how deep influences of colonialism and capitalism were responsible for this conflict of identity between the two major accounting professions that emerged in the country after independence. Uche (2002) provided evidence of the conflict between the local professional bodies, namely ICAN and the Association of National Accountants of Nigeria (hereafter, ANAN), over the professional domain within the accounting profession. The ANAN was formed by

members of the Association of International Accountants of UK (previously referred to as the Nigeria Society of International Accountants) who forced ICAN to admit their members as ICAN members. ICAN considered this occupational group as a threat to its monopoly of regulating the local accounting profession. This conflict was partially sparked and later resolved by government actions where ANAN passed a Bill by the House of Representatives and gained recognition by the State. The status of the professional accounting regulation arena in Nigeria has generally been a product of diverse interests such as the State (the type of government in place; military or democratic), pressure group lobby, societal expectations, interest groups and governmental actions (Uche, 2002).

Similar conflicts among local professional bodies were also apparent in Malaysia. There were power struggles to dominate the accounting standard setting process among the local professional bodies, MICPA and MIA (Susela, 1999). The existence of these two accountancy bodies, i.e. MICPA and MIA, with the former being set up as a private association and the latter by the State as a statutory body to regulate the accounting profession, complicated the notion of interests (ibid). The proliferation of corporate mergers and takeovers in Malaysia brought huge amounts of goodwill and consequently, there was a need for professional standards and guidance on specific accounting matters such as the creation of goodwill and the revaluation of assets. The issues of merger accounting and accounting for goodwill were contentious in the Malaysian context where the notions of professional, State and corporate interests have become embedded in Malaysian Accounting Standard (hereafter, MAS) setting process. For a time, the two accountancy bodies collaborated on the Goodwill Standard but the MAS 6 on goodwill accounting damaged their interests. The reason was that the goodwill issue contributed to the cooperative gesture on the part of both the bodies,

as well as to the subsequent dissolution of the cooperative charade (ibid). This led both professional bodies to pursue separate ways of developing standards and the emergence of professional antagonisms and conflicting interests. Susela (1999) concluded that the activity of the accounting profession in Malaysia, particular the standard setting process, was an outcome of the political process of power and conflict.

In the case of India, Verma (2015) found that the closure activities of ICWAI and its main rivals, the ICAI, were undertaken within the parliamentary process and that the government interaction within the closure activities was important in determining the outcome of closure. Moreover, Sidhu and West (2014) through an examination of membership list of ICAI found that its formation would predominantly benefit an already privileged social stratum and contribute to perpetuating traditional caste hierarchies within the modern occupation of professional accounting. A significant over-representation of the Brahman upper caste was revealed through the findings where it seems to aid to the replication in India of British model of professional organisation (ibid).

In Jamaica, Bakre (2005, 2006) presented the consequent conflict of identity between the two elite groups of global and local capitalists that emerged in the profession after independence. This conflict of identity among the Institute of Chartered Accountants of Jamaica (hereafter, ICAJ) was linked to the struggle between the elite groups in the Jamaican society, as the activities of any profession may not be properly understood in isolation of the socio-political history that the profession emerged from (ibid). The two elite groups competed for ICAJ's control to the detriment of the profession and the Jamaican society at large (Bakre, 2005). The first group of elites were ICAJ members who advocated for the internationalisation of the profession and the other group were those who had favoured and supported the localisation of the profession (ibid). The

support of the global capitalist elite members of ICAJ, who favoured internationalisation, continued to guarantee ACCA its continued control of the ICAJ and the accountancy market in Jamaica. Therefore, this elite group continued to have the ability to direct the outcome of the post-independence accountancy profession in the country along the path of continued-imperial control (Bakre, 2005, 2006).

In T & T, Annisette (2003) identified exclusion and monopoly as the central themes of a professional project, particularly in the socially constructed nature of race and the contingent nature of terms 'black' and 'white', excluding or offering limited participation to people socially defined as 'black'. This illustrates the continued significance of race in the T & T accountancy profession and its likely salience for the contemporary global profession. As there was close and mutually beneficial relationship between the members of ACCA and ICAEW, the nature of this relationship can be explained as a consequence of the fact that holding a foreign accountancy qualification, particularly a British one, was deemed as a guarantee of a superior status. In this context, there was not any distinction between 'chartered' or 'certified'. This feature adds an alternative nature of intra-professional competition in the country as this was mainly centred on disputes between foreign organisations (Annisette, 1999).

Taking similar path, the case of Kenya reflects an inclusion of all qualified accountants rather than exclusion to achieve the formation of local association amidst existing neo-colonial societal divisions along racial lines and the demands of the newly-formed State (Sian, 2006). The evidence provided shows how diverse strategies were adopted by different interest groups at different stages of the professionalization project. Thus, the intra-professional struggles and exclusionary closure can be placed in atmosphere setting that was charged with racial divides and demands by the State that its Africanisation programme should be implemented through a policy of inclusion (ibid).

An intra-professional conflict also took place in Greece against a backdrop of profound changes in the socio-economic-political context of the country, along pro-liberal, free market lines and advancing neoliberal discourses within a government stimulated by a desire for greater political and economic integration within the EU and worldwide (Caramanis, 1999, 2005). During the 1990s, indigenous auditors (who had the legal monopoly of practice) and branches of international firms (who were excluded from the market for statutory audits) in Greece fought for reform to gain the jurisdiction of statutory auditing (Caramanis, 1999). It was an attempt made by the indigenous auditors to regain the monopoly of practice they lost, following the ‘liberalisation’ of the Greek auditing profession in 1992. This intra-professional conflict between SOL and SELE was seen as a struggle of material and ideal interests, within the class-status-party social stratification and the concept of market closure to shed light on the professionalization trajectory of these two camps.

To achieve professional domination in former British colonies, British professional bodies used education as a tool to influence the local professional associations and the professional identity of local inhabitants. Offering accounting education, training and other professional activities and schemes, they exerted influence on local professional arena.

2.4.4 The Influence of British Professional Accountancy Bodies on Accounting Education of Former British Colonies

The claims of theoretical knowledge are considered to be key characteristics of contemporary professions. Unsurprisingly, former British colonies either emulated or

designed an education system to promote their claims of professionalism. The system of accounting education has remained responsive to the demands of the local professional bodies. In the case of New Zealand, Gaffikin (1981) examined the development of accounting education in local universities, identifying that the education development was closely aligned with the demands of the professional bodies. He further stated that the early development of accounting education exemplifies the benefits of a profession's pressure on the university system providing the motivation for such development. Moores and MacGregor (1992) argued that British influence has created a different syllabus in New Zealand to facilitate the economic and other transactions with the mother country and the development of a local accounting profession following a British professional path. Similarly, Wijewardena and Yapa (1998) provided a comparative analysis of the nature of accounting education in Singapore and Sri Lanka. As British colonies for one hundred and fifty years, they inherited British accounting system. Although they achieved their independence, they continued to follow the colonial system in the production of local accountants. However, Wijewardena and Yapa (1998) argued that if a country would continue to depend heavily on foreign education systems and accounting bodies to produce accountants locally, this continuity would bring undesirable consequences for the development of the local professionalization project.

In contrast, Annisette (2000) argued that for T & T, a Non-Settler colony, the influence of imperialism succeeded in changing the aspiration of the Institute of Chartered Accountants of Trinidad and Tobago (hereafter, ICATT), which had the intention to implement the accounting education, training and the profession based on the local socio-economic-political context. The dominance of the British-based ACCA in the education and certification of professional accountants in T & T shows how the

interests of the British professional body intermeshed with those of the local accounting elite to subvert the nationalistic goal of indigenising accountancy training in T & T. The emerging local profession consistency marginalised the indigenous university, which did appear eager to participate in this transformation of country's accountants. The ICATT surrendered its knowledge functions to the UK-based ACCA. Similarly, in Jamaica, ACCA continued to dominate and control the education and practices of the local professional body, ICAJ which has the primary aim to put in place its own accounting education relevant to the economic environment of the country (Bakre, 2005, 2006). This created a conflict of identity between the two elite groups; the global capitalist elites and the local collaborators while the former represented the global imperialist interest and the latter the local interests.

British professional accountancy bodies (ACCA, ICAEW) were considered to be the mechanisms and channels through which the UK accounting system continued to exert a strong influence upon the accounting profession and accounting education in former British colonies. The colonies moved from a command economy to a Western-style one, stating that "what we have been doing in these countries is laying the foundations of Western-style accountancy and training the trainers" (Briston and Kedsle, 1997, p.187). Velayutham and Rahman (2000) argued that British professional bodies with national associations of Australia and New Zealand have often acted jointly to create synergies such as Joint professional examinations schemes and Joint research programmes for standard setting. This shows that the alliance of interests between the national and British professions was that the training and certification of professional accountants continued to be dependent on overseas professional associations.

Annisette (2000) claimed that ACCA's actions were motivated by a desire to maintain market control, even if it was developmentally harmful to the local society. In case of

T & T, she found that the local government and business community agreed that the University of the West Indies (hereafter, UWI) or other business school has been established to train relevant accountants locally. It was evident that the elite groups of local accounting profession built an alliance with British professional bodies. Furthermore, Bakre (2003) reflected a similar domination of foreign associations, particularly Anglo-American ones, in the accountancy market of the Caribbean. He further argued that the ACCA played a significant role in changing the nature, outlook and work of the Institute of Chartered Accountants of the Caribbean (hereafter, ICAC) and transforming it into instruments controlled by a powerful and influential global capitalist elite group.

A different case was that of the ICASL in Sri Lanka where the influence of the British professional bodies (e.g. ACCA) had the support of the local government and was considered as an environment conducive to the development of the local profession (Yapa, 2006). The ICASL allowed the British bodies to achieve membership levels in Sri Lanka similar to that of the ICASL. One possible reason for this incursion was the ‘branding’ of their training courses internationally and additionally, a cross-border competition among British bodies for more market share was considered as a goal to be achieved (ibid). However, several criticisms from Non-Settler colonies’ studies showed the disagreements and resistance of local inhabitants towards the influence of UK accounting models and the dominance of British professional bodies in their countries.

2.4.5 Resistance by Former Non-Settler British Colonies on Inherited Accounting Models

The colonial influence was considered an obstacle towards any localisation or regionalisation initiatives in many former British colonies (Bakre, 2001). The British professional bodies (e.g. ACCA) played a significant role in the emergence and development of local professional accountancy bodies as they continued to exert pressure on and be involved in the emergence and development procedures. Several Non-Settler British colonies chose resist the continuity of the colonial influence through these bodies. But, in the end, they faced internal and external forces leading them to compromise with the events happened.

Wijewardena and Yapa (1998, p.269) criticized the expansion of British accounting profession stating that “if a [Non-Settler] country continues to depend heavily on foreign education programs and accounting bodies to produce accountants locally, the consequences can be less than desirable”. It seems that apart from the advantages of this expansion, a Western traditional framework of accounting for the socio-economic-political development of former Non-Settler colonies was irrelevant and led to undesirable outcomes for the countries. Annisette (1999, 2000) provided evidence of complaints from the business community and the government that the traditional means of qualifications, particularly the British, were irrelevant to the current situation of T & T’s economic development. There were further complaints that this means of qualification consumed a huge amount of the scarce foreign exchange of the country (ibid). A lot of discussions were held on how to localise the profession in order to fit in a local socio-economic-political and cultural development. However, this suggestion continued to meet the resistance of ICATT members and ACCA loyalists as they

believed that such step could bring deprofessionalisation, threatening the legitimacy and questioning the closure strategy (ibid).

The changes made in the structure and institutional arrangements in the accounting profession in New Zealand suggested a similar trend towards deprofessionalisation (Velayutham and Perera, 1996). The monopoly would be affected if accounting firms would decide to incorporate and the law to start to recognise the audit firms rather than the auditors (practitioners) (ibid). Furthermore, Macbeath (1982) noted the hesitation of employees and their clients to introduce and implement the foreign standards to ICAJ in Jamaica. As there was dependency on the accounting standards and trends established in Western world on the development of local accounting profession, Macbeath (1982) pointed out the difficulties of the profession and accountants to persuade them about this change. Bakre (2006) found that the ACCA sources could no longer meet the demand for local accountants due to huge industrial take off in post-independence Jamaica.

In Nigeria, the local national association, ICAN, was also dominated by ACCA products and continued to defend the status quo by strongly implementing the traditional method of accounting education and training, which was consistently argued to be irrelevant to the local economic need (Okike, 1994). ANAN has advocated that the colonial legacy should be put behind and the national association should continue to encourage methods that would be relevant for the profession required for modern Nigeria (ibid). Thus, several former British colonies tried to move away from the colonial system by 'indigenising' or 'localising' the accounting profession and making use of their universities to produce indigenous accountants in sufficient numbers for their local organisations and to match with their socio-economic-political context (see Moores and MacGregor, 1992; Bakre, 2005, 2006; Annisette, 1999, 2000; Yapa, 2006).

Several former British colonies tried to exclude the British bodies from their local accounting profession and national associations. But they failed to achieve this, creating conflicts between local accountants, the State and local elites. In T & T, the national association was formed to discourage the localisation of the accountancy profession. As ACCA products dominated locally, they fought tooth and nail to discourage any effort of the government to localise the profession (Annissette, 1996, 1999). However, the intervention of ACCA succeeded in changing the outlook of the profession from the majority localisation aspiration to minority forceful internationalisation under the control of the UK-based ACCA professional body and its products (Annissette, 1996, 1999). Any attempts to nationalise the professional education were heavily subverted by the British bodies and their local collaborator elite group, resulting in the continuation of the imperialist order (Annissette, 2000).

A similar case of a local government and accountants trying to establish a local professional accountancy body free from any foreign influence, particularly from former colonial power, after independence, was the Jamaican accountancy body, ICAJ (Bakre, 2005, 2006). The local aspiration of the independent Jamaican accounting profession culminated in the passing of the Public Accountancy Law in 1968. However, the ability of the national institute to achieve professional independence particularly from the UK-based ACCA, without strong and meaningful legislative support from the Jamaican government was constrained. The first attempt to localise the imperial accountancy turned out to be a failure and “the profession reverted back under the full control of the UK-based ACCA” (Bakre, 2006, p.25). The failure was due to the desire of the influential minority members of the ICAJ and the UK-based ACCA to continue enjoying a monopoly in Jamaican accountancy market (Bakre, 2005). After the second attempt for localisation, “the stability of the ICAJ to make fundamental changes to the

status quo in its imperial accountancy profession inherited from the UK-based ACCA continued to be constrained by internal and external influences” (Bakre, 2006, pp.1-2). The second failure was due to the existence of global-oriented capitalist elites, the colonial relationship with and interest of the imperial ACCA (ibid). Therefore, “these internal and external forces have successfully altered the course of the accounting profession in Jamaica from the local capitalist elite majority aspiration of university-based localisation to a minority-led neo-colonial-based internationalisation” (ibid, p.26). For the achievement of the localisation objective, the ICAJ compromised and with the support of the ACCA, it agreed with the UWI in Jamaica to put in place a master’s degree programme in Accounting covering the required final ICAJ professional examinations (ibid). Bakre (2003, p.31) argued that the ACCA “have once again challenged the course of regionalisation aspiration of ICAC in Caribbean to the path of internationalisation under the control of the ACCA”.

A different path was followed by ICWAI in India. The imperial influences on its establishment were seen to come from both anti-imperial concerns such as wanting to be free from foreign influence (Verma, 2015). The acceptance of imperial practices in the entrance procedures of the Institute led to hybridity in the accounting system (ibid). The ICWAI was formed very differently from that of the UK institute but with entrance and examination practices based on UK institutes framework. However, the case of Sri Lanka showed the weaknesses of the national association, ICASL, to create and implement a national training body of accountants for commerce and government as well as public practice leading them to compromise with the British institutes framework and involvement (Yapa, 2006). Although Greece was not a former British colony, Caramanis (2005) examined the failed attempt of SOL, the group of local auditors in Greece to reinstate their professional monopoly over statutory audits. The

SOL's ability to pose a serious threat to liberalisation and the uncertainty of developments and outcome was evident after the existence of complex mechanisms of historical change (ibid).

2.5 Summary and Discussion of the Chapter

In this chapter, the role of accounting and accountants in society was first examined, arguing that accounting is not only regarded as technical practice but as social and institutional practice operated as a means to develop and control societies. Then, the literature on the emergence and development of accounting profession in former British colonies (Settler and Non-Settler) was reviewed. The extant literature has utilised a variety of sociological perspectives (Trait and Functionalist, Weberian, Marxian and Foucauldian) to advance understanding of the local and global context and to analyse the emergence and development of the accounting profession in these countries. On the one hand, Trait and Functionalist perspectives present professional organisations as static phenomena in fixed social contexts where individuals should have certain characteristics to confirm their capability to hold a particular position with certain privileges and to serve the public interest. On the other hand, Critical perspectives, using the theories of Weber (status), Marx (economic power) and Foucault (power and knowledge), portrayed the professions in broader socio-economic-political contexts, highlighting their role of knowledge and expertise for a particular profession in conflict, continuity and change.

Adopting these theories of professions, various studies have examined the emergence and development of accounting profession in former British colonies. They focused on the formation of local professional accountancy bodies, the development accounting education, training and recognition of professional accountants, the involvement of

British professional accountancy bodies, the State-profession relationship in these countries and the importance of accounting profession in their economic development. The British accounting model was exported in former British colonies, being considered as ideal professional organisation that could aspire these countries to form their local professional bodies and facilitate the domination of British model in these countries.

From the attempts of Non-Settler colonies to localise their accounting profession and try to dilute the British heritage, particularly the domination of British professional accountancy bodies (e.g. ACCA), the Western accounting framework was considered irrelevant and inappropriate for their socio-economic-political context. The conflicts and continuous failures of these countries to localise the accounting profession show the continuous power exerted by British bodies and their loyalists. Criticism put forward by several researchers (see Wijewardena and Yapa, 1998; Susela, 1999; Macbeath, 1982; Chaderton and Taylor, 1993) reveals the fact that the Western world accounting framework, both Conventional/Traditional and Critical perspectives, seem not to be the appropriate to illuminate the emergence and development of the accounting profession in these countries and not to be relevant to their socio-economic-political context, organisations and institutions. Therefore, a historical framework based on the socio-economic-political context was proposed as an alternative framework that could better illuminate various examinations in these countries (see Cooper, 1995; Bakre, 2009). As prior studies focused on Settler and Non-Settler colonies that were subject to colonial administration from Britain, Cyprus, as a small island with an emerging economy and a former British colony, may be an example situated between the two stereotypes, including characteristics from both types of colonies.

Throughout this chapter, accounting has been considered as a form of social power and control that is shaped by social structures (e.g. colonialism). The social world and its complexities can be understood through the examination of various events, behaviours and relationships between people, events, institutions and general contexts. Therefore, the accounting profession as a social practice can be explored within the consideration of the socio-economic-political context of the colony. This gives the opportunity to identify any ideological processes and socio-economic-political factors that may interact and impact on its development. The theories of social closure, State-profession relationship, colonialism, imperialism and globalisation may lay the foundations for how to investigate the structure and agency and their relationship with the accounting profession in Cyprus. In Chapter Three, the theoretical/methodological framework and methods of data collection will be discussed.

Chapter 3 Research Methodology

3.1 Introduction

The previous chapter reviewed the literature regarding the emergence and development of the accounting profession in former British Settler and Non-Settler colonies. The literature review was based on the sociological perspectives on professions. The Conventional/Traditional and Critical perspectives have been used to examine and analyse the emergence and development of the accounting profession in these countries. A variety of theoretical perspectives, such as social closure, charisma, State-profession relationship, influence of imperialism, colonialism, globalisation and capitalism have been used to investigate the accounting profession in a variety of social contexts. In relation to former British colonies, the literature argued that the local development of the profession was influenced by the practices of the colonisers. However, several studies conducted in Non-Settler colonies (see Wijewardena and Yapa, 1998; Susela, 1999; Macbeath, 1982; Chaderton and Taylor, 1993; Bakre, 2005, 2006) argued that Western accounting framework was not the appropriate for their countries. Thus, they suggested for a need of an alternative approach; the historical framework based on socio-economic-political context of these countries.

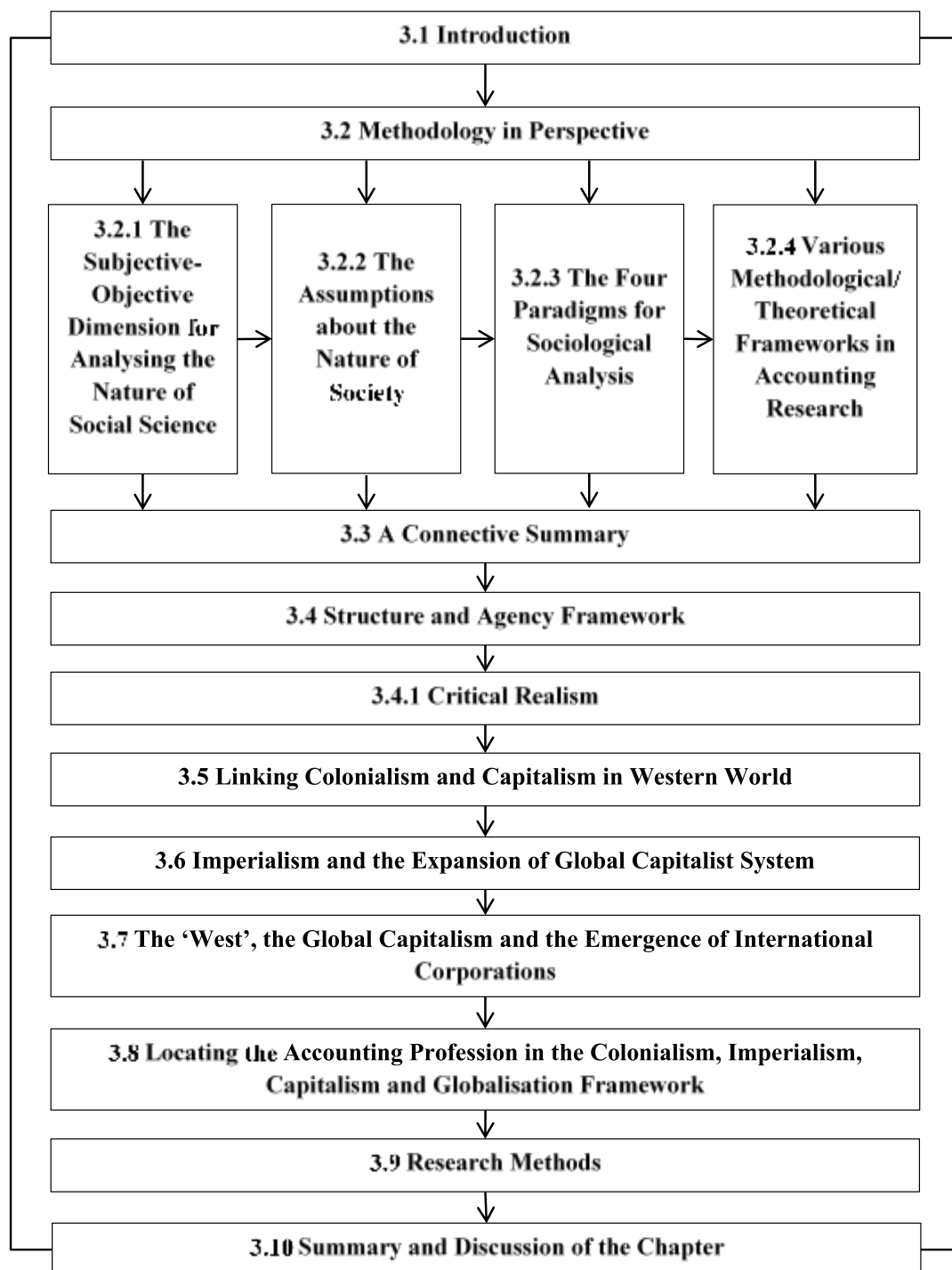
The purpose of this chapter is to construct a methodological framework to extend, understand and explain the complexity surrounding the accounting profession in Cyprus as a small island with an emerging economy and a former British colony. The crafting of an appropriate research methodology is important as it guides the way in which researchers generate knowledge and demystify social processes (Morgan, 1983). In this context, methodology is best understood as “the interrelations of substantive

problems, sources of evidence and larger assumptions about society, history and the purposes of scholarship” (Skocpol, 1984, p.x). To identify an appropriate methodological/theoretical framework, this chapter builds upon theories and literature reviewed in the previous chapter. It is evident in the extant literature that social structures, such as history, politics and social networks, industrialisation, globalisation and imperial powers, have influenced the emergence and development of the accounting profession (e.g. professional accountancy bodies, the ‘Big Four’ Audit Firms, professionals). In order to generate in-depth insights into the accounting profession in Cyprus, it is important to understand the historical construction of structures, power and agency. Therefore, critical realism with historical analysis is adopted as the theoretical lens through which to critically investigate the emergence and development of the accounting profession in Cyprus. Furthermore, the theories of capitalism, colonialism, imperialism and globalisation are used as supplementary concepts to support critical realism and examine the socio-economic-political context of Cyprus.

This chapter is organised as follows (see Figure 3.1 below). Section 3.2 examines the methodological debates on social science research and it considers the nature of social science, the nature of society and the four research paradigms of social science analysis proposed by Burrell and Morgan (1979). This section highlights the need to understand the assumptions relating to ontology, epistemology, human nature and methodological arenas within which social science research is located as a way of illuminating the philosophical context of research. It also examines a variety of methodological/theoretical frameworks and explains why some may be more relevant to the nature of the accounting profession in Cyprus. Section 3.3 is a connective summary succinctly bringing together the issues discussed in previous sections and

which discusses the chosen philosophical approach taken in this thesis and it prepares the ground for the next sections. As there is an examination of the relationship between social actors and institutional structures, section 3.4 examines and analyses the agency-structure framework for selecting the appropriate for this thesis while in subsection 3.4.1, the limitations of other frameworks compared with critical realism and structuration theory are provided. Section 3.5 discusses the connection of capitalism with colonialism and section 3.6 examines the imperialism and the expansion of global capitalist system. Furthermore, the domination of the 'West' and the expansion of international corporations through capitalism and globalisation are discussed in section 3.7. By locating the accounting profession within the context of colonialism, imperialism, capitalism and globalisation, section 3.8 deals with the interrelationship of these theories in the emergence and development of this particular profession. In sections 3.5, 3.6, 3.7 and 3.8, reference on the inquiry of this thesis takes place as the researcher tries to apply these theories to the Cyprus case; particularly how the accounting profession emerged and developed in this socio-economic-political context. Moreover, section 3.8 builds from Chapter Two, referring to the literature of former British colonies and their local accounting profession based on the theoretical framework of this thesis. Section 3.9 presents the research methods chosen for data collection. Lastly, section 3.10 provides a brief overview of this chapter, indicating the key points from each section, and reaching to a conclusion.

Figure 3.1: Flow of Chapter Three



3.2 Methodology in Perspective

Methodology is regarded as “a set of tactics and supporting steps that operationalise the chosen science and logic of inquiry” (Hallebone and Priest, 2009, p.28). It is the researcher’s tool kit which constitutes all the means available to investigate phenomena. The researcher attempts to understand the world with a set of ideas, a framework (theory, ontology) specifying a set of questions (epistemology) and s/he later examines the nature and origin of a phenomenon using various methods (methodology, analysis) (Denzin and Lincoln, 2003). This thesis borrows from a variety of traditions to construct a methodological/theoretical framework for understanding the emergence and development of accounting profession as a form of social power and control shaped by institutional structures.

It has been argued that social practices, such as the accounting profession, (re)produced across space and time are the root of the constitution of both the subject and the social system (Giddens, 1984). Giddens (1984, p.2) stated that “social practices like some self-reproducing items in nature [consciously or unconsciously] are recursively and they are not brought into being by social actors but continually recreated by them via the very means whereby they express themselves as actors”. Giddens (1984) redefines the role of structure by articulating that it can be both a constraining and enabling element of human action. To achieve this, Giddens (1984) tries to balance the role that actors play with their limited choice of position in history and in the social structure that they find themselves. For understanding social practices, it is important to appreciate the fundamentally socio-political nature of social action and to incorporate the requisite complexity and contestation. In this aspect, various events, behaviour and

relationships among people, events, institutions and general contexts are part of the history of social practices (Parker, 1997).

Furthermore, according to Hancher and Moran (1989), the history enables some people, groups or institutions to have access (at least for some time) to a ‘regulatory space’. However, the interactions in this ‘regulatory space’ are not static because actors learn and the competition for access is ever present. Some actors may enter and exit (e.g. academics, journalists) without having a permanent presence but their interventions can change the terms of interaction within the space. The State is ever present because it is constantly engaged in any legitimisation crisis such as the demands for reforms after a financial crisis or a scandal. For the accounting profession, the metaphor of ‘regulatory space’ provides an understanding regarding the politics and the complex interactions amongst diverse actors that take place in order to influence the procedure or to dominate in the professional arena (Macdonald and Richardson, 2004).

Therefore, a historical framework (see Parker, 1997; Tosh, 2010; Previts et al, 1990a, 1990b; Jacobs, 2001; Duke and Coffman, 1993) is adopted for this thesis as it “can challenge and overturn beliefs and unfounded traditions or offer some indicators of precedents and previous experiences that may affect future actions and policies” (Parker, 1997, p.112). The opportunity is given to examine the subject matter by taking account of the ways in which ideological processes and socio-economic-political factors interact and impact the emergence and development of the accounting profession in Cyprus. It also enables a critique of what happened and continues to happen. Furthermore, it reveals the conscious and unconscious intentions of underlying values, socio-economic-political influences of which local inhabitants at the time were unaware or only partly aware of. The historical framework helps to contextualise the history of the accounting profession in Cyprus.

Although Spence et al. (2010, p.76) argued that “no one [methodology] can fully capture the complexity of social reality” in the contemporary world, various researchers have explored the work of Burrell and Morgan (1979) (see Sobh and Perry, 2006) to understand the social world and its complexities. Burrell and Morgan’s (1979) model was developed to sensitise researchers to various social contexts and research traditions, concentrating upon assumptions which underpin various theoretical schools. By developing the paradigmatic framework, they “emphasise the commonality of perspective which binds the work of a group of theorists together [...] within the bounds of the same problematic” (ibid, p.23). By explicitly and implicitly within a particular paradigm, the researcher finds a place to reside and position from which to know while s/he is aware of the concerns of operating in that paradigm. Therefore, knowing what kind of position to hold, it brings clarity where s/he is conscious of the paradigm s/he operates within and s/he can identify the appropriate analytical and methodological tool sets to undertake research.

In the context of this thesis, Burrell and Morgan (1979) is used as guideline to construct a research tool as they provide a useful framework for sensitising researchers to the dynamics of theory development and how researchers can address and locate a phenomenon in a particular socio-economic-political context. Therefore, the assumptions will be examined relating to social science, as outlined by Burrell and Morgan (1979), for understanding the subjective-objective dimension of the nature of social science.

3.2.1 The Subjective-Objective Dimension for Analysing the Nature of Social Science

Social science is concerned about the study of human society. Accounting is included within the disciplines concerned with aspects of human society because it is a kind of ‘system of thought’ designed by humans for human decision making and influencing human behaviour (Gaffikin, 2006). Accounting knowledge is produced by people, for people and is about people and their social and physical environment (Chua, 1986). Thus, this thesis needs to pay attention to the dimension for analysing the nature of social science as accounting profession is part of it.

Burrell and Morgan (1979) suggested that research approaches to social science are prescribed on interrelated philosophical sets of assumptions related to ontology¹³, epistemology¹⁴, human nature¹⁵ and methodology. The researcher’s methodological perspective is shaped by the three philosophical sets of assumptions (ontology, epistemology and human nature) which play an important role in terms of how the researcher attempts to study the social world. Easterby-Smyth et al. (2012, p.56) provided the following reasons why philosophy is relevant to research:

“Knowledge of research philosophy will enable and assist the researcher to evaluate different methodologies and methods and avoid inappropriate use and unnecessary work by identifying the limitations of particular approaches at an early stage; it will help the researcher to refine and specify the research methods to be used in a study, which is the objective of this section and this study; and it will help the researcher to be creative and innovative in either selection or adoption of methods that were previously outside the researcher’s experience.”

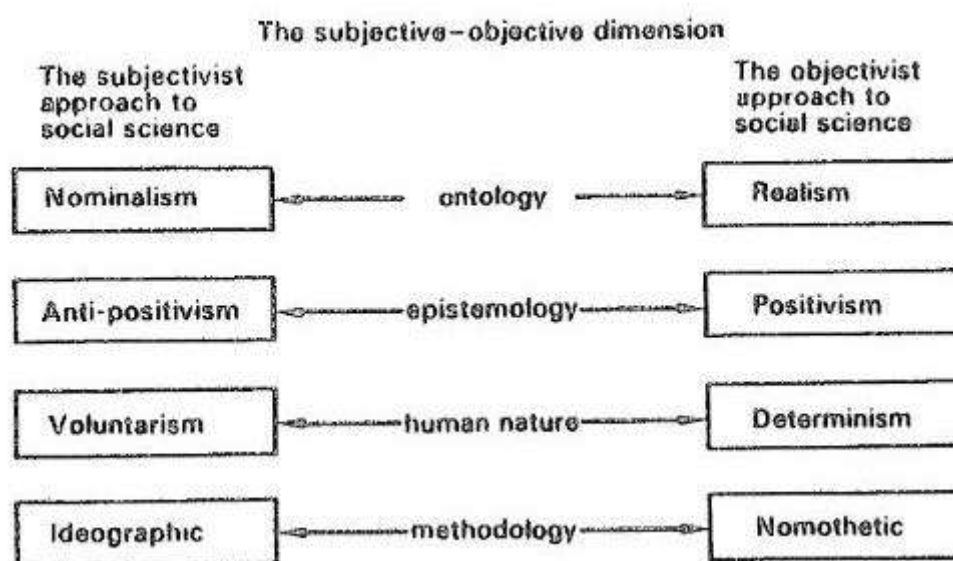
¹³ Ontology relates to the nature of reality, whether the reality is given ‘out there’ or is a product of one’s mind. It describes the researcher’s view (whether claims or assumptions) on the nature of reality.

¹⁴ Epistemology debates the nature of knowledge; how knowledge of the world is gained, what knowledge is and what are the sources and limits of knowledge (Hughes and Sharrock, 1997; Eriksson and Kovalainen, 2008). It defines how knowledge can be produced and argued for and the criteria by which knowledge is possible.

¹⁵ The human nature assumption gives emphasis on the connection between human beings and their environment. It involves whether or not the researcher perceives “man as the creator of his environment, the controller as opposed to the controlled, the master rather than the marionette” (Burrell and Morgan, 1979, p.2).

Figure 3.2 below gives a general overview of the connection between ontology, epistemology, human nature and methodology in contemporary social science, providing the framework which underpins the nature of social science, where Burrell and Morgan (1979) suggested the use of two dimensions: the objective-subjective and the regulation-radical change.

Figure 3.2: The Subjective-Objective Dimension for Analysing Assumptions about the Nature of Social Science



Source: Burrell and Morgan (1979, p.3)

In the subjective-objective dimension, the objective nature of reality, knowledge and human behaviour are reflected on the one hand and from the other, the subjective aspects of the world are highlighted. Burrell and Morgan (1979, p.3) stated that:

“[In order to examine organisations and society, a researcher must analyse a social phenomenon as] a hard, external, objective reality [or to] stress the importance of the subjective experience of individuals in the creation of the social world. [While the] perspective [of objective dimension] expresses itself most forcefully in a search for universal laws which explain and govern the reality which is being observed, the principal concern of [subjective dimension] is with an understanding of the way in which the individual creates, modifies and interprets the world.”

From the objectivist researchers' view, "the social world [is seen] as if it were a hard, external, objective reality" holding a realist position relating to ontology and regarding epistemology, positivist position is held as "a search for universal laws which explain and govern the reality" takes place (ibid, p.3). Human nature is characterised as being "conditioned by external circumstances" (ibid, p.2). "Scientific tests and the use of quantitative techniques" (ibid, pp.6-7) are adopted as tactics to examine the related knowledge, comprising 'nomothetic methodology'. Adopting empiricism¹⁶, the Greek Philosopher Aristotle stated that the human mind cannot enter the world with a priori ideas and concepts that exist independently of personal experience. Thus, systematic observation and analysis of natural world are needed to understand the nature of essences (what something is) and the nature of causes (why things occur) (see Barnes, 2000).

For this thesis, the social phenomena and their meanings seem to exist independently of social actors and they are separated from social actors. Individuals (e.g. professional accountants) can be separated from social reality, without viewing their inner mental filters that are shaped by the past conditioning (e.g. the colonial legacies that may affect their actions towards the development of the accounting profession). Thus, reality is considered as objective and that the world existing outside is unfiltered and outside individuals' mind/consciousness (Crotty, 1998).

On the other hand, subjectivist researchers seek to "understand the way in which the individual creates, modifies and interprets the world" (Burrell and Morgan, 1979, p.3), holding a nominalist position. From this perspective, researchers are interested in the individual "explanation and understanding of what is unique and particular to the

¹⁶ Empiricists share the view that there is no such thing as innate knowledge and that instead knowledge is derived from experience (either sensed via the five senses or reasoned via the brain or mind).

individual rather than of what is general and universal” (ibid, p.3), having ‘anti-positivist’ epistemology. Human beings are autonomous and act voluntarily in creating the world, following voluntarism. “If the personal subjective quality in experiencing the world is stressed, an ideographic methodological or qualitative approach, using observation or in-depth interviews, is emphasised as it allows insights into individuals’ inner world and more focus on qualitative aspects” (Fraser, 2014, p.52; Bak, 2011). Adopting rationalism¹⁷ as an epistemological assumption, the Greek Philosopher Plato presents an alternative view of reality compared with that of Aristotle, by stating that everything existed in one’s mind a priori and a learner’s task is to discover what was already there. With the Allegories of Divided Line and the Cave (see Rosen, 2005), he reflected that knowledge is innate and is derived from the world of timeless ‘forms’¹⁸ or essences.

Therefore, knowledge is inner and reality is defined as mental, meaning that the world is not separate from the mind (Gentzler, 2005; Nussbaum and Graven, 1998). The external social world consists of concepts and labels created by people to help them understand reality and to negotiate a shared conception of its nature with others. According to Crotty (1998, p.9), “meaning does not come out of an interplay between subject and object, but is imposed on the object by the subject”. For example, the colonial legacies are not objects that can be seen externally but they are related with the mind (particularly with the consciousness) and the actions that social actors take to emerge and develop the accounting profession in Cyprus. The social actors act

¹⁷ Rationalists share the view that there is innate knowledge. Plato thinks that individuals have an innate knowledge of the ‘Forms’: mathematical objects and concepts (triangles, equality and largeness) and moral concepts (goodness, beauty, virtue, piety).

¹⁸ Plato calls ‘Forms’ the eternal objects, characterising them as the unchanging ideal essences of goodness, justice, unity and other norms.

following a particular structure unconsciously and consciously at once, with this structure being formed in the past and the subjects operate and reproduce it.

Burrell and Morgan (1979) argued that these four sets of assumptions (ontology, epistemology, human nature and methodology) which are related to social science provide an extremely powerful tool which characterises different approaches to the analysis of social theory. These approaches can be analysed using two key dimensions of analysis with each one having a series of related themes. According to Burrell and Morgan (1979), the assumptions about the nature of science are classified as the subjective-objective dimensions mentioned above, and the assumptions about the nature of society are grouped as the regulation-radical change dimensions which will be explored in the next section.

3.2.2 The Assumptions about the Nature of Society

As accounting is considered to be a social and institutional practice, society plays a significant role in shaping its contours. By examining the nature of society, the accounting profession is characterised as “a way of affecting the type of world, of social reality that individuals inhabit and the way they understand and administer the choices related to business and the lives of others” (Miller, 1994, p.1). For example, during British colonialism, the accounting profession was used as means to develop and control the societies of colonies and to serve the Empire’s social and financial needs (Neu, 1999). This reflects the role that the profession played in such social events and the influence exerted on the colonies in the form of legacies.

Society is viewed through the lens of two theories; the order or integrationist view that sees society as relatively stable and based on consensus and the conflict or coercion view according to which society is considered as constantly changing and

disintegrating (Burrell and Morgan, 1979; Hopper and Powell, 1985) (see Figure 3.3 below).

Figure 3.3: The Theories of Society

Two theories of society: 'order' and 'conflict'	
<i>The 'order' or 'integrationist' view of society emphasises:</i>	<i>The 'conflict' or 'coercion' view of society emphasises:</i>
Stability Integration Functional co-ordination Consensus	Change Conflict Disintegration Coercion

Source: Burrell and Morgan (1979, p.13)

As discussed in this thesis, the accounting profession has received significant influences from various social agents (e.g. former colonisers, institutions etc.) on its development. This kind of social order may constraint or facilitate the Cypriot society. As socially constructed, accounting may be seen from the theoretical lens of the two dimensions regarding the nature of society, namely the 'sociology of regulation' and the 'sociology of radical change' (Burrell and Morgan, 1979) (see Figure 3.4 below).

Figure 3.4: The Regulation-Radical Change Dimension

<i>The sociology of REGULATION is concerned with:</i>	<i>The sociology of RADICAL CHANGE is concerned with:</i>
(a) The status quo	(a) Radical change
(b) Social order	(b) Structural conflict
(c) Consensus*	(c) Modes of domination
(d) Social integration and cohesion	(d) Contradiction
(e) Solidarity	(e) Emancipation
(f) Need satisfaction†	(f) Deprivation
(g) Actuality	(g) Potentiality

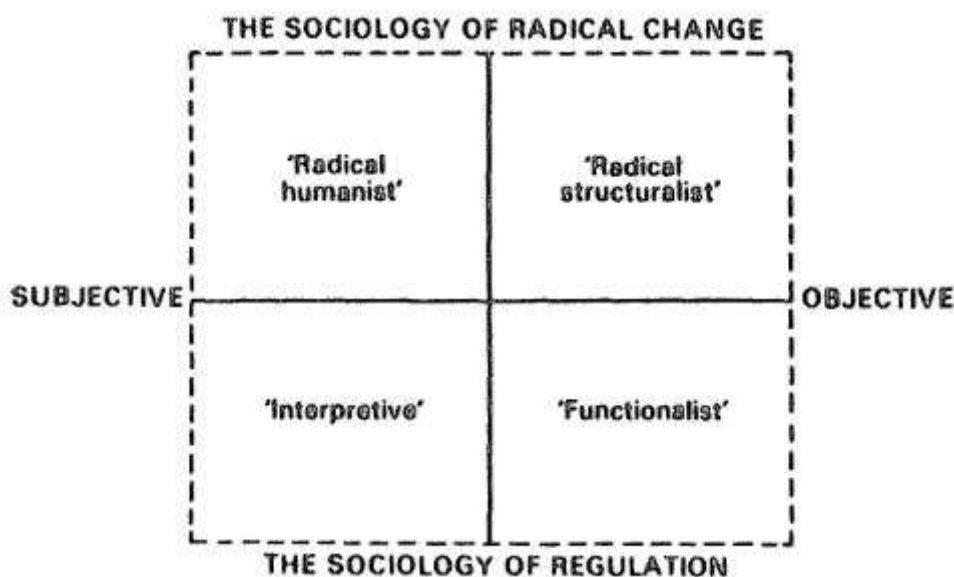
Source: Burrell and Morgan (1979, p.18)

The sociology of regulation is concerned with maintaining the status quo, social order, consensus, social integration and cohesion, solidarity, need satisfaction and actuality bringing to unity. From this perspective, society is viewed as being consensual and the mechanisms by which social order is maintained are examined. Burrell and Morgan (1979, p.17) explains that researchers adopting the regulation sociology approach “are primarily concerned to provide explanations of society in terms which emphasise its underlying unity and cohesiveness”. On the other hand, the sociology of radical change focuses on structural conflict, modes of domination, contradiction, emancipation, deprivation and potentiality leading to radical change (ibid). Society is viewed as being driven by contradictions and by structural conflict¹⁹ with some groups in society benefit at the expense of others and any cohesion that exists is achieved by the domination of such groups over others. Although these two dimensions have different views and interpretations of the nature of society, they are not mutually exclusive, but they are interrelated and overlap. Thus, Burrell and Morgan (1979) combined the two dimensions of the nature of society and the subjective-objective dimensions of the nature of social science. This combination provides to researchers a broader theoretical framework for their research studies where four paradigms²⁰ are created to analyse social theory: Functionalist, Interpretive, Radical Humanist and Radical Structuralist paradigms (see Figure 3.5 below).

¹⁹ Conflict theorists view conflict as the engine of change, since conflict produces contradictions which are sometimes resolved, creating new conflicts and contradictions in an ongoing dialectic. Human history is the result of conflict between classes, which evolved over time in accordance with changes in society’s means of meeting its material needs such as changes in society’s mode of production.

²⁰ According to Burrell and Morgan (1979, p.23), paradigm is “a term which is intended to emphasize the commonality of perspective which binds the work of a group of theorists together in such a way that they can be usefully regarded as approaching social theory within the bounds of the same problematic.” Other authors (see Berry and Otley, 2004; Creswell, 2009; Saunders et al., 2012; Neuman, 2011) pointed out the importance of research paradigm’s choice and how it may influence the researcher to conduct a research study to understand various social phenomena.

Figure 3.5: Four Paradigms for the Analysis of Social Theory



Source: Burrell and Morgan (1979, p.22)

Each research paradigm provides sets of shared philosophical assumptions which “underwrite the frame of reference, mode of theorising and modus operandi of the social theorists who operate within them” (Burrell and Morgan, 1979, p.23). For many researchers such as Hopper and Powell (1985), Laughlin (1995) and Ryan et al. (2002), this sociological research framework has become their foundation based on which they explored alternative methodological approaches from an accounting perspective, classifying them as mainstream, interpretive and critical. Although Chua (1986), Deetz (1996) and Tomkins and Groves (1983) found limitations²¹ with it, it remains useful to sensitise the researchers to the methodological debates such as in respect of the need to address and place a social phenomenon (e.g. accounting profession) in a particular socio-economic-political context. The four research paradigms suggested by Burrell

²¹ Deetz (1996, p.191) argued that Burrell and Morgan’s grid was used to “reify research approaches [and] its dimensions of contract obscure important differences in current research orientations and to lead to poorly formed conflicts and discussions.” Chua (1986, p.627) opposed the dichotomic features of Burrell and Morgan, characterising them as “illogical, relativistic and superficial.” Tomkins and Groves (1983, p.361) pointed out that the “attention [must be] paid to the [...] use of radically different naturalistic (or interpretive humanistic) research approaches” and that individual sense-making may be influenced by power relationships.

and Morgan (1979) offer a useful way to investigate the issue of this thesis in terms of the four sets of meta-theoretical assumptions which underwrite the nature of social science and of society. They will help to situate the research and to choose the appropriate methodological/theoretical framework for this thesis.

3.2.3 The Four Paradigms for Sociological Analysis

The four paradigms suggested by Burrell and Morgan (1979) provide four sets of basic assumptions regarding the ontology, epistemology, human nature and methodology which play significant role in the choice of the theoretical positions and the research methods of this thesis. They attempt to contrast standpoints and generate quite different concepts and analytical tools.

The functionalist paradigm is based on realist, positivist, determinist and nomothetic assumptions, pointing out the existence of a concrete, real, objective truth and relationships that can be quantified and studied through a scientific approach (Burrell and Morgan, 1979; Cassell and Symon, 1994). Researchers view reality through a “one-way mirror” (Guba and Lincoln, 1994, p.110), as they believe in empiricism (such as Hume, Locke and Aristotle), assuming that only observable occurrences can be researched and that only observation and measurement are at the core of scientific endeavour. As Burrell and Morgan (1979, p.26) argued, the functionalist approach is often “a problem-oriented approach, concerned to provide practical solutions to practical problems [and] is committed to a philosophy of social engineering as a basis of social change and emphasises the importance of understanding order, equilibrium and stability in society and the way in which these can be maintained”. The so-called ‘practical’ problems have political and social origins because they have to be constituted.

In the interpretive paradigm, the social world is viewed as a process that is shaped by actors. The researchers can understand the social problems by trying to understand subjectively the viewpoints and intentions of the actors who construct the social world. As interpretivists believe that there are multiple realities (Denzin and Lincoln, 2003), meaning is constructed and constantly reconstructed through experience, memories and expectations, resulting in many different multiple interpretations that create a social reality in which people act. They acquire detailed information about social events/problems by getting involved in their activities, particularly, by ‘getting inside’ it²². Rather than being an observer, the interpretivists seek to understand the social world which is more regulated, from the participants’ angle. Thus, individuals play a significant role as they influence their environment/context through their subjective interpretation and interaction with the environment/context, which has an impact by it (Burrell and Morgan, 1979).

Adopting a radical structuralist paradigm, researchers see inherent structural conflicts within society that generate constant change through political and economic crises. This paradigm reflects a Marxian structuralism as Marx’s *Capital* is deemed as an exemplar for the analysis of economic systems and it also reflects the works of Braverman (1974) about labour and monopoly capital. They adopt a materialist conception²³ of the social world and they seek to understand, from an objective angle, “the basic interrelationships within the context of total social formations” (Burrell and Morgan, 1979, p.34); how the structures of social world are interrelated during a radical

²² Academic research is often armchair activity and the appearance of rigour is also deceptive. People often become slaves to some defunct philosophers and research methodology (see Feyerabend, 2010).

²³ Materialism is a theory of the nature of reality and can be defined as a theory that views all facts causally dependent upon physical processes or even reducible to them. Marxism regards human beings and human society as part of nature. As Engels put it, “the materialist world outlook is simply the conception of nature as it is, without any reservations” (Katsiaficas and Kirkpatrick, 1987, p.46). The external world is real, it exists independently of whether individuals are conscious of it or not, and its motion and development are governed by laws which are capable of being discovered and used by man, but are not directed by any mind.

change. From this perspective, social world possesses an external reality to researchers where they discover causal regularities governing social behaviour, such as hunger, homelessness, discrimination, exploitation which are real conditions as people feel the pain and are not mere social constructions. Furthermore, it gives greater emphasis upon the need to understand the social order as a totality²⁴ rather than as a collection of various aspects of society (Giddens, 1984). However, for a better understanding of the radical change, the emphasis is given on the contradictions in the system and on conflict between different groups in the social world. Thus, the contradictions facilitate the emancipation of people from presently existing social structures.

On the other hand, the radical humanist paradigm is concerned with releasing social constraints that limit human potential. By adopting this paradigm, researchers see the current dominant ideologies as separating people from their 'true selves'. This is achieved when the consciousness of individuals is dominated by the ideological superstructures with which they interact, leading to a cognitive constraint between themselves and their true consciousness and as a result, preventing human fulfilment. This paradigm focuses on "a critique of the status quo" and seeks to "articulate ways in which human beings can transcend the spiritual bonds and fetters which tie them into existing social patterns and thus realise their full potential" (Burrell and Morgan, 1979, p.32). It tries to transform these kinds of structures, relationships and conditions that either shape or constrain the development of social practices in the society. It seeks to illuminate historical changes and to produce a particular form of knowledge which facilitates the emancipation of people from existing social structures (Burrell and Morgan, 1979; Carr, 2006).

²⁴ Totality can be defined as the possibility and practice of complete, unified closure. It is regarded as one of the key concepts of advanced materialist thought, championed by Hegel and embraced by Marx.

The above analysis of the four paradigms suggested by Burrell and Morgan (1979) confirms the claim noted earlier that they are not mutually exclusive. They are not permanent as they face particular changes through the years because social order and the assumptions related to human rationality are dependent on related contexts and they change through the time. This indicates that there is a challenge of continuity and change. From this perspective, the paradigms and their assumptions provide a framework for socio-economic-political inquiry into the issue of the emergence and development of the accounting profession in former British colonies. Moreover, their position about the essence of social phenomena under investigation (ontology) further formulates the epistemological position about how someone can understand the social world and how to communicate on this particular social world, human nature and methodological framework. In this light, Burrell and Morgan (1979, p.3) argued that:

“The principal concern is with an understanding of the way in which the individual creates, modifies and interprets the world in which s/he finds herself/himself. The emphasis in extreme cases tends to be placed upon the explanation and understanding of what is unique and particular to the individual rather than of what is general and universal.”

In this thesis, the accounting profession represents a social practice shaped by the interrelationship of a variety of socially positioned actors and social structures such as former colonisers, international enterprises and other local and global forces. The methodological/theoretical framework needs to take into account this relationship of the agency role and the dynamics of the socio-economic-political and institutional structures that take account of history, power and the State. Thus, there is the need to explore the methodological/theoretical frameworks used by previous studies within which the accounting profession in Cyprus can be examined. This examination will lead to the identification of the limitations of some frameworks and in this way the most suitable one for this inquiry can be chosen.

3.2.4 Various Methodological/Theoretical Frameworks in Accounting Research

Proponents of research philosophies (Saunders et al., 2012; Guba and Lincoln, 1994; Denzin and Lincoln, 2005) have engaged and displayed their knowledge and beliefs in what appeared and got interpreted as ‘paradigm wars’. The previous section provided the methodological/theoretical debates within the social science literature, based on Burrell and Morgan’s framework. This shows that researchers in accounting, finance and management adopted theoretical frameworks from social science to advance their inquiry (see Laughlin, 1995; Mitchell and Sikka, 1993). Then, various theoretical frameworks for accounting research emerged in the literature (see Burrell and Morgan, 1979; Hopper and Powell, 1985; Chua, 1986; Laughlin, 1995). Generally, three different research approaches, namely positivism, interpretivism and critical, have been discussed and analysed in the literature (see Chua, 1986; Guba and Lincoln, 1994; Saunders et al., 2012; Denzin and Lincoln, 2005).

The positivist approach is commonly applied to natural and social science research, asserting that reality is viewed through a “one-way, value-free mirror” (Sobh and Perry, 2006, p.1196). In the nature of professions, researchers (see Saks, 1983; Millerson, 1964; Willmott, 1986) adopted the Trait and Functionalist perspectives to investigate and formulate a list of characteristics that represent the core features of professional occupations and that are supposed to have functional relevance either for the wider social system or for the professional-client relationship (see Saks, 1983; Johnson, 1972). In the case of the accounting profession, these Conventional/Traditional (or Positivist) approaches present professional organisations as static events in fixed social contexts where they failed to give a socio-economic-political rationale for their

development (see Willmott, 1986; Saks, 1983; Robson and Cooper, 1990; Johnson, 1972). Although these positivist studies present quantifiable data, they provide limited information about the social and historical conditions (Giddens, 1979). Matters such as power relations, globalisation, the role of the State, class and society were not adequately considered. Thus, this perspective makes individuals or group of individuals the focus of inquiry, disregarding the social structures and the institutions within which social actors exist and act.

Therefore, the positivist approach is considered as an unsuitable theoretical framework for understanding the subjectivity of action and the meaning of the accounting profession as a social practice. It does not capture the complexity of professionalism and offers little insights into the historical, political and economic aspects relating to the accounting profession. It has been suggested to social science researchers to adopt a research approach which takes into account the subjectivity of human conduct, the dialectical power relations in society and individual integration in sociality (see Habermas, 1978; Chua 1986; Tinker and Neimark, 1987) and how they relate and interact with the social structure (see Giddens, 1979, 1984). According to Clarke and Wildy (2013, p.30), the social world involves “human consciousness: of thoughts and beliefs, of ideas and concepts, of languages and discourses, of signs, signals and understandings among human beings” which accordingly demands an understanding of social reality.

Furthermore, with the adoption of positivist approach, there was a mismatch between theory and practice (Parker and Roffey, 1997). Baker and Bettner (1997, p.293) argued that “the type of research prevalent in the mainstream accounting journals, which is characterised by a positivist methodological perspective and an emphasis on quantitative methods, is incapable of addressing accounting’s complex social

ramifications". Therefore, from an epistemological point of view, the accounting profession as a social practice should be studied within a social context that takes account of the history, institutional structures and power relations. Through a social constructionist approach²⁵, the accounting profession can be seen from the dynamics of social structures and institutions that facilitate them (Sobh and Perry, 2006) where the reality is constructed by social actors rather than as a concrete structure external to humans (Easterby-Smith et al., 2012).

The radical humanist and interpretive approaches are a part of the social constructionist approach as Burrell and Morgan (1979) have suggested for social theory analysis. These theoretical frameworks argue that the social world is constructed by social actors giving them the ability to analyse social problems or events by following various socio-economic-political positions rather than using scientific method approach (Saunders et al., 2012). The interpretive approach embraces a wide range of philosophical and sociological thoughts, sharing the common characteristic of attempting to understand the social world, primarily from the point of view of social actors directly involved in the social process (Burrell and Morgan, 1979). Despite the growing acceptance of the interpretive approach (Chua, 1986), researchers, who examined the accounting profession in former British colonies, considered this approach as unsuitable for their inquiry as they focused on historical events and social practices based on local socio-economic-political contexts.

Therefore, prior studies (e.g. Chua and Poullaos, 1993, 1998; Annisette, 1999, 2000) chose to adopt the critical approach which is based on the belief that individuals and

²⁵ According to constructivist philosophy, the social world is not a given, it is not something 'out there' that exists independently of the thoughts and ideas of people involved in it. Hence, it is not an external reality whose law can be discovered by scientific research and explained by scientific theory, as positivists presumed (Berger and Luckmann, 1966; Burrell and Morgan, 1979).

society possess potentialities restricted by prevailing systems or social structures which are seen as oppressive structures. This approach “attempts to dig beneath the surface of historically specific oppressive social structures” (Harvey, 1990, p.1) aiming to confront prevailing knowledge and the structures that enforce it by providing an alternative reading and understanding of it. It “asks how social systems really work, how ideology or history conceals the processes which oppress and control people” (ibid, p.7). The critical researcher “supports the idea of existing societal structures, ranging from societal enclaves to professions, and the mechanisms in these, that carry in themselves and mediate the issues and ideas related to the societal classes, strata, profession and recruitment of elites through and with the help of those mechanisms” (Eriksson and Kovalainen, 2008, p.264). These systems/structures are considered as dynamic in nature where conflicts and contradictions between professional classes take place and institutionalised within the social construct and beliefs associated with history, culture, language and organisational forms. From this perspective, Bakre (2004, p.3) argued that research can be better conducted by adopting theoretical frameworks that “account for local histories and the nesting of these histories within the complex colonial, global and capitalist arrangements that have given rise and continue to shape the existence of these colonised emerging nations even after their independence”.

Various researchers (see Sikka and Willmott, 1997; Baker and Bettner, 1997; Lodh and Gaffikin, 1997) argued in favour of critical approaches to the accounting research. From an epistemological point of view, knowledge and critique are intertwined where knowledge is characterised as a process of moving towards an understanding of the social world and knowledge which structures individuals’ perceptions of that world. It gives the opportunity to understand, uncover, illuminate and/or transform the

educational aims, dilemmas, tensions and hopes that are related to social divisions and power differentials. This kind of oppression occurs in different forms based on class, gender and race where in such cases imperialism and colonial oppression are linked to race oppression. Thus, critical approach seeks to understand the “approach relations between themselves and imperialist forms of power from the perspective of colonialism, neocolonialism and postcolonialism” (Cannella and Lincoln, 2009, p.55).

The critical approach was adopted by various researchers (see Willmott, 1986; Macdonald, 1995; Parkin, 1979; Saks, 1983) for their research with the aim of investigating the theoretical and historical context of a profession, particularly the emergence and development of professions in broader socio-economic-political context. Using the concepts of ‘social closure’ and ‘charisma’ (Weber, 1964), ‘State-profession relationship’ (Cooper et al., 1989; Sikka and Willmott, 1997; Puxty et al., 1987), ‘discipline and power/knowledge’ (Foucault, 1977; Loft, 1988), researchers tried to investigate the accounting profession based on Weberian²⁶, Marxist²⁷ and Foucauldian²⁸ approaches. They examined how the accounting profession emerged and developed in former British colonies and how the British rule influenced this process. This variety of societal relationships between individuals and society indicates that the fundamental scope of critical approach is the relationship between the social actors and structures (Giddens, 1984; Bhaskar, 1989; Collier, 1994).

In order to address the complexities and dynamics of the accounting profession in postcolonial era and its potential for socio-economic development, particularly in

²⁶ See the studies of Chua and Poullaos (1993, 1998), Annisette (1999), Walker (2004), Sian (2006), Caramanis (2005), Okike (1994)

²⁷ See the studies of Uche (2002), Annisette (1999), Chua and Poullaos (1993, 1998), Yapa (2006), Caramanis (2002), Dedoulis and Caramanis (2007), Sikka and Willmott (1997) in which they used the State-profession relationship theory and studies of Cooper (1995) and Susela (1999) who adopted a more general Marxist approach.

²⁸ See the studies of Loft (1988), Neu (2000a, 2000b)

former colonies, this thesis adopts critical approach. This approach enables the exploration of the tensions between the local and global factors which may have been shaping the formation and development of the accountancy profession and associations. These societal practices cannot be isolated from the historical, socio-economic-political context as part of which the relationship between social subjects and social structures exist within that society. The accounting profession is generally connected with the activities of social actors such as professionals and the social elite and the enabling institutional structures and norms shaped by the socio-economic-political development that provides both the opportunity for engaging activities that are prescribed as influences by British colonialism or other factors.

3.3 A Connective Summary

After examining and analysing the Burrell and Morgan (1979) framework (including the objective-subjective dimensions, the assumptions about the nature of society and the four paradigms), the methodological/theoretical frameworks which are based on the emergence and development of the accounting profession in former colonies were explored. As the accounting profession is considered part of the social sciences, there was a need to pay attention to the dimension of the nature of science. While the objective dimension views reality as only external and separate from social actors, the subjective dimension shows social actors seeking to explain and understand a social phenomenon in detail. In this thesis, the influences on the accounting profession are not seen as external ones and they are related with the consciousness of the social actors and their actions. Therefore, the accounting profession as a social practice is embedded in a particular socio-economic-political and historical context. It is (re)shaped by the interrelationship of the institutional structures and social actors within a particular

society. Based on this assertion, the theoretical framework needs to take into consideration the role of social actors and the dynamics of the socio-economic-political structures that can help to examine the emergence and development of accounting profession in Cyprus. The critical approach was considered as suitable to address these particular complexities and dynamics of accounting profession in the postcolonial period. It enables to explore the tensions between local and external factors which may contribute to the formation and developments of ICPAC. It gives the opportunity to examine any continuities or/and discontinuities regarding the local accounting profession.

3.4 Structure and Agency Framework

The methodological debate related to the interrelationship between structure and agency on meaning, human behaviour and social practices is a significant ontological issue in the social sciences. Hence, investigations into micro and macro level practices cannot be understood without examining past and present developments through theoretical perspectives which help to obtain historical, socio-political modes of explanation of change over time in terms of the interaction between social actors and structural influences. In this regard, Marx (2001, p.7) argued:

“Men make their own history, but they do not make it just as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly encountered, given and transmitted from the past.”

In this light, society is viewed as an ensemble of structures, practices and a network of relationships in which individuals do not intentionally create their activities, but in such activity they always presuppose their existence. According to Sewell (1992, p.2), “structures tend to appear [...] as impervious to human agency, to exist apart from, but nevertheless to determine the essential shape of, the strivings and motivated

transactions that constitute the experienced surface of social life”. Moreover, Reed (1997, p.21) stated that:

“The ‘agency/structure debate’ refuses to lie down or quietly fade into obscurity. It raises fundamental questions about the nature of social reality, the manner in which it is conceptualised and the theoretical means most appropriate in explaining the relationship between its constituent elements.”

Therefore, the emergence and development of the accounting profession are social processes that involve the interplay of social agents and the structural features of social systems by effective communication. Social actors are simultaneously enabled and constrained by the social structures such as British or other influences on the process of accounting profession. From this perspective, the structuration theory²⁹ might be a possible theoretical framework that could help with the investigation. It is worth to point out the growing interest of researchers in adopting the structuration theory in the studies of accounting, finance and management (see Roberts and Scapens, 1985; Macintosh and Scapens, 1990, 1991; Conrad, 2005; Englund and Gerdin, 2008, 2014).

However, some critics of this theory claim that structuration theory places too much emphasis on structure and the agency is exemplified only by the action of knowledgeable agents (see Archer, 1996; Mouzelis, 2000; Englund and Gerdin, 2008). Further arguments state that structuration theory provides a limited understanding of why some social practices become institutionalised while some others do not. As Archer (1990, p.78) stated, “it does not allow the specification of the conditions and mechanisms of either reproduction or change [such as] why things are so and not

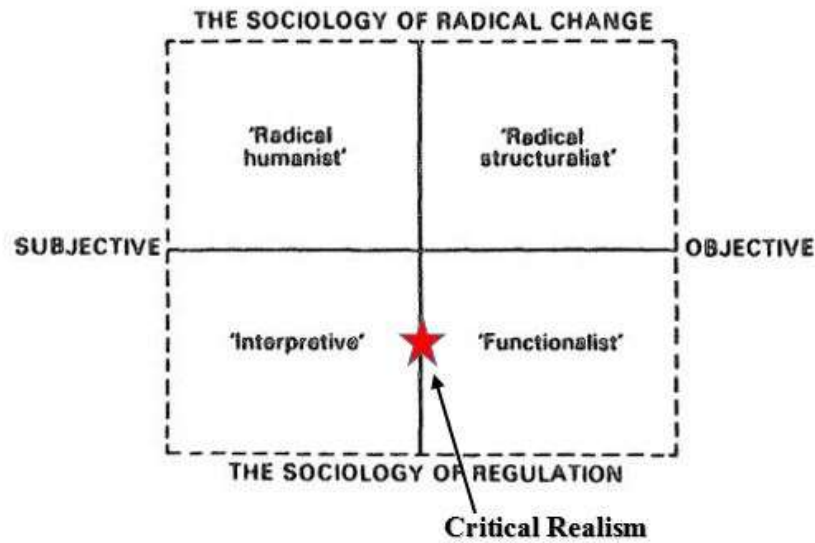
²⁹ The structuration theory offers perspectives on human behaviour based on a synthesis of structure and agency effects known as the ‘duality of structure’. Instead of describing the capacity of human action as being constrained by powerful stable societal structures (such as educational, religious or political institutions) or as a function of the individual express of will (Agency), the structuration theory acknowledges the interaction of meaning, standards and values, and power and posits a dynamic relationship between these different facets of society. In general, it attempts to understand human social behaviour by resolving the competing views of structure-agency and macro-micro perspectives (for details see Giddens, 1984).

otherwise.” Furthermore, it does not provide explanations why the social actors take a particular action while others are excluded or marginalised from such practices. These limitations show the need to consider power institutional discourse resources. Therefore, critical realism is considered as an alternative to structuration theory (see Bhaskar, 1989; Collier, 1994). It provides a general theory, adopting epistemological and methodological considerations that can offer some guidance about structure and agency and it focuses on agency and substantive structures which produce observable events and phenomena.

3.4.1 Critical Realism

The philosophical approach of critical realism has attracted interest and gained momentum over the years in response to the criticisms and limitations of the Functionalist (Positivism) and Interpretivist approaches (Mingers, 2004). Critical realism explains social science phenomena, particularly in organisational settings (ibid). It accepts the existence of an external reality and recognise the “inherent meaningfulness of social interaction” (ibid, p.99). In Burrell and Morgan’s (1979) model, critical realism overlaps between the two cells of Interpretivism and Functionalism (see Figure 3.6 below) (Danermark et al., 2002). It is located in the sociology of regulation and views its subjects from an objectified perspective and at the same time, it seeks to understand this perspective from the point of view of individuals (ibid). Critical realism acknowledges that accessing reality is not straightforward and it is in fact a complicated process (Collier, 1994).

Figure 3.6: Critical Realism in Burrell and Morgan's Model



Source: Adapted from Burrell and Morgan (1979, p.22) with the addition of the star icon, the arrow and the label 'Critical Realism'

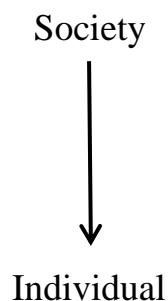
Therefore, this thesis adopts a critical realist framework to understand the relationship between accounting profession and society. This framework helps to realise the structural elements (types of influence) and the relationships between the structures and social actors. It assumes that society consists of constant structures and mechanisms that are non-physical and unobservable and which generate observable events that take place (Bhaskar, 1989). From this perspective, society is seen as a system of relationships and positions; not as a collection of social actors (ibid). Relations and relationships are important elements in society, but they are not one-dimensional.

According to Collier (1994, p.140):

“Relations presuppose other relations, relations are related to other relations. The lattice-work of relations constitutes the structure of ‘society’. It is possible to focus study on the relations (which may endure through changes of the related individuals), or on individuals (who may circulate around the network of relations that is society).”

Societies make people and people make societies (Berger and Luckmann, 1966). In taking account of the influence of structure, Durkheim (1938) provides some guidance by highlighting the role of powerful institutions in shaping individuals. Collier (1994, p.144) states that “society produces [individuals] as the people [...] ‘out of’ a biologically given raw material and it continues to transform [individuals] throughout their lives”. Durkheim (1938) suggests that an individual is constructed by society, but that the society has its realities which were not the outcome of motivations and actions of individuals (see Figure 3.7 below). However, this model does not recognise the ability of some individuals or groups of individuals to react to a certain kind of subjectivity being enforcing on them (Bhaskar, 1989). Thus, this model has drawn critics due to the fact that society does not exist independently of human agency (Bhaskar, 1989; Collier, 1994).

Figure 3.7: The Durkheimian Model

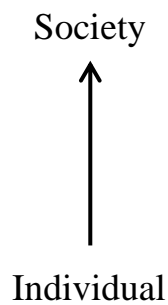


Source: Bhaskar (1989, p.74)

On the other hand, Weber (1964) offers some alternative way to advance research as he tries to identify the causes of social relationships and actions, adopting an essential individualistic conception of society (see Figure 3.8 below). From this perspective, social facts are viewed as the results of intentional and meaningful human activity (Hughes et al., 2003). Social agency is represented as routinely reproducing and transforming society. Thus, an individual's intentions, motives and actions are

considered as voluntary rather than being determined by social relations. However, some limitations are apparent in this model as social subjects do not create society again, resulting to the disregard of the influence of social structures and the social relations embodied within society (Collier, 1994). Therefore, an understanding of a social practice demands a consideration of both social actors and society.

Figure 3.8: The Weberian Model



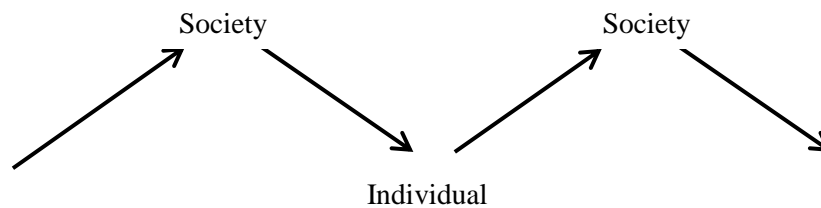
Source: Bhaskar (1989, p.74)

Critical realism holds the opposite assumptions regarding the above assertions, as it assumes the existence of both structures in society and of individuals. It supposes the existence of women and men, patriarchy, capitalism, bureaucracy, State and the accounting profession in society. The main difference between critical realism and the models of Durkheim and Weber is that the interaction between an individual or group of individuals and society is dependent on a multi nonlinear sequence of interactions (Bhaskar, 1989). Thus, social structures are worked, indicating the interactions that exist between individuals and these structures through relationships and experiences.

Berger and Luckmann (1966) synthesised the models of Weber and Durkheim to highlight a dialectical relationship between society and individuals (see Figure 3.9 below). Society forms the individuals who create society and society produces the individuals who produce society in a continuous dialectic. According to Berger and Pullberg (1966, pp.62-63), “social structure is not characterisable as being a thing able

to stand on its own, apart from the human activity that produced it”. When it is formed, “it is encountered by the individual as an external facticity [and] as a coercive instrumentality” (ibid, p.63). Then, society is viewed as an externalisation of human beings and for their part, human beings are the internalisation in consciousness of society (Bhaskar, 1998).

Figure 3.9: Berger and Luckmann Model



Source: Bhaskar (1989, p.75)

It is argued that people and society are not related ‘dialectically’ while they do not constitute two moments of the same process (Bhaskar, 1998). Bhaskar (1998) disagreed with the argument that society is created by people as if there was nothing that existed before that. In this light, it does not give the implication of the subjective and intentional aspects of social reality and the externality and coercive power of the social fact as developed in the Weberian and Durkheim models.

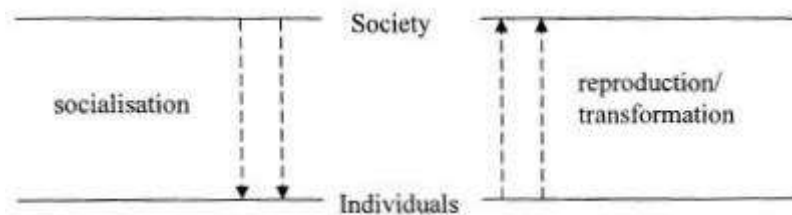
Therefore, Bhaskar (1989) suggested a Transformational Model of Social Activity (hereafter, TMSA) (see Figure 3.10 below) to make distinction between individual practice and social structure and to give emphasis on material continuity which can account for change and history. He argued that the human agent does not create society but rather reproduces and transforms it. He further explains that “society is irreducible to people [and] social forms are the necessary condition for any intentional act and the pre-existence of these social forms determines their autonomy as a possible object of

scientific inquiry and more importantly, that the causal power of these social forms determines their reality” (Bhaskar, 1998, p.25). Collier (1994, pp.145-146) cites Bhaskar:

“Society is both the ever-present condition (material cause) and the continually reproduced outcome of human agency. And praxis is both work, that is, conscious production that is society. One could refer to the former as the duality of structure, and the latter as the duality of praxis.”

Thus, the duality of structure and the duality of social actors play a crucial role in the TMSA as they embody the irreducible unity in deference to the two processes that continually renew human and society.

Figure 3.10: The Transformational Model of Social Activity (TMSA)



Source: Bhaskar (1989, p.77)

Based on Bhaskar’s model, society does not directly create individuals any more than individuals directly create society. An important assumption is that society can effectively socialise individuals if, and only if, a manifold of social relations is already in place (Bhaskar, 1989, pp.32-35). Although all social phenomena are dependent on human action, action requires structures. Thus, “society is never the unmediated transliteration of individual desire into structures [but] human [transformative] powers require facilities already in place” (Harvey, 2002, p.168).

Critical realism makes a significant distinction between intransitive and transitive dimension of knowledge. It distinguishes between a reality independent of what human

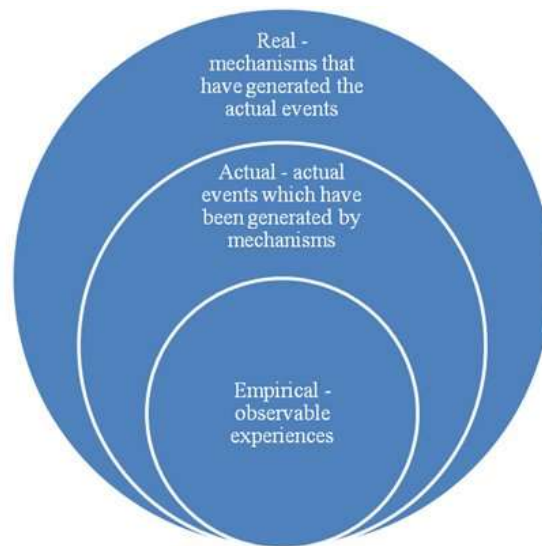
thinks of it (the intransitive dimension) and human thinking of it (the transitive). The intransitive dimension concerns the world as objective reality (the objects are generally fixed in relation to the knowledge existed) and the real objects and dimensions, mechanisms and processes, events and potentialities of the world which are fully independent from human (Bhaskar, 2008). The transitive dimension is generated from humans' knowledge of the social world. In order to incorporate these dimensions to believe that 'what human thinks all what is', is, according to Bhaskar (1989), to commit the 'epistemic fallacy'.

Critical realists recognise the reality of the natural world as well as the events and discourses of social world as they identify causal mechanisms (Wikgren, 2005). Events and phenomena do not happen on their own; there are underlying powers/properties in objects that generate phenomena and events (Sayer, 1992; Bhaskar, 1989). In society, objects with the power to cause events are called social structures. Structures as internally related objects are, in turn, related either internally or contingently to other structures, thus forming larger social systems. As a result, these structures have a general way of working, commonly described as mechanisms. In Marxist terms, 'domination' or 'exploitation' or 'tendency for profits to fall' are all mechanisms for capitalist structure, involving internally related positions of capitalist manager, labour and other capitalists. Individuals may be used to particular conditions or set of events or societal assumptions that have become part of their common-sense and as such they get used to a particular condition or circumstances such as patriarchy.

In general, critical realism sees reality as something which exists at a deeper level preventing or obscuring humans' ability to observe, understand and verbalise various situations or social structures. People do not create society as it always pre-exists and it is a necessary condition for their activity. Thus, society is viewed as an ensemble of

structures, practices and conventions which individuals reproduce or transform, but which would not exist unless they did so (Bhaskar, 1989). Bhaskar (1989, 1998) suggested that it is important to recognise reality through three different layers: (1) Empirical (observable experiences), (2) Actual (events generated by mechanisms) and (3) Real (mechanisms or structures generated or produced actual events) as shown in Figure 3.11 below.

Figure 3.11: Diagram of Critical Realism



Source: Recreated from Mingers and Willcocks (2004, p.384)

Brown et al. (2002) stated that critical realism uses a process of ‘abstraction and reintroduction’ that helps to identify the ‘real’ causal phenomena which are hidden beneath the surface and are perhaps obscured from view or interpretation. Therefore, “if social reality consists of causal structures, it must be possible to intervene and manipulate that structure” (Johnson and Duberley, 2000, p.161).

For this thesis, the critical realism serves as a theoretical framework to provide an in-depth understanding of the accounting profession in Cyprus. It would help to examine the factors that may have influenced the emergence and development of local

profession and how the structures and social actors interacted with one another during the processes of the advancement of the profession at a local level through their actions, choices, behaviours and thoughts. To this extent, capitalism, colonialism, imperialism and globalisation are used as supplementary concepts to support the critical realism and to facilitate the examination and understanding of the political economy of Cyprus and how it has affected the local profession's promotion and development. The next section presents these concepts and they will be discussed, analysed and show how they are interrelated with each other.

3.5 Linking Colonialism and Capitalism in Western World

Emerging economies were incorporated into the exploitative sphere of influence of colonialism and capitalism; these were processes which entail the gradual restructuring of local institutional settings in a way that best serves the expansionist tendency of the global system, leading to 'Western' influences (Bakre, 2005, 2006). Based on this assertion, the elements of colonialism and capitalism are discussed in this section to illuminate how 'Western' organisations and advanced capitalist institutions achieve dominant positions in the global economy, influence developments and become models of socio-economic development for other countries to emulate.

The modern world economy started to emerge during the nineteenth century with a significant wave of production activities in several Western European countries such as Britain and France (Harrison, 1988). During this period, a new powerful class, namely capitalists, emerged who dealt with capital investments and appropriation of the economic surplus value produced by the working (labour) class. With the aim to

increase their profits, capitalists expanded their economic activities beyond the national boundaries of Western Europe seeking for new markets that could offer them low wage labour and cheap raw materials (Tabb, 1997). They relied on “the market system that determines distribution, allocates resources and establishes the income levels, wages, rents and profits of the different social classes” (Lekackman, 1986, p.3). As Zeitlin (1972, p.95) put it:

“Capitalism [is a process in which capitalist imperialism] establish[es] industries for the extraction of natural resources and organise markets for its commodities, both of which lead to a substantial transformation of the colonial [socio-economic-political] system[s].”

However, colonialism is not a new practice since it existed in historic periods (e.g. Roman, Egyptian, Mongol, Ottoman and Greek). In earlier colonialism cases, the conquering powers relied on repressive powers (Bolland, 2003) and ‘terror’ (Rodney, 1981) to dominate and subjugate local inhabitants. During the sixteenth and seventeenth centuries, a different kind of colonialism was introduced by European powers. As there was a significant wave of production activities and social relations, capitalism began to expand with the help of colonialism. Colonialism is regarded a system of the accumulation and acquisition of economic surpluses which was achieved by “the implanting of settlements on distant territory” (Said, 1993, p.8). “It is almost always a consequence of imperialism, which means the practice, the theory and the attitudes of a dominating metropolitan centre ruling a distant territory” (ibid, p.8).

Historical evidence clearly demonstrates that colonialism was a common practice in the past (see for example, Roman, Byzantine and Ottoman Empires) and it was accompanied by occupation, control and exploitation of resources, nations, authorising colonial Empires to advance their military, political and economic forces (Bakre, 2004). Both capitalist expansion and colonial practice by great powers such as Britain

and France led to the integration of vast geographical areas worldwide into the exploitative structures of world capitalism. The local social and economic relationships were modified to facilitate the flow of people (slaves and cheap labour), goods (raw materials), ideas (the distinction of inferiority and superiority between local inhabitants and colonisers) and to serve the colonisers' interests (Bolland, 2003).

Raw materials, slaves and labour were relocated in the colonisers' cities or their preferred location to manufacture goods providing new markets to the European traders. The profits of capitalist expansion through colonialism returned to the West (to the colonisers' country) or "to mother country" (Rodney, 1981) where the unequal exchange between colonisers and colonised was apparent. The assumed superiority of West structure was promoted by various discourses that used to distinguish differences between the familiar 'us' (Europe or the West) and 'them' (the Strange, the Orient, the Other) (Said, 1995; Bakre, 2004).

According to Hall (1992), the West by which Hall means the industrialised, urbanised, capitalist, secularised and modern world as a whole, that constructs the mirror through which humans observe each other, is not a geographical but a historical structure. The West is viewed as a concept which enables the classification and differentiation between Western and Non-Western societies. Hall (1992) divided the expansion of the West into five stages; the time of the expedition, the spreading of capitalism into the global markets, the bloom of imperialism and the current situation of dependence upon Western world. Therefore, this powerful combination of capitalism and colonialism encouraged a kind of dependency upon the Western countries; the dominance of the 'West' as a major core of political, economic and military power. However, political colonisation and economic domination have in most cases given birth to 'imperialism' in most colonised societies. The next section examines the imperialism as an instrument

of influence on the culture and identity of the colonised countries, facilitating the flow of capital.

3.6 Imperialism and the Expansion of Global Capitalist System

During the nineteenth and twentieth centuries, imperialism emerged which meant that Western countries started to expand in order to extend their political and economic influence worldwide. From the expansion of capitalism, Western countries established strong economic and political relations with Non-Settler colonies to take advantage of cheap labour, natural resources and means of production (Annisette, 2000; Sklair, 1995). Gallagher and Robinson (1953, p.5) defined imperialism as:

“a sufficient political function of this process of integrating new regions into the expanding economy; its character is largely decided by the various and changing relationships between the political and economic elements of expansion in any particular.”

Drawing from Gallagher and Robinson’s (1953) definition, Annisette (2000) named this new form of imperialism as ‘imperialism of influence’:

“Economic conditions are a necessary condition for the existence of imperialistic relations [...] Imperialism is conceived of as constituting both an economic and a political aspect. With respect to the economic, it does not relate merely to market relationships between countries of different economic strengths. Instead, it relates to circumstances in which the economic of a weaker country is so integrated into that of an industrial power, that the strategic decisions governing both the direction and rate of growth of the former are made by, and governed by the interests of the latter [...] With respect to the political, imperialism is considered as distinct from mere expansionism as a matter of state policy. Instead, it is viewed as the logic of capitalist expansion, which nonetheless requires the support of an imperial state – that is, one which is global rather than national, and which exercises its authority formally and informally across national boundaries in the service of the internationalisation of capital.” (p.636)

Thus, imperialism of influence facilitated the emergence of the global capitalist system. Western countries such as Britain, US, France and Japan play a dominant political and economic role as the global economic activity is concentrated in these countries:

“These regions and countries [US, Western Europe and Japan] have large markets, generate huge sums of capital available for investment, and drive most of the technological innovation process, especially that which involves information technology. They are also home to the world’s largest banks. According to UN data for the second half of the 1980s, around 80 per cent of all Foreign Direct Investment [hereafter, FDI] inflows were concentrated in the developed countries.” (Holton, 1998, p.53)

Moreover, the transnational and international corporations represent the main production units of the world capitalist system and the basic organisational forms are owned or controlled by “small groups in a relatively small number of [Western] countries” (Sklair, 1995, p.7; Holton, 1998). These types of corporations are regarded as “a vital mechanism in the transfer of surplus from the periphery, or semi-periphery, to the centre [and] as the epitome of capitalism” (Harrison, 1988, p.98). Western countries dominated in poor countries by keeping their own barriers and preventing emerging countries to export their agricultural products and by reducing the needed export income (Stiglitz, 2002). To strengthen their dominant political and economic position within the global capitalist system, Western countries have relied upon supranational institutions such as the International Monetary Fund (hereafter, IMF), World Bank, World Trade Organisation (hereafter, WTO) and other politico-economic organisations such the EU (Waters, 1995; Hirst and Thompson, 1996).

In the extent of this thesis, Cyprus was under British colonialism for many years, letting Britain to take advantage of its local natural resources and weaknesses to develop its economy and the export of local services and products took place to increase colonisers’ profit. Moreover, the establishment of foreign corporations helped the colonisers to appropriate surplus value and to acquire huge amounts of profits and

benefits. With these economic activities, the colonisers had access to different and significant sectors of the island and subsequently, they obtained a high percentage of control of the island's economic development. For these reasons, the global capitalism took action using its own mechanisms to construct relations of dependence and to persuade the colonising country and its local groups that with their participation in the world economy will bring benefits and advantages for everyone (Sklair, 1995). Thus, the control of markets and technology remained within the West, enabling the colonisers to exercise control over emerging economies (Non-Settler colonies) such as Cyprus.

3.7 The 'West', the Global Capitalism and the Emergence of International Corporations

Relationships of dependence are constructed and reproduced within the global system in which the West³⁰ plays a significant role. With West's particular processes, global forces pervade local social groups and organisations, transforming traditional economic institutions into capitalistic organisations. Global institutions and organisations tried to transform local groups or power elites (Mills, 1999) and organisations into Western process' representatives to pave the way for the capitalistic expansion. To accomplish it, global institutions undertake socio-economic-political activities at the periphery (the colonies) to create connections with local politicians, professionals, labour leaders and entrepreneurs. Through these contacts, Western countries combine their interests with those of local groups and important individuals in order to reshape these people's views

³⁰ For this thesis, the term 'West' refers to the countries that have strong forces and they have the upper hand on the world's economy and other functions.

about globalisation, as at the beginning the latter have doubts and negative attitude towards it.

Globalisation is viewed as “the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa” (Giddens, 1990, p.64). It is considered as international exploitative trading arrangement in which the advanced capitalist world supported by Western institutions (e.g. World Bank, IMF) accumulates wealth by extracting surpluses from former colonies under the shape of international trading relationships (Sklair, 1995). Thus, global capitalism penetrates local groups and organisations through the establishment and operation of international corporations.

The majority of developmental projects such as construction of roads, airports, railways and ports and other activities such as marketing, accounting, auditing and production in emerging economies are conducted by international corporations (Holton, 1998). Through their operations, these institutions promote Western ideas and technologies and subsequently this kind of dominance worldwide has a significant impact on local corporations which results in these corporations’ thinking that these new techniques as superiors comparing with local practices. The presence of international corporations facilitates the transmission of their business culture, concepts and techniques to the emerging economies (Sklair, 1995). According to Harrison (1988, p.98), these corporations are regarded as “the main agents of neo-colonialism [and] the prime carriers of capitalism”. The colonised economy is regarded as an extension of the economy of the colonizer and it is fully dependent on global capitalists, particularly from the coloniser’s home country.

Considering this kind of modernisation path as a solution, local groups and organisations decide to follow it and to buy Western experts' advice (Sklair, 1995; Holton, 1998; Waters, 1995). As a result of mass marketing and the tendency for global corporations to standardise their products, international corporations have been used to promote Western lifestyle based on consumerist values. Organisations (e.g. Coca Cola, Nike, Microsoft) emerged as global icons, promoting ideal Western images and defining what good life means, seeking to shape people's identity (Holton, 1998). The global capitalist class tried to create individuals or groups of individuals who "have global rather than local perspectives on a variety of issues [and] consider themselves 'citizens of the world' and share similar lifestyles, particularly patterns of luxury consumption of goods and services" (Sklair, 1995, p.71). This new way of thinking makes people to identify themselves with Western standards and ideals believing that everything in the West is always better.

In this thesis, capitalism theory is used as it helps to understand how capitalism has expanded into a global system within which the West has obtained a major role. Scientific accounting, identified with the double-entry bookkeeping, played an important role in releasing, activating, stimulating or accentuating the rational pursuit of unlimited profits; an essential element in the capitalist spirit (see Sombart, 1919). Based on this assertion, the British Empire exploited Cyprus during colonialism to increase its profits from the trading activities such as exports of the domestic products and resources. A similar trend continued after independence where Britain had pursued to maintain trade and business links with Cyprus. The imperialism theory helped to make clear what kind of process is globalisation through which the West exercises its political authority across national boundaries in the service of the internationalisation of capital. The emergence of international corporations in Cyprus shows the operation

of globalisation and the adoption of Western lifestyles such as products and services offered by these corporations. It further shows the Imperial and Western influence and dominance upon the local inhabitants' lifestyles. This postcolonial foreign influence is not confined to economic spheres, but it extends to cultural, educational, legal and political spheres (Sklair, 1995). Although there is no need for direct domination, the peripheries (former colonies) inherit and propagate the system used in the centre (the colonizers) (ibid).

The next section discusses how capitalism and imperialism played an important role in the emergence and development of the accounting profession in former colonies, how the global capitalism was facilitated by the expansion of Western accountancy profession and how former colonies show the role of imperial influence with the rise of accounting associations (Annisette, 2000; Poullaos and Sian, 2010).

3.8 Locating the Accounting Profession in the Colonialism, Imperialism, Capitalism and Globalisation Framework

The capitalist system was facilitated by colonialism practices in that it was become possible to expand economic activities beyond the mother country and as a result to increase the flow of capital. Colonisers gained access to former colonies, particularly in various sectors of the country from where they would obtain high percentage of control of the country's economic development. They used various mechanisms to construct relations of dependence and to persuade the colonised countries and local groups that their participation in the world economy would bring advantages for everyone. The maintenance of control of markets and technology in the West enabled

the colonisers to continue influencing and controlling former British colonies (Annisette, 2000). Accounting techniques and calculations started to be portrayed as colonial governance and control tools for the military costs of Empire by the 1830s (Neu, 1999).

As professional expertise, accounting was characterised as the ‘software of imperialism’, helping imperial powers to acknowledge the territories and local inhabitants under their control (ibid). These techniques sorted, sifted and classified, allowing knowledge of “distant places [that] were mobilised [and] brought home to centres of calculation in the form of maps, drawings, readings” (Miller and Rose, 1990, p.9). The techniques were prominent to the act of colonialism and capitalism as they were considered both as a practice itself and with ideological effects consistent with the objectives of colonialism and capitalism (Johnson and Caygill, 1971). They allowed the realisation of the economic objectives of the Empire (the appropriation, oppression and exploitation of the surplus value of the colonies) and this situation was regarded as normal and acceptable from the colonies (Neu, 1999).

These particular relationships have portrayed accounting as a key tool with significant importance in the socio-economic-political operation of the Empire (ibid). For example, the colonial administrators used accounting tools, such as wage accounting to create rules governing wage-labour contracts, for the control of production activities and to keep a record of coerced labour and their obligations towards Empire (Rodney, 1981). Moreover, accounting for taxation was an expanding practice throughout the historical development of the capitalistic Empire economy which helped the colonial administrators to gain power over the resources they controlled during colonisation (ibid). It helped the capitalists to adopt a process that would improve their capital accumulation objectives by imposing financial penalties to others (Johnson, 1972).

Accounting techniques represented one of the most powerful imperial tools of the colonisers with which they were able control and protect their investments in former colonies and to process the accumulation of capital in favour of the capitalist groups (Neu, 1999).

From this perspective, accounting as a professionalization project provides the basis to understand the relationship between the accounting techniques in the Commonwealth and British colonial masters' 'colonialism', 'capitalism' and the resultant 'imperialism'. The development of the British professions, particularly accountancy, which is linked to the imperial expansionist desire and aspiration of the British colonial administrators, has been extensively discussed in the literature (see Macdonald, 1995; Johnson and Caygill, 1971; Johnson, 1972; Abbott, 1988). As Annisette (2000, p.631) put it:

“British professional bodies [have been characterised] as imperial bodies with imperial interests, not only because of their distinct penchant for Empire building, but also because of the very important Empire-management functions which they served.”

Therefore, the advance of global capitalism has been greatly facilitated by the expansion of Western accountancy practices, which foster the effective allocation of investment activities and the extraction of the surpluses from the periphery. Western countries and supranational institutions have made significant efforts to influence emerging economies (former colonies) in such a way so as to establish professional accounting bodies following this particular model across the world. Influences and pressures exerted by the West especially during colonialism and imperialism, led to the development of professional accounting bodies at a local level. They established branches at the periphery (the colony) to support the operation of international clients (implicating in the activities of the international corporations) and the investment

activities of supranational organisations (e.g. IMF, World Bank, WTO) (Caramanis, 2002; Bakre, 2008; Annisette, 1999, 2000).

These corporations, operating in the context of globalisation in different parts of the world, especially the emerging economies, have been implicated in a series of social conflicts including oppression and exploitation (Tinker, 1980). Cooper and Sherer (1984, p.208) pointed out that “accounting policy is essentially political in that it derives from the political struggle in society as a whole but also the outcomes of accounting policy are essentially political in that they operate for the benefit of some groups in society and to the detriment of others”. From this perspective, Neu and Taylor (1996, p.438) argued that “accounting is viewed as partisan; mediating the unequal raced, classed and gendered social relations that exist under contemporary capitalism”.

The dominance of international institutions of accountancy can be traced back to the emergence and development of Anglo-American accountancy during the nineteenth century (Hanlon, 1994; Johnson, 1972). Hanlon (1994) pointed out that the development of the Anglo-American capitalism gave accountants a fundamental role in economics and society. Their techniques and practices had a significant impact upon the measurement and distribution of income, allocation of wealth, the operation of capital markets and the flow of capital investments (Mitchell and Sikka, 1993; Mitchell et al., 1994). Evidence of the growth of the most US and UK accounting firms shows that these firms started to establish contacts overseas, particularly with non-English-speaking countries with the aim to undertake international projects:

“Many English firms had developed US connections as early as the turn of the century, for example Whinney, Smith and Whinney had links with Ernst and Ernst of the USA in the early 1900s [...] George A. Touche and Co. linked up with John B. Niven and Co. to form Touche Niven and Co. to cater for transatlantic clients, and Price Waterhouse opened an office in New York in 1890 [which later] began to establish contact with accountants in other

Commonwealth countries such as South Africa, New Zealand, Australia or Canada.” (Hanlon, 1994, p.41)

This shows the active interest of the Anglo-American firms to expand their activities beyond the national borders of the UK and US to satisfy their need for the exploitation and accumulation of capital across the world. In this context, Anglo-American accountancy/auditing firms provided the specialised services that the global capitalist system asked for. This historical development of the accounting profession, which addressed the needs of global capitalistic corporations and international institutions, shows “[a] situation that allows a handful of international practices to dominate” (ibid, p.74). The well-known ‘Big Four’ accountancy firms with an orientation towards international clients and labour markets have played a significant role in shaping global accountancy practices. Their emphasis was upon the establishment of local offices worldwide that would facilitate the contacts and agreements with international companies including their foreign subsidiaries or/and foreign parent companies. Furthermore, studies of colonised regions highlight the role of imperial influence in the rise of accounting associations (Annisette, 2000; Yapa, 2006).

This expansion shows that the value of cross-national accounting professionalization studies, as stated by Parker (1980, cited in Willmott, 1986, p.556), is to “emphasise their changing role and the way in which accountants have responded to or been moulded by their environment”. For the colonies, being part of the Empire meant that “British capital, mobile British accountants, British laws, education and other institutions, the activities of British accounting associations, the absorption by colonial accountants of British models of professional accountancy” have left residues and influenced the emergence and development of their local accounting profession before and after independence (Poullaos and Sian, 2010, p.239). British influence was typically channelled through “the structuring of colonial professional organisations, in

particular relative positioning in colonial markets for accountancy services of various groupings of accountants [...] the frustration of the ambitions of post-independence State agents for the role of accountancy and the limitations of the social contributions of accountants to post-colonial nations” (ibid, p.239).

Reflecting on the influence of the colonisers upon the colonised countries, the President of the ICAEW pointed out in 1956 that:

“Anyone who examined the history of the profession in almost any country in the world cannot fail to be impressed by the major part played by Chartered Accountants from the United Kingdom in the world development of the profession.” (cited in Johnson and Caygill, 1971, p.160)

Therefore, the ‘birth’ of professional accounting bodies and institutions and the market for accounting labour depends on the level of industrialisation of a society and the specific social context (Hoskin and Macve, 1986, 1994; Edwards et al., 2007). The emergence of professional bodies and structures was led to by international professional accountancy bodies (e.g. ACCA, ICAEW). This influence by British bodies shows that accounting is a product of the British colonial power. The establishment of these professional bodies is regarded as a particular feature of the British colonial approach and the professionalization projects in former colonies as a series of interactions in relation to a particular set of conditions. These interactions involve negotiation, posturing, confrontation, conflict, conciliation and other social institutions including the State, corporations and higher education (see Wijewardena and Yapa, 1998; Verma and Gray, 2009; Alam et al., 2004; Chua and Poullaos, 2002; Dyball et al., 2007).

Regarding the expansion of ACCA professional schemes across former colonies, it is easy to understand how ACCA have succeeded through their branding of professional accounting qualifications internationally. ACCA emphasised their international

standing and contribution to offshore recruitment as a global growth strategy. Unlike former British colonies such as T & T (Annisette, 2000), Malaysia (Susela, 1999) and Sri Lanka (Yapa, 2006) where the ACCA influenced the establishment of professional accountancy bodies locally, the local accountancy bodies were established by the State. While colonialist influences played significant role in the continuity and change of institutional structures, the current forces are connected with the global professional accountancy world (Yapa et al., 2016). The colonialist and imperialist argument has been replaced by the events and impacts of the internationalisation of the global economy and professional globalisation (ibid). The colonialist thesis has been used to explain how particular social institutions (e.g. accounting) are a remnant of colonial rule supported and maintained by social elites who benefit from the institutions being maintained. Ties to Britain remained strong in former colonies as local accountants adopted British models of professionalization, training and certification (Annisette, 2000; Uche, 2002; Verma and Gray, 2006).

In the case of Cyprus, the question is whether and how Cyprus has been influenced by colonialism or other factors during the process and development of local accounting profession and the establishment and operation of ICPAC. In this context, by studying accounting history one locates accounting in its socio-political-economic context, attempting “to identify the impacts of accounting and accounting change within organisations and within society as a whole” (Gomes et al., 2011, p.391). It is “viewed as a mechanism for promoting better social understanding by its ability to connect past, present and future” (Carnegie and Napier, 1996; Miranti, 2014, p.3). Therefore, there is a need to adopt research methods that would enable the examination and historical analysis of the interplay and interactions between social actors and institutional

structures regarding the advance of accounting profession in Cyprus after independence.

3.9 Research Methods

As critical realism was adopted for this thesis, the structures and various events, happened during that time for the advance of accounting profession in Cyprus, play a significant role. The already existing structures reflect how the subjectivity of individuals and the way they acted, thought and behaved was influenced and followed the techniques and technologies that great powers (colonisers) used and implemented in former colonies. Therefore, as this thesis aims to explore the emergence and development of accounting profession in Cyprus after independence, evidence is needed on the factors that affected the advance of the profession in the postcolonial period.

This thesis focuses more on qualitative rather than on quantitative data without completely rejecting the latter's presence and usage in the thesis. This is so because this thesis aims to explore the historical aspects in order to identify and analyse the types of influences on accounting profession in Cyprus. Although quantitative data includes quantification that can be used to explore historical aspects (e.g. rates of unemployment, wages, births, taxes, number of accountants etc.), McDowell (2002, p.23) argued that "they were unable to produce valuable results unless all the significant variables had been identified". Another limitation of using only quantitative data is that there is a possibility "to produce a wholly inaccurate and misleading account of historical events" (ibid). Thus, there is the need for a good grasp of the historical context before reaching any conclusions based on quantitative data. Qualitative research helps to provide a background of information given regarding social practices

and the subjects involved and place it in context as it is concerned with nuances of meaning and in depth understanding. It helps to understand social phenomena from the individual's perspective, to study human experience in natural settings (cultural or/and social contexts), to generate a plausible theory to explain experiences and behaviour. Quantitative data (statistical information on registered accountants, students followed accounting career path, professional membership rate etc.) can be used as an evidence to support the qualitative data and findings.

As this thesis is focused on the history of accounting profession in Cyprus and its development, a historical material, including stories and narrations from individuals, is needed. Based on this, oral history is considered as suitable, referring to "life history, self-report, personal narrative, life story, oral biography, memoir and testament" (Yow, 1994, p.4). Individuals, with influential positions at the time of the events related with the profession and ICPAC, would share their experiences and describe past events happening before and after independence. Oral history interviews offer the opportunity to the researcher to listen to the individuals who held high positions or/and related to the profession and with power during that time (Hammond and Sikka, 1996). A more critical perspective on the roles, uses, processes and changes of accounting profession can be grasped and brought to light before silent forever (Carnegie and Napier, 1996). From a critical realist approach, the researcher of this thesis would explore, understand and explain how these particular events influenced the subjectivity of individuals regarding the emergence and development of the profession and ICPAC. The narration of experiences by individuals would give the opportunity to these individuals to re-live or re-experience the past events and subsequently to reveal how the individuals make sense of their experiences (Perks and Thompson, 1998). Therefore, as a research tool oral history will supplement and perhaps clarify the written record or/and provide a

record of an event or process for which no written record exists (Collins and Bloom, 1991).

Furthermore, historical data material will be used in conjunction with oral history to provide a richer picture of the accounting history, the profession and ICPAC in Cyprus. Archival data obtained from ICPAC, Parliamentary and newspaper archives will be used to gain an overall understanding of the events that happened and the socio-economic-political context of the past and present period. The documents are a resource that will be used to understand better the information received by the participants (see Appendix 2) and as evidence of their discourses. The fieldwork took place during the months January and February 2015 after permission given from the current ICPAC General Manager (see Appendix 3).

The reliability and validity of the above methods was taken into consideration. Oral histories rely heavily on memory and without memory, oral histories would not exist. The issues of unpredictability and minutiae may emerge from the interviews and subsequently, the reliability of the memory may be questioned (Batty, 2009). The unreliability of memory may be a reason to form a critique on oral histories; participants may tend to exaggerate, misremember and to recall past events with any certainty, that may be questioned (*ibid*). The lived experience is said to be tainted by the influential effects of the socio-economic-political influences over time, thus making memory more opaque (*ibid*). Moreover, the issue of trust may influence the flow of oral history interview and the openness of the participant to narrate his/her experiences. The reason may be that the interviewer is engaging with person's private life (Mason, 1996) and some of his/her questions may be about sensitive topics (Roberts, 2002). Thus, the conversational approach and the building of trust may provide a relaxed

atmosphere and comfortable environment for the participant to narrate his/her experiences (Batty, 2009).

The partial survival of resources in this field has been a hindrance to the accumulation of data. In many countries, there were the cases in which historical records were poorly stored or lost in transit or destroyed due to fire or selective retention programs (see Previts et al., 1990b). This has also been the case in Cyprus. During data collection, it has been notified that a number of archival evidence, including correspondence letters of ICPAC with various organisations (e.g. ICAEW, ACCA) and individuals, were destroyed or/and lost in transit from one location to other of ICPAC. In this case, one can assume that some historical aspects and evidence for the development of the accounting profession in Cyprus may not be evident in the thesis due to the paucity of documented historical facts. However, a wide range of documents and archives (e.g. newspapers, Parliamentary reports and minutes, letters) used in this thesis aims to supplement the information missing as well as the oral history interviews. The kind of research methods used and the data collected add to the significance of this thesis, not only by ensuring its validity and authenticity.

3.10 Summary and Discussion of the Chapter

This chapter has explored various methodological/theoretical perspectives in order to craft a research tool to address the research questions of this thesis. Examining and analysing Burrell and Morgan's (1979) work, the subjective-objective dimension for analysing the nature of social science and the assumptions about the nature of society helped to understand the ontology, epistemology, human nature and methodology and to identify the research methodology for the study. From the four paradigms, the critical realist approach was chosen for this thesis after an analysis on what previous

researchers have adopted regarding the investigation of the emergence and development of the accounting profession.

In the work of critical theorists, various definitions of what is history are given. Foucault's (see Rabinow, 1984) philosophy is based on the assumption that human knowledge and existence are deeply historical; what is most human about man is his history. He uses history as a means of demonstrating that there is no such thing as historical necessity; that things could have been and could be otherwise. However, Marx (2001) sees human society as fundamentally determined at any given time by the material conditions, namely historical materialism. The history of class struggle is central to his theory as he describes the polarization of the proletariat, the bourgeoisie and the petty bourgeoisie into two distinct groups of workers and capitalists. The absolute meaning of history is constituted in the form of the proletariat that will rise and lead to the future dissolution of all classes. On the other hand, Weber (1964) defines history as infinitely complex and irrational, considering a historical event being the result of a complex and infinite array of causal relationships, implying a sense of chaos behind the event. The main distinction between the last two theorists regarding historical analysis is that Weber asserts that culture catalyses economic conditions and Marx writes that economic conditions manifest themselves in society and culture.

In this thesis, critical realism is adopted and history is considered in deep layers of reality, as a phenomenon being examined through the interaction of society's structures, agents and discourses. Critical realism goes beyond context to seek explanation in the history of phenomena. Therefore, history is used as a means of examining and understanding the factors that had an impact on the emergence and development of the accounting profession in Cyprus. The notion of 'emergence' is used to explain how and why particular events or social processes take place in this particular

way, under certain conditions by examining and analysing the interactions of human actions. The appearance of something new such as objects composed of other objects, brings new structures, powers and mechanisms. This deep examination of reality shows whether a particular process or a social action reflects a continuity or discontinuity of pre-existing structures, leading to reproduction or transformation respectively.

The emphasis upon history entails the use of research methods that can explore, understand and explain in deep level how the socio-economic-political context contributed to the emergence and development of the accounting profession in Cyprus and subsequently the establishment of local professional body and its operation through the years. Oral history interviews from individuals related with the profession and ICPAC were conducted to gather information through their shared experiences. To substantiate the information collected from participants, this thesis adopted the archival research method, examining ICPAC, Parliamentary and newspaper archives. These methods will help to gain an overall understanding of the events that happened and the socio-economic-political context of the past and present periods that may have affected the development of local accounting profession. An examination of socio-economic-political issues, using historical analysis and the supplementary concepts of capitalism, colonialism, imperialism and globalisation to support critical realism, are used as the basis for explaining and understanding the topic under investigation. The next chapter will analyse the socio-economic-political context of Cyprus to illuminate the various influences on the local accounting profession and ICPAC and to provide the relevant setting of the emergence and development of accounting profession in Cyprus.

Chapter 4 The Social, Political and Economic Context of Cyprus: Effects on Local Accounting Profession

4.1 Introduction

In the previous chapter, the accounting profession was characterised as a social institution embedded in a particular socio-economic-political and historical environment. Under the influence of globalisation, capitalism and residues of colonialism, its emergence has been shaped by local histories, institutional structures, intermediaries and the patronage of the State. The critical realist approach, which has been adopted in this thesis, provides linkages between broad social forces and the struggles of a group to provide continuity and shape change. Continuity and change, which can also include discontinuities, are recurring features in the struggle of shaping a recognised accountancy profession in Cyprus. This chapter attaches considerable importance to historical developments as they provide the context for the emergence of new social formations and institutional structures. With this in mind, the chapter argues that Cyprus' economic and political elites who have had key links with Western accounting institutions and business practices played a significant role in the development of the profession. Their influence has particularly been strong in the post-independence period (after 1960) and during the establishment of ICPAC. It is not only the colonial residues and the British influence that have shaped the development of the accountancy profession; Cyprus also had to adjust to a changing international

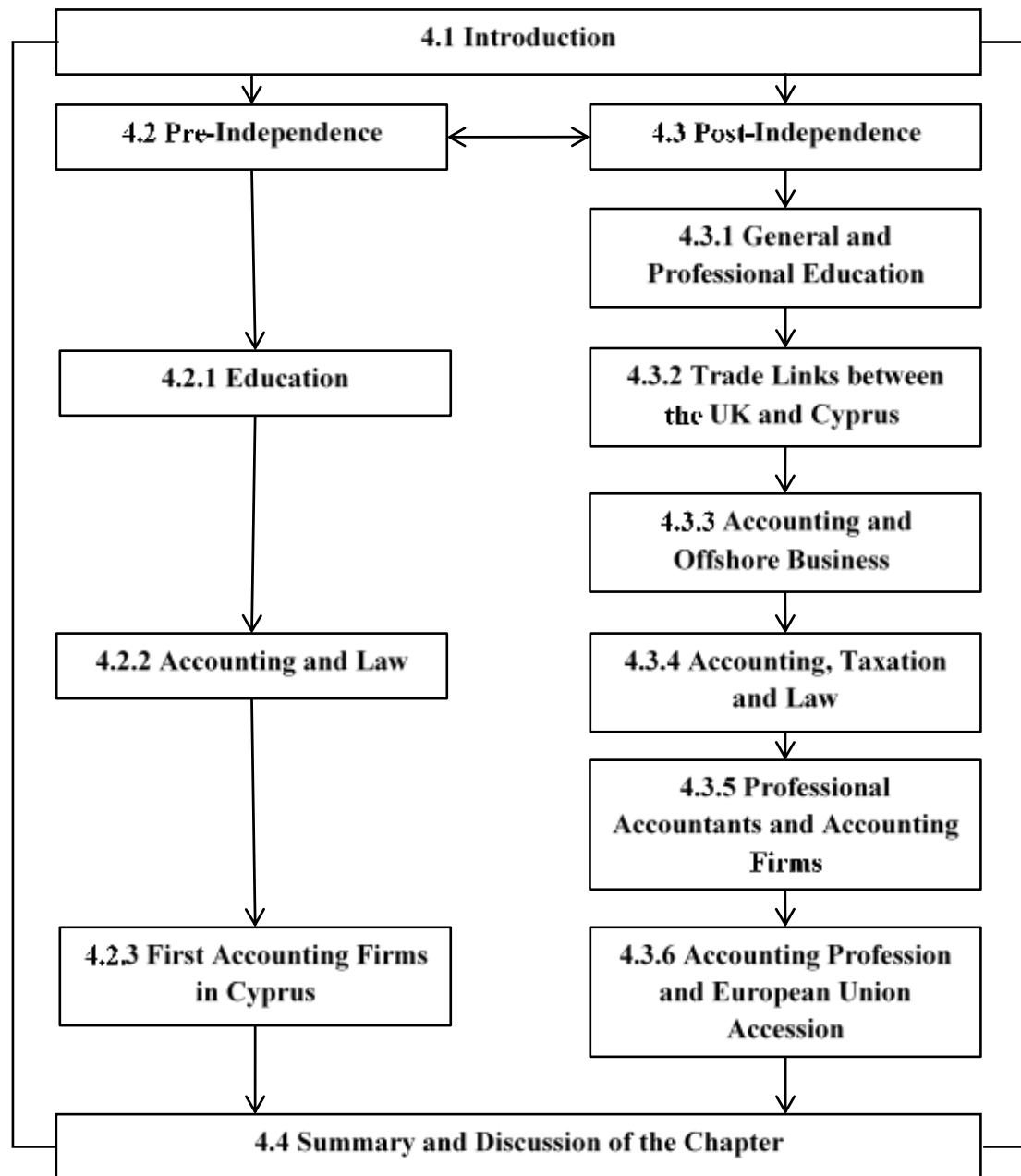
environment. To survive in a fiercely competitive world, Cyprus joined the EU in 2004 and the EU processes have also shaped the advancement of the profession.

This chapter consists of four sections (see Figure 4.1 below). Education is a key technology for shaping people's subjectivity³¹ and sense of identity. Unsurprisingly, it has been a key resource for successive colonialists. Section 4.2 examines how education and legislation were developed during the pre-independence period and used as part of social closure, standardization of social subjects and a mechanism by the British to control the colonised country and to transfer the British accounting model to that context. Accounting and legislation were used by Cypriots to facilitate the creation and operation of business affairs, the preparation of financial statements and the implementation of tax system based on the British model. The increased number of businesses on the island based on the British system created the need of accountants to handle the commercial and economic necessities. Furthermore, it offers insights regarding the emergence of the first accounting firms in Cyprus during that period, that showed the high demand of accountants to undertake the preparation and recording of bookkeeping accounts of the companies which carried out business locally. This historical analysis builds up a picture of how accounting emerged and the factors that played significant role in its expansion locally. Section 4.3 discusses the period after Cyprus' independence by examining education, legislation, taxation and accounting firms and how these had an impact on the accounting profession's development. It focuses on the continuities and discontinuities of various events (e.g. the arrival of foreign firms, the emergence of offshore business, the EU accession of Cyprus); whether they

³¹ Gramsci (1971) recognised that subjectivity, consciousness, is key to action. His insights are about how power is constituted in the realm of ideas and knowledge, expressed through consent rather than force. Based on the practice of hegemony, human is an active subject and the structures of human life do not exist separately from the thinking of them and so the question of consciousness, the nature of human subjectivity, is essential to understand society as it is and what it can become.

were transformed or reproduced through social agents' interactions and choices. Furthermore, evidence is provided on the continuous relationship and collaboration of Cyprus with the UK in various sectors (e.g. education, trade) after independence. Lastly, section 4.4 provides a summary and discussion of the chapter reflecting the key issues and how this chapter prepares the reader for the next chapters.

Figure 4.1: Flow of Chapter Four



4.2 Pre-Independence

Cyprus is an island in the Eastern Basin of the Mediterranean Sea and the third largest island after Sicily and Sardinia, located south of Turkey, west of Syria and Lebanon, northwest of Israel, north of Egypt and east of Greece (see Map 4.1 below)

Map 4.1: Location of Cyprus



Source: InterCyprus.com (2015)

The importance of Cyprus was evident from the Bronze Age (2500-1000 BC) when it was regarded as a principal source of copper (from which the island derived its name) and strategic trading centre. During that period, Mycenaean Greek merchants travelled to Cyprus to buy copper metal and they later settled permanently in Cyprus, building colonies and cities (Ambashe and Alrawi, 2013). They brought their habits and customs in Cyprus such the Greek language and commercial techniques. The public economy of the Athenians in Greece had a highly developed system of accounting and auditing where accounts were kept by clerks and controlled by ‘checking clerks’ (de Ste Croix,

1956). The introduction of coined money around 600 BC has contributed to Greek bookkeeping and the evolution of accounting in general (de Ste Croix, 1956; Ambashe and Alrawi, 2013). By their residence in Cyprus, Greeks influenced the system of accounting techniques locally. As the records were kept in monetary terms, bookkeeping would be characterised as more specialised, indicating some kind of commercial accounts. However, since writing was conducted on fragile and nondurable papyrus, it was impossible for the accounting records to survive. The existence of coins and their use in ancient Cyprus suggest the possibility of some accounting records being maintained (Michaelidou and Zapiti, 1985).

Cyprus' location in the middle of the ancient world and its geographical position among the three continents of Europe, Asia and Africa attracted various conquerors, who wanted to take the advantage of the island's strategic location to enhance and develop their trading activities and to gain control of the crossroads of the sea's communication routes. Particularly the arrival of the British in 1878 and after the island's annexation by Britain in 1914, influenced the emergence and development of local education, accounting and legislations (e.g. commercial laws such Companies Act, taxation) and also contributed to the arrival of the first accounting firms and the advance of the local accounting profession during its pre-independence period. The remainder of this chapter focuses on Cyprus' interaction with the British which arguably facilitated the emergence of modern accountancy profession.

4.2.1 Education

As Greeks settled in Cyprus during ancient times, local inhabitants developed a particular affinity with them. They shared the value systems of their conquerors and viewed themselves as descendants of the ancient Greeks (Persianis, 1996). The Greek

rule played a significant role in the development of local educational affairs. Cypriots adopted the Greek system of education and literary subjects where the ancient Greek language and grammar, history and religion became elements of the local education (Persianis, 1978; Storrs, 1939). Greek culture and traditions were absorbed into the Cypriot culture and often became indistinguishable from local practices. When Cypriots were under British colonialism (1878-1959), they were suspicious of the colonial rulers proposing curriculum modifications or promoting in any way the teaching of the English language (Persianis 1978). They interpreted these movements from colonisers as an intention to ‘dehellenise’³² them (Persianis, 1978).

British Empire covered large parts of the globe and trade was a key element in extraction of wealth from the colonies. Administrators, clerks and written documents were needed to record the financial flows of the Empire. The Cypriot education nested in classical Greek traditions did not quite suit the needs of the British (Persianis, 1996). The new colonial masters began to promote a utilitarian³³ education system offering training in the fields of record keeping, commerce, agriculture, local crafts and modern technology. They expanded the education system by promoting the British model of schools’ syllabus and virtues of the English language and culture in order to facilitate control and exploitation of the island. The schools sought not only to produce new workers but also to shape people’s identity by making them feel that through education they can emulate their colonial masters.

Education and technical training were needed for someone who wanted to perform record-keeping and control functions. However, the syllabus on local secondary

³² This means not to allow them to become Greek or Hellenistic in character or to adopt Greek ideas, language or customs. The origins of this verb comes from the Greek word ‘Ελλάς’ (‘Hellas’), meaning Greece.

³³ Utilitarianism is an ethical theory, proposed by Jeremy Bentham and James Mill. It places the locus of right and wrong solely on the outcomes (consequences) of choosing one action/policy over other actions/policies. All action should be directed toward achieving the greatest happiness for the greatest number of people.

schools did not offer adequate education and training for such a career path during the period 1878-1931. The reason for this limitation was that the schools were more focused on literary subjects and used to prepare students for higher studies in Constantinople or in Athens, Greece. Even during the 1930s, a number of children did not receive the required education for their age due to lack of financial resources and the need to work from young age to help economically their families. The British encouraged the establishment of schools to ensure an adequate supply of clerks and minor officials to run the administration of the island (Storrs,1939). Although Cypriots initially hesitated to follow the British educational model, they gradually warmed to it as it seemed to offer a better future for their children. This transformation on education and social image was evident through Cypriot peasants' common expressions; "I hope my son will not become a peasant [and] he will go to the secondary school and become a clerk" (SurrIDGE, 1930, p.17). The table 4.1 below shows an increased social demand for education during the period 1870-1940.

**Table 4.1: National Primary Enrolment Ratios³⁴ by Decade for Cyprus³⁵ during
1870-1940**

Year(s)	Enrollment Ratios
1870-75	-
1880	15.2
1890	28.8
1900	37.9
1910	47.0
1920	56.4
1930	62.4
1935-1940	57.6

Source: Adapted from Benavot and Riddle (1988, p.206)

With British education, many Cypriots secured work in British military camps or British administration as colonial civil servants and clerks (Rappas, 2006; Department of Registrar of Companies and Official Receiver, 1923). Until the 1940s, the ultimate aspiration of a rural family was for its male offspring to become teachers, clerks or civil servants (Persianis, 1996). The effort to promote British accounting educational model was to transform Cypriots' educational level and to achieve efficient quality of people working for and not against the Government (Storrs, 1939).

Furthermore, the colonial government developed a plan to check the traditional tendency of Cypriots to emulate Greek educational model and to motivate them to pursue their studies in UK. The plan may have aimed to create elites who might sympathise with the British values. Firstly, it persuaded the Colonial Office in London to establish a British university in Cyprus (Persianis, 2003). Secondly, it offered

³⁴ Enrollment ratios are only one measure of the expansion of formal education. They are calculated by "taking the number of students at a particular educational level (primary, secondary or tertiary) and standardizing that figure by a measure of the 'population at risk', in other words, the relevant school-age population" (Benavot and Riddle, 1988, p.195).

³⁵ Cyprus, 1880-1900, includes both primary and secondary schools.

scholarships (see The Cyprus Gazette, 1956, p.623 and Appendix 8) in various fields including accountancy to Cypriots for the British universities and colleges and later appointed their graduates in very high positions in the public and educational services (Persianis, 1996). The table 4.2 below indicates the number of students from Cyprus pursuing full-time university education in UK for the academic years 1945, 1946 and 1947. It shows little interest in business subjects and not so much interest in accountancy which may have not been taught at many universities during that time.

Table 4.2: The number of Cypriot Students and the Subjects studied Full-time in UK for the Academic Years 1945, 1946 and 1947

Subjects	Year 1945	Year 1946	Year 1947
Accountancy	-	2	3
Agriculture	6	5	10
Architecture	2	2	2
Arts	12	12	13
Commerce	3	1	2
Economics	2	6	5
Engineering	1	12	14
Law	25	31	43
Medicine	8	9	10
Science	11	13	9
Teacher Training	7	4	5
Nurses	-	4	5
Miscellaneous	4	13	19
Total	81	114	139

Source: Adapted from UK Parliament (1948)

Some years later, in 1954, the number of colonial students (with Cypriot nationality) that arrived in UK to study various subjects including accountancy decreased to just 20³⁶ (UK Parliament, 1955a).

There was a need for local academic secondary schools to provide training and to promote the British educational model (e.g. accountancy). According to the UK Parliament (1955b), there were proposals to develop technical education in Cyprus and the existing Apprentices' Training centre to be extended into a preparatory technical school with plans to open in 1956. The establishment of training centres would facilitate the domination of British educational model where British would operate them based on local needs. Command of English language and commercial knowledge soon became essential elements for the social mobility of Cypriots.

Therefore, the establishment of high schools³⁷, including private schools, was the means through which local inhabitants had the opportunity to learn English and to acquire commercial skills, such as bookkeeping, typewriting, shorthand and other commercial skills (Orr, 1972; Persianis, 1996). The private schools provided training on commercial and accountancy skills and the British external examining bodies such as the London Chamber of Commerce and Industry (hereafter, LCCI), Cambridge University Examining Board, offered the certification (Persianis, 1996). As these British bodies were “extended to the whole of the UK and the Colonies” (Lysons, 1988, p.50) offering similar services, Cypriots emulated and implemented these services in their local schools.

³⁶ The reason for this reduction may be the Greek Cypriot nationalist guerrilla 1955-59, named EOKA (in Greek, Εθνική Οργάνωσις Κυπρίων Αγωνιστών, *Ethniki Organosis Kypriou Agoniston* - "National Organisation of Cypriot Fighters").

³⁷ According to Persianis (1996, p.58), five communal high schools in large villages and 14 private secondary schools in towns and large villages were established, all offering mainly the teaching of English and training in typewriting and accountancy.

The LCCI examinations in bookkeeping and accountancy were offered by a local Commercial High School (Lyceum) of Nicosia named Neocleous Lyceum³⁸ after its establishment in 1950s. Furthermore, another two secondary schools offered teaching of commercial subjects; the Pancyprian Lyceum³⁹ which was founded in 1911 and American Academy (in Larnaca) founded by two missionaries of the Reformed Presbyterian Church of North America, namely Rev. Walter and Mrs. McCarroll who had arrived in island in 1903 (Clarke, 2011). A Turkish Lyceum also included bookkeeping and accounting subjects in the Lyceum curriculum from the 1905/06 academic year onwards (Clarke, 2013).

The influence of the British educational model was significant for the development of local schools' curriculums and training of future clerks and accountants. The aim of the founder of Neocleous Lyceum, Mr. Kyriacos Neocleous, was to “create humans with healthy character, upper spirit and high commercial conscience” (Association of Neocleous Lyceum Alumni, n.d.). During the 1950s, he encouraged his top students⁴⁰ to pursue a career as professional accountants by either acquiring the ACCA or ICAEW qualifications in UK or by obtaining ACCA qualification with correspondence (Zampelas, 2014; Philippou, 2013). However, these qualifications were something new and unfamiliar to most Cypriots who hitherto thought that only LCCI qualifications were required for a career in accounting profession (ibid). The encouragement from

³⁸ During the first years, it was named the High Commercial Lyceum of Nicosia (Ανώτατο Εμπορικό Λύκειο Λευκωσίας). In 1961, the name was shortened to 'Commercial Lyceum of Nicosia' (Εμπορικό Λύκειο Λευκωσίας). In 1965, it took the name 'Pancyprian Economic Lyceum (Παγκύπριο Οικονομικό Λύκειο)' and in 1975, 'Economic Lyceum of Nicosia (Οικονομικό Λύκειο Λευκωσίας)' (see Association of Neocleous Lyceum Alumni, n.d.; Egkomi Secondary School, n.d.).

³⁹ It describes itself as the first commercial school in Cyprus to be recognized by the government (see Pattichis, 1936).

⁴⁰ During the first school year, 253 students (both male and female) were registered, consisting of 153 in Grade 1, 50 in Grade 2 and 50 in Grade 3. During the second school year, the students increased to 450, in third year to 540, in the fourth year to 620 and at some point they exceeded the number of one thousand students. (see Egkomi Secondary School, n.d)

teachers to students to choose British education schemes and qualifications shows the continuity of British influence on local education system.

The turn from Greek to the British educational model was considered to be an important factor in shaping an individual's subjectivity and mobility in society (Clarke, 2008). Especially so because there were children of lower socio-economic classes who could not afford to attend a university abroad and this change offered them an opportunity for a better future (Persianis, 1996). The preparation of Cypriots for British accountancy qualifications and acquiring the English language and other commercial skills enabled them to go abroad for job purposes. Furthermore, the development of Cypriots' education with the required skills, competences and other materials facilitated the British Empire to exploit the local resources and to use Cypriots as a workforce for jobs in the Empire and abroad (Clarke, 2008). Thus, the transformation of the colonial society into a Western society took place where colonial residues continued to be reproduced and British proceeded to further reforms on legislation. The legal arrangements would facilitate the establishment and operation of accounting firms and businesses in Cyprus. Several reforms on local legislation took place regarding the commercial sector and the accounting profession.

4.2.2 Accounting and Law

The export of British business and accounting legislation to Commonwealth countries was structured according to that of its former colonial masters (Walton, 1986). Sources of ideas and authority from the British law were used extensively in Cyprus law (Vafeas et al., 1998), while commercial activities and company legislation were greatly influenced by the British model. The British replaced the Ottoman Commercial Code

with Companies (Limited Liability) Law 1922, based on the British legislation of 1908 (Clarke and Varnava, 2013), introducing the statutory provisions for company law and financial reporting practice locally. The provisions of this legislation required that “each company shall at each annual general meeting appoint an auditor to hold office until the next annual general meeting” (s.83) and auditors had the “right of access at all times to the books and accounts and vouchers of the company, and shall be entitled to require from the directors and officers of the company such information and explanations as may be necessary for the performance of the duties of the auditors” (s.84). However, there was not any provision regarding the qualification of auditors. The review of balance sheets around that time indicates that a company’s auditors were as likely to be lawyers or doctors as businessmen. This reflects the absence of individuals who described themselves as accountants.

The Partnership Act 1928 and the Bankruptcy Law 1930 were implemented later in Cyprus by the British to facilitate the imperial cooperation on a global basis (Graham, 1959; Harris and Crystal, 2009). Meanwhile, accounting practices and the implementation of the new legislation appeared on Bank of Larnaca Limited financial statements (see Figure 4.2 below) and on Cyprus Mines Corporation in 1929 focusing on keeping records of accounts receivable, accounts payable, cash received and paid as they were regarded as evidence in the case of bankruptcy of the business and as a means to prevent fraud among employees (Clarke and Varnava, 2013; Department of Registrar of Companies and Official Receiver, 1923).

Figure 4.2: Financial Statements of Bank of Larnaca Limited

BANK OF LARNACA LIMITED.

Balance Sheet 31st. December 1929

LIABILITIES

To SHARE CAPITAL:

AUTHORISED:

25,000 Shares of £ 4 each £ 100,000

Issued and fully paid up:

14,891 Shares of £ 4 each £ 59564. 0.0

• Reserve Fund • 942.10.6

• Deposit and other accounts • 17405. 8.0

• Bills for Collection • 8573. 2.8

• Divident (Unpaid) • 47.19.5

• Profit and Loss account:

Net profit • 4528.13.0

£ 91061.14.1

ASSETS

By Cash in hand £ 347.13.1

• Balances with Banks and Correspondents • 6837.16.0

• Current Accounts • 26589. 4.4

• Bills Receivable • 14765. 1.0

• Advance to Customers and other accounts • 3358.16.3

• Real Estate, Furniture and Fittings • 530. 0.0

• Preliminary Expenses Balance • 45. 0.0

• Bills for Collection (per contra) • 8573. 2.8

£ 91061.14.1

PROFIT AND LOSS ACCOUNT

To General Expenses £ 1007.12.3

• Depreciation on Real Estate Furniture and Fittings • 47. 0.4

• Interest on Deposit accounts • 495.10.5

• Reserve fund • 302. 2.2

Divident for the year 1929

57d. on each share at the rate of about 7 o/o

• 4136. 7.7

• Balance to Credit of Profit and Loss New account

• 392. 5.2

£ 6380.18.5

By Interest, Commissions etc. £ 6380.18.5

£ 6380.18.5

BY BALANCE TO PROFIT AND LOSS NEW ACCOUNT £ 392. 5.2

LUKE ZENO PIERIDES, Chairman.

LAURENT L. JERONYMIDES, Secretary.

REPORT OF THE AUDITORS

We have audited the above Balance sheet with the Books and accounts relating thereto. We have obtained all the information and explanations we have required. In our opinion such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the Company's affairs, according to the best of our information and the explanations given to us and as shown by the books of the Company.

Larnaca (Cyprus), 29th January 1930

M. CONST. AGHIOTIS)
CHRISTOS GEORGIOU) Auditors

Source: Clarke and Varnava (2013, p.301)

Although the Companies Law of 1922 was the main source of business legislation in Cyprus, its provisions were so general to allow considerable flexibility in how they followed the British practice. The Act did not give a detailed description of how companies should organise their bookkeeping and report their financial results and position. The Act mandated the application of the ‘true and fair view’, a concept which continued to be prevalent for the following years in Cyprus (Vafeas et al., 1998). This concept, which was neither specifically defined nor explained in the Act, was determined via the exercise of professional judgement and was reflected as “give a true

and correct view of the state of the company's affairs" (s.84.2 of Companies Law 1922). This left enough room for companies to record and present information in a form and content in which suited their individual circumstances (see Chastney, 1975; Rutherford, 1985). Therefore, there was a need of accountants to carry out duties related with the preparation and control of financial statements.

Between 1921 and 1939, there was only one qualified chartered accountant listed in Cyprus, named Kenneth Charles Jacobs who became qualified in 1927 (Clarke, 2013, p.22). At that time, Cyprus was primarily an agricultural economy and accounting was mainly concerned with record-keeping (Pelides, 2001) in order to meet the needs of trading ventures and the provision of control information to owners and managers. Within this framework, the need for sophisticated information and comprehensive financial statements was limited. The transformation of the society and the colonial exploitation of Cyprus required knowledge about values, debts, assets, income and profits. Therefore, the emergence of accountants could facilitate the local commercial activities and the control of local and foreign companies. This particular need of accountants is captured by a newspaper advertisement which stated that:

“The establishment of Chartered Accountants in Cyprus was and is considered as a necessity which can render good services to the shareholders of limited liability companies and to the government at large [...] we all know that the audit of accounts of limited companies and other institutions, including the municipalities, is done by persons who no doubt have not the knowledge and experience of chartered accountants” (Embros, 1937, p.1).

The advertisement reflects how the British started the proliferation of accountants locally in order to facilitate the commercial activities and the control of local companies. According to Clarke (2013), Nevvar Hickmet was the first Cypriot to qualify as a chartered accountant in 1936 and later he became an important role model and example for other Cypriots, inspiring them to pursue this career path. For example,

Xanthos Sarris (obtained the ACCA in 1950) who subsequently established Eureka Group in Cyprus, George Syrimis (obtained the ACCA in 1952) who later served as a Finance Minister of Cyprus during 1988-1993 and Rustem Tatar (obtained the ICAEW qualification in 1955) who later became Auditor General of the Republic of Cyprus (Clarke, 2013; Clarke and Varnava, 2013) and many others pursuing this kind of career were profiled by Charalambous et al. (1988, 1991).

An increase of local and foreign firms and exports and imports also meant an increase in their financial transactions which in turn created the need for imposing income tax on traders' accounts. This need was reflected as "special reference to the condition and interests of agriculture, commerce and industry and to report whether the burden of taxation is equitably distributed and if not to make recommendations for its adjustment" (Cyprus, 1930, p.3). Based on this need, a relevant legislation (Income Tax, 1941) was implemented, which stated that income tax was payable in respect of profits from any trade, business or profession together with income arising from dividends, interest, pensions and rents. This introduction of legislation shows the attempts of the British to implement a local tax system for exploitation purposes of commercial activities. Furthermore, the Income Tax legislation showed the importance of accountants on the island to deal with tax returns.

Following the model of the UK Companies Act (1948), the Companies Law of 1951 was introduced to provide additional provisions relating to accounting information disclosure for profit and loss and balance sheet accounts. With this reform, the country followed and implemented the provision of the qualification of accountants/auditors which stated that only the persons with British professional qualifications (e.g. ACCA, ICAEW) were permitted to audit companies in Cyprus. This British influence is evident in Section 155 of Companies Law (1951):

“A person shall not be qualified for appointment as auditor of a company unless either: (a) he is a member of a body of accountants established in the United Kingdom and for the time being recognised for the purposes of this provision by the Governor; or (b) he is for the time being authorised by the Governor to be so appointed either as having similar qualifications obtained outside the United Kingdom or as having obtained adequate knowledge and experience either in the course of his employment by a member of a body of accountants recognised for the purposes of paragraph (a) of this subsection or by having before the commencement of this Law, practiced in the Colony as an accountant.” (p.116)

Therefore, Cypriots started to follow this path by taking these professional qualifications to develop their professional skills and competences and consequently to enhance their social mobility in local and foreign markets. The reason for this continuity was their experience with the British regarding the appointment of accountants in the Empire, considering this way as the most appropriate one for their advancement in society. The proliferation of qualified accountants and the financial flow between local and foreign markets were the reasons for the establishment of accounting firms in Cyprus. These particular firms would facilitate the production of accountants and attract foreign capital in Cyprus by the interactions and connections of local accountants with the firms abroad.

4.2.3 First Accounting Firms in Cyprus

The arrival and establishment of local and foreign firms located in Cyprus were based on the Western logics of trade, control and accountants. The emergence of accountancy firms locally provided the professional ground to continue with the production of accountants. The first professional accountancy firm founded in Cyprus was Russell and Co in 10 May 1937, registered as a partnership in Cyprus under the Partnership Law of 1928 (see Appendix 9). It was the only firm offering services in Cyprus

including audit, accountancy, tax and consultancy. Its first partners⁴¹ were a cosmopolitan group and consisted of businessmen from Cairo, Alexandria and Jerusalem (H & H Accounting Services Ltd, 2015). The partnership was later joined by Cypriots who were British qualified accountants and managed to gain the trust of the foreign partners (Hadjiroussos, 2015) in managing the practice in Cyprus. In 1962, it became a representative firm of Arthur Young⁴² who wanted to expand their network to Cyprus and thus, they entered into an agreement with Russell & Co for their representation in the island. Arthur Young were involved with the running and management of the practice of Russell & Co where they trained the staff of Russell & Co and shared audit manuals, profits, incomes and others. The firm acted as auditors to several local companies and its clients were mainly big organisations such banks (e.g. Bank of Cyprus, Bank of Larnaca Limited), Cyprus Airways, Mobil and Cyprus Mines Corporation. Embros (1937), a newspaper issued that period, documented this event by announcing that:

“A good British firm of Chartered Accountants who are well established in Egypt, Palestine and Syria visited Cyprus lately, with the object of sounding out the place to see whether there would be any prospects for his firm to open a branch here.” (p.1)

The second oldest firm is D.Th. Antoniadis & Co, which was established in 1942⁴³ in Nicosia by Mr. Antoniadis who was an unqualified person but carried out the profession of accountant and auditor on the basis of his experience. In 1963, the firm was renamed as Antoniadis and Costouris and later as Antoniadis, Costouris and Michaelides in 1972. In 1977, it changed to Costouris, Michaelides & Co Firm. According to Anastasiadis (1991), the firm was characterised as the only Cypriot audit

⁴¹ According to Clarke and Varnava (2013, p.303) the names of its first partners were John Charles Sidley FCA (Cairo), William Gibson Carmichael CA (Alexandria), Robert Rainie Brewis CA (Cairo), Sherley Dale ACA (Cairo), Oscar Couldrey ACA (Alexandria) and Alfred Nicholson Young ACA (Jerusalem).

⁴² Now it is part of EY audit/accounting firm.

⁴³ In 1982, it became member of Grant Thornton International. Now it is part of Grant Thornton Cyprus.

firm that expanded its operations across Cyprus, Greece and Middle East (including United Arab Emirates, Oman and Saudi Arabia). The third accountancy firm was G. Syrimis & Company, formed in 1948⁴⁴ by George Syrimis who studied BSc Economics and ACCA in UK. The fourth firm was Chrysanthou & Christoforou⁴⁵ established by Christodoulos Chrysanthou and Michalakis Christoforou in January 1958. As there were trading relationships with various countries and the arrival of foreign firms and investors, these accountancy firms provided them with the required professional services to conduct their economic transactions and collaborations.

However, the scene seems to change after Cyprus finally gained its independence in 1960. As a new republic, Cyprus promised to make lucrative changes for its inhabitants and the local economy, turning the island into a better place.

4.3 Post-Independence

After the World War II, a worldwide process of decolonisation commenced in which Britain granted independence to all of its major colonies. Cyprus gained its political independence after almost a century of rule by Britain, by virtue of a Constitution and three Treaties (the Treaty of Guarantee, the Treaty of Alliance and the Treaty of Establishment), all of which came into operation the same day; 16th August 1960. Britain transformed Cyprus from an agricultural and undeveloped economy to a country that could offer prosperity to its local economy having obtained many reforms in various sectors including legislation, accountancy and education. Cyprus became an international tourist and business centre offering financial services (including accountancy) to foreign companies and investors. Although Cyprus gained its

⁴⁴ Later it became part of Peat Marwick and now it is part of KPMG International.

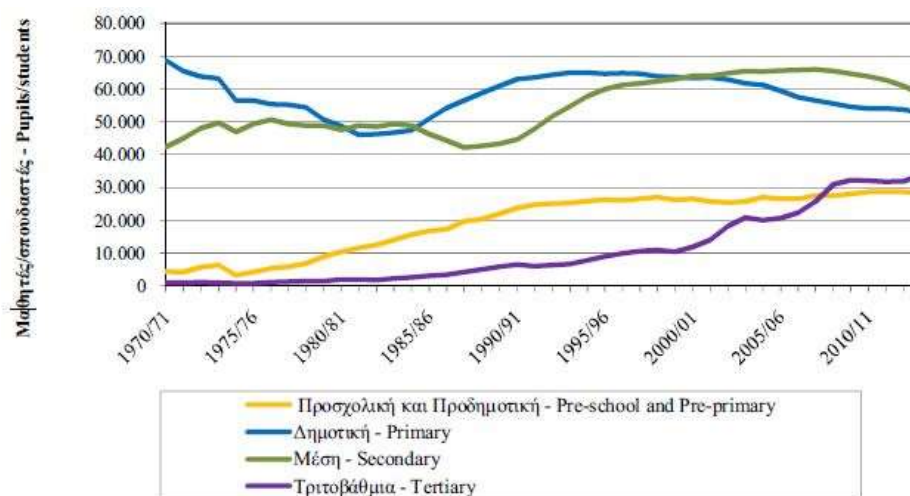
⁴⁵ Now it is Deloitte Cyprus.

independence, it continued to keep a business relationship with the UK regarding its education and trading activities. Thus, Cypriots continued to reproduce the British structures through the interactions of their actions and choices. However, the events of the Turkish invasion of 1974, the arrival of foreign companies for offshore business and the plans for Cyprus accession in EU had an impact on the economy, the accounting profession and the island's legislation. These events gave the opportunity to Cypriots to change and reform the local legal, economic and professional context and to escape from British legacies.

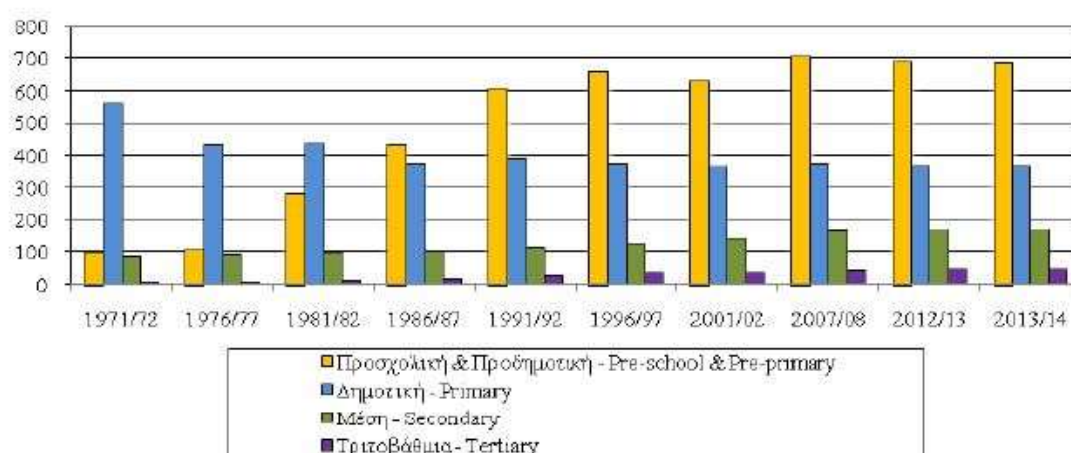
4.3.1 General and Professional Education

Education developed significantly after independence and the need for an adequately trained workforce in all sectors of the economy led educational institutions at all levels to increase in number and scope (see Graphs 4.1 and 4.2 below). After several reforms from former colonisers, education became available from pre-primary to the postgraduate levels.

Graph 4.1: Enrolments by Level of Education (1970/71-2013/14)



Source: CyStat (2016, p.19)

Graph 4.2: Number of Schools by Level (1971-2014)

Source: CyStat (2016, p.19)

However, Cypriots continued to embrace the British educational model by selecting England and Wales for their undergraduate and postgraduate studies during the post-independence period (see Table 4.3 below).

Table 4.3: Cypriot Students at England and Wales Universities for Undergraduate/Postgraduate Studies for the Period 1970-1980

UK Universities	Number of students
1970-71	308
1971-72	282
1972-73	282
1973-74	367
England and Wales Universities	Number of students
1974-75	397
1975-76	424
1976-77	479
1977-78	517
1978-79	573
1979-80	575

Source: UK Parliament (1981)

Since there was no university in Cyprus, Lord Privy Seal⁴⁶ offered special assistance to enable qualified Cypriots to pursue higher education in UK (UK Parliament, 1980). This programme for Cyprus was allocated for training awards, including places at institutions of higher education (ibid). This opportunity attracted Cypriots to continue to choose Great Britain for their higher studies. Furthermore, discretionary awards by Foreign and Commonwealth Office in 1983-84 amounted to £1 million were offered for Cypriots through the expanded British Council programme (UK Parliament, 1983). Tables 4.4 and 4.5 below show the tertiary Cypriot students abroad by country of study including the UK and by field of study including Business for the period 1966/67-2010/11. There was a continuous increase of Cypriot students pursuing studies in the UK, showing the continuity of the British educational model and the preference of Cypriots for British universities. Cypriots showed a significant interest in Business related subjects as the number used to increase year by year.

⁴⁶ A British Officer of State who has only nominal official duties as custodian of the Privy Seal but who is often made a member of the Cabinet and given special functions.

**Table 4.4: Tertiary Cypriot Students Abroad by Country of Study for Period
1966/67-2010/11**

Field of Study (ISCED 1997)	1966/ 1967	1975/ 1976	1985/ 1986	1995/ 1996	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011
Education	67	126	40	187	1.527	1.526	1.556	1.445	1.314	1.184
Arts	76	162	348	601	1.094	1.175	1.292	1.326	1.318	1.410
Humanities	287	1.776	726	697	2.178	2.112	2.250	1.980	1.641	1.349
Social and Behavioural Sciences	157	1.219	1.322	898	2.180	2.084	2.017	2.014	1.715	1.653
Journalism and Information ¹	...	...	...	...	232	251	244	233	179	219
Business and Administration	462	1.629	1.429	1.458	2.626	2.625	2.865	2.593	2.509	2.432
Law	482	1.199	549	438	812	960	1.196	1.305	1.343	1.365
Life Sciences ²	...	...	...	...	494	511	525	523	608	548
Physical Sciences	572	455	445	288	699	725	707	647	540	481
Mathematics and Statistics ³	318	264	638	557	855	879	902	897	830	745
Computing ⁴	...	...	...	...	1.243	1.321	1.539	1.376	1.217	1.090
Engineering and engineering trades	271	1.422	1.769	1.217	2.135	2.144	1.871	1.777	1.739	1.694
Manufacturing and processing	22	188	80	98	224	227	281	281	205	203
Architecture and Civil engineering	103	315	343	199	1.059	1.101	1.479	1.490	1.451	1.482
Agriculture, Forestry and Fishery	372	259	63	125	511	557	554	499	411	371
Veterinary ⁵	...	...	...	...	75	78	62	109	126	141
Health	428	1.517	1.199	1.024	2.216	2.142	2.404	2.324	2.260	2.271
Social Services	0	0	0	0	163	178	145	84	97	70
Personal Services	6	232	455	414	327	275	264	219	174	102
Transport Services	3	60	69	110	108	100	111	113	123	131
Environmental protection	..	..	..	..	25	79	115	96	97	96
Security Services ⁶	...	...	...	...	170	138	151	142	159	162
Other Programmes	171	197	407	505	0	0	0	0	0	0
Preparatory	610	711	430	397	0	0	0	0	0	0
Subject Not Stated	13	39	0	0	16	0	0	0	0	0
TOTAL	4.420	11.770	10.312	9.213	20.969	21.188	22.530	21.473	20.051	19.199

Source: Statistical Service of Cyprus (2013, p.110)

**Table 4.5: Tertiary Cypriot Students Abroad by Field of Study for Period
1966/67-2010/11**

Country of Study	1966/ 1967	1975/ 1976	1985/ 1986	1995/ 1996	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011
Greece	2.221	7.223	4.027	3.762	13.470	13.378	13.342	11.752	10.262	8.983
United States of America	140	293	2.231	1.817	762	566	519	469	355	328
United Kingdom	1.239	2.349	1.668	2.584	4.952	5.641	6.945	7.598	7.983	8.420
Germany, F.R. ¹	125	182	818	198	165	150	167	176	160	184
France	68	504	358	95	156	164	177	184	177	174
Italy	2	140	383	132	106	113	138	141	124	124
Austria	9	13	198	76	12	8	16	11	8	13
Romania	10	146	127	27	18	18	23	29	30	40
Russian Federation	110	350	63	85	148	96	92	76	54	60
Canada	3	48	59	43	49	40	37	29	27	15
Bulgaria	55	95	59	73	525	472	398	329	246	186
Czech Republic	49	147	44	29	129	126	159	159	164	162
Hungary	26	22	33	157	253	234	304	262	220	221
Other Countries	163	258	244	135	224	182	213	258	241	289
TOTAL	4.420	11.770	10.312	9.213	20.969	21.188	22.530	21.473	20.051	19.199

Source: Statistical Service of Cyprus (2013, p.110)

Regarding the accounting studies, local accounting firms encouraged young people to study locally for British accounting professional qualifications, such as the Association of Accounting Technicians (hereafter, AAT) in the early 1960s and the ACCA while local accounting firms provided them with technical support, internal training programs and in-house seminars (see Appendix 10). With local accounting firms, local universities offered British professional qualifications and they operated based on British educational model such as the usage of textbooks in English language and the language of instruction was predominantly the same language (Intercollege, 1998).

Although a State university (University of Cyprus) was established in 1989 and welcomed its first undergraduate and postgraduate students in 1992 and 1997 respectively, there were already private colleges⁴⁷ which created strong connections with UK and US educational establishments⁴⁸. The collaborations between local universities and colleges with foreign professional bodies and universities of UK enabled the continuity of the ways of producing accountants based on British professionalization schemes and university degrees.

The first college founded after independence was the Cyprus College in 1961 by Ioannis Gregoriou whose purpose was to provide a well-rounded education of high caliber where students would obtain the necessary academic and practical knowledge in the field of Business Administration. In 1998, the School of Professional Studies was formed through the acquisition of BPP College, an institution that offered primarily professional programs. Later Cyprus College was expanded by offering the British Professional Qualifications such as ACCA, ICAEW etc. (see Appendix 10). In

⁴⁷ The private colleges were Cyprus College, Intercollege, Alexander College and Philips College.

⁴⁸ For more information about the local private colleges and universities, their collaborations with foreign institutions of higher education and the business-related undergraduate and postgraduate degrees and professional studies programs offered, see Appendix 11.

2007, it became the European University Cyprus, a recognised private university by the law where bachelors, masters and PhD programmes in the fields of Accounting, Economics, Finance, Management and Marketing became available. From the beginning of its establishment, Cyprus College chose to rely on British institutions for education and subsequently, enabled the continuity of British educational and professional schemes and their availability to Cypriots.

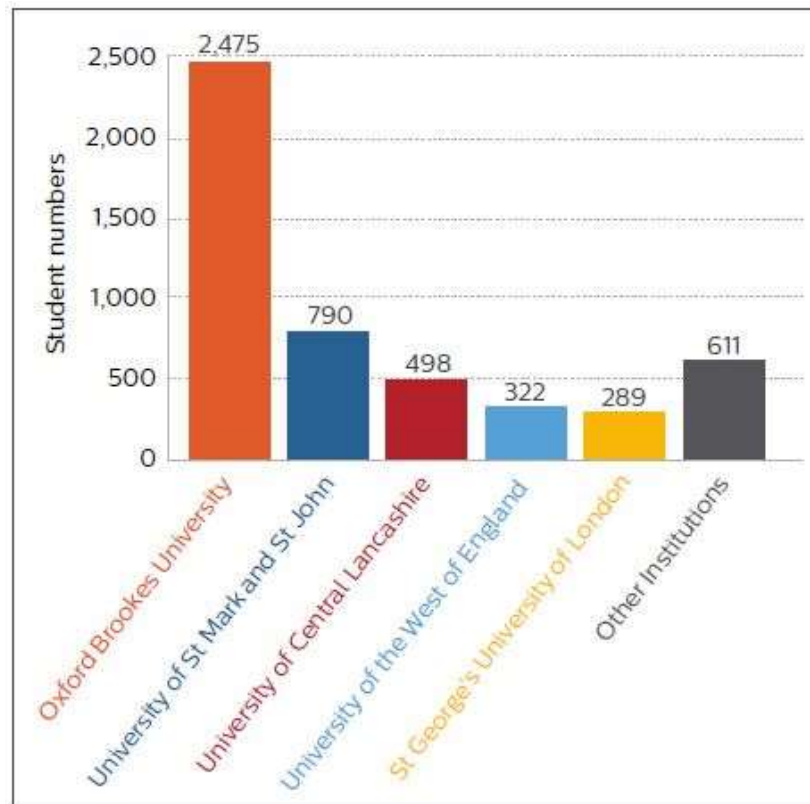
Furthermore, Philips College depended on the creation of work and educational relationships with British institutions as it succeeded in becoming a member of the Association of Commonwealth Universities. Contribution to its establishment in 1978 was made by the former Minister of Education of the UK, the honourable Gerry Fowler with Yiannis Koutsakos as former Chairman of the Council of the University of Cyprus. Furthermore, a professional accountant, Philippos Constantinou, was involved in its establishment and later became the first Principal of the College. The background of founders reflects the involvement of a British in the establishment process and a professional accountant who had experience of higher education in UK and other countries. Their contribution played a significant role in the continuity of a similar model of accountancy in Cyprus through the undergraduate and professional programmes offered by the College. The further establishment of close connections with many renowned universities and professional institutions throughout the world indicates the dependence of the College on foreign sources and programmes to offer to Cypriots a foundation on knowledge and later to transfer them for their second and subsequent years of studies to universities in the UK, Europe and America.

A similar strategy with that used for Philips College and Cyprus College, was used for Intercollege which was founded in 1980. Internal certificate and diploma programmes offered were introduced and modelled on the British educational system. It also

introduced the University of the State of New York (hereafter, USNY) Bachelor external degrees where Internal Associate and Bachelor degrees were modelled on the American educational system. In the early 90s, incorporation of accountancy tutors, a specialised, upcoming educational organisation took place, starting the Professional Accounting Unit and ACCA courses (see Appendices 12 and 13). In 2007, Intercollege changed status and became the University of Nicosia, a private university recognised by the State, establishing various schools and departments, including the School of Business, offering undergraduate and postgraduate degrees on business-related subjects, including an accountancy degree. The structure remained the same and the Intercollege has continued to offer professional courses of British bodies until today.

These colleges and universities predominantly followed the British educational model and some of them have built working relationships and collaborations with foreign universities such as Middlesex University, University of the West of England (hereafter, UWE) Bristol etc. (see Graph 4.3 below). According to QAA (2016, p.16), 4,985 students were recorded to be studying for a UK higher education award in January 2015 in Cyprus.

**Graph 4.3: Student numbers in Cyprus by UK Institution during the period
2013-2014**



Source: QAA (2016, p.16)

The local educational institutions offer the professional qualifications from British professional bodies (ICAEW, ACCA). For example, the Oxford Brookes University is the largest UK partner with programmes delivered in collaboration with the ACCA in Cyprus (QAA, 2016). This collaboration movement was regarded as facility offered to Cypriot students to study for these qualifications without the need to move to the UK. At the same time, their choice to start these programmes enabled the continuity of the British professionalization project and education-related project in Cyprus. Having realised the interest of Cypriots for these professional programmes, the ACCA and ICAEW influenced accounting education university programmes by offering exemptions for holders of undergraduate degrees. Therefore, the curriculum of local universities was structured according the ACCA and ICAEW examination modules,

enabling graduates to take exemptions. However, the links between UK and Cyprus do not only concern the educational level; trade collaborations continued to take place in the postcolonial period.

4.3.2 Trade Links between the UK and Cyprus

It was not just education links and the export of the accounting profession that cemented the relationship between Cypriots and British. These were also supplemented by trade activities and collaborations. The growing mobility of goods, commodities, information, people and communication across borders describe the process of globalisation by which events and decisions taking place in one part of the world affect individuals and societies in other parts. Similarly, accounting activities, functions and practices play a role in the process of globalisation and they can also receive influences leading to changes and reforms. The process of globalisation may influence behaviours and job responsibilities of the accountants, their professionalism and the accounting practices in general. For example, the adoption of international accounting and financial reporting standards forced companies to perform their accounting activities, functions and practices based on these frameworks. Therefore, accountants are required to continuously develop their knowledge and competences in order to fit to the required international framework, to facilitate the flow of capital and the process of international trade and communication. In this respect, trade links play significant role in the effectiveness of accounting profession and its development as they are thought of in terms of the global flow of capital.

The economic organisation of the newly independent and former British colonies is comprised from British legacies as UK played a leading role on their development. (Grier, 1999). While primary products from Commonwealth member countries had

preferential access to the British market, the same occurred with British manufacturing goods such as machinery that received similar customs treatment in Commonwealth countries. The Commonwealth became a mechanism for maintaining the existing production and trade pattern in the newly independent countries. During the colonial period of the 1930s, UK absorbed between 25 and 30 per cent of Cyprus' exports of agriculture products and animals as it was its main market and its formal colonial administrators (Rappas, 2014, p.154). In 1961, as Cyprus became a British Commonwealth member, it maintained close trading, economic, political and cultural links with the UK (Ministry of Foreign Affairs, 2015; GOV.UK, 2013). The agriculture exports were channelled almost exclusively to the UK under a preferential customs regime where agriculture products from Cyprus enjoyed free access to the British market (Stavrou, 1992) (see Appendices 14, 15 and 16⁴⁹).

The similarity in business culture, accounting and legal systems facilitated the fruition of this collaboration and the continuation of a particular relationship with the UK as Cypriots have embraced it both during and after British colonialism (Clarke and Varnava, 2013). Moreover, as most Cypriots were UK educated⁵⁰ and the English language was widely spoken⁵¹ in Cyprus, this provided an environment of a highly educated and skilled workforce suitable for collaboration and business contacts. Thus, Cyprus became a close trading partner in term of goods and services while it has been ranked in the top fifty markets for UK (44th in 2011) in terms of UK exports of goods, considering that the population of Cyprus is less than a million (GOV.UK, 2013).

⁴⁹ A statistical evidence of trade relationships between Cyprus and UK for the period 1960-1989.

⁵⁰ In 1967, the number of Commonwealth students studying in Britain with Cypriot nationality were 25 (UK Parliament, 1967). Through the years, the number of Cypriot students studying in UK has been increasing. According to The Telegraph (2015) and Higher Education Statistics Agency (2012), Cyprus was ranked as the tenth-most common country of origin for non-UK domiciled students at British universities in 2010/11. See also Table 4.2 on previous pages.

⁵¹ According to survey of European Commission (2012a), 73% of Cypriots are particularly likely to speak English as a foreign language. See also Nardelli (2014) as it reflects Cypriots, choosing English as most spoken second language.

Furthermore, British nationals started to come to Cyprus as temporary or permanent residents and Cypriots started to live permanently in the UK (Global trader, 2012; GOV.UK, 2013; see Table 4.6 below as evidence of cultural affinity).

Table 4.6: Tourist Arrivals in Cyprus from UK for the period 1980-2014

Year	Number of Tourists	Year	Number of Tourists
1980	111.359	1998	1.015.234
1981	129.051	1999	1.155.623
1982	134.767	2000	1.362.913
1983	168.108	2001	1.486.703
1984	210.156	2002	1.337.646
1985	238.295	2003	1.347.043
1986	287.000	2004	1.332.852
1987	309.150	2005	1.391.849
1988	405.355	2006	1.360.136
1989	549.552	2007	1.282.873
1990	691.532	2008	1.242.655
1991	678.148	2009	1.069.196
1992	1.087.500	2010	996.046
1993	950.000	2011	1.020.709
1994	970.000	2012	959.463
1995	850.000	2013	891.233
1996	720.000	2014	871.523
1997	846.309		

Source: Adapted from Statistical Service (2015)

The first influx of immigrants from Cyprus to the UK and London took place during the 1950s-1960s; these people wanted to improve their financial condition and make for a better life for them and their family as the standard of living in England was better (London Chamber of Commerce and Industry, 2003; BBC, 2008). In 1961, Cyprus entered the top ten non-UK countries of birth with 42,000 Cypriot-born residents recorded in England and Wales (Office for National Statistics, 2013, p.15). The trend of migration was continued after Cyprus Independence with the numbers increasing as evident in the subsequent censuses reaching 83,000 in 1981 (ibid).

Cypriots left their island homeland seeking work in UK during the early years of British colonialism in Cyprus (1920s and 1930s) where they opened their own family businesses such as cafes, restaurants, shoe-shops, hairdressing saloons (Mitsides, 1991). This flow of migration explains the reasons of the quantity of exports from Cyprus to UK after independence where they “mainly for sentimental reasons and to a certain extent for satisfying their special tastes, prefer Cypriot products” (Stavrou, 1992, p.184). The continuous contacts between the UK with Cyprus show the UK’s influence on the island and how they expanded their global capitalist activities and took advantage of the local resources of the island. The dependence of Cyprus on the UK was also evident in 1961⁵² when the UK applied for the membership to European Economic Community (now EU), Cypriots worried of losing the British market (Ozturk et al., 2006). This fear led Cyprus to apply for the community membership in 1962 to safeguard its close links with the UK.

Cyprus started to develop and to construct a strong economy after gaining its independence with the help of these British-Cypriot trading relationships and other benefits gained from these contacts. However, this development came to an abrupt end due to the Turkish invasion in 1974 which played a significant role in the development of the accounting profession and subsequent reforms and the beginning of offshore business on the island.

⁵² The UK submitted its first application to join the EEC, under Conservative PM Harold Macmillan in 1961. In 1963, the British application was vetoed by the French President, Charles de Gaulle. In 1967, the UK made a second application, under Labour PM Harold Wilson and it was again blocked by de Gaulle. In 1973, the UK managed to join the EEC under Conservative PM Edward Heath.

4.3.3 Accounting and Offshore Business

The demand for accountants was fuelled by novel developments in Cyprus. The country decided to become an offshore⁵³ financial centre and after shelter to global capital. The economic development of Cyprus was interrupted by the Turkish invasion in 1974 since when 36.2 percent of the country has been occupied and some 180 000 Greek Cypriots were expelled and became refugees in their own country (Republic of Cyprus, 2010; Soumeli, 2013). This event brought various socio-economic-political consequences on the island (see Christodoulou, 1992; Loizos, 1981; Markides, 1977; Karides, 2013). The Turkish invasion dealt a severe blow to the Cypriot economy where according to Gallas (1990):

“The rich northern part of Cyprus was lost to Turkey; it had once been the centre of the Cypriot economy. Eighty per cent of the main tourist centres are in part of the island now occupied by Turkey. In addition, 65 percent of the once agriculturally productive land lies in the north; today it is largely lying fallow. Finally, 60 percent of the gross industrial capacity of the young Republic of Cyprus was concentrated in northern Cyprus” (p.26).

During the reorganisation and transformation of their society and economy, Cypriots attempted to recover and boost economy and the social environment by stimulating private sector activities with a mixture of monetary and fiscal incentives and by focusing on reconstruction, infrastructure build-up and export oriented activities (Drevet et al., 2012). In that period, the offshore business was considered to be the solution to the problem as it would stimulate local economic recovery. Professional accountants contributed to the development of local economy acting as entrepreneurial accountants and by starting businesses from scratch, namely offshore businesses (Wilson, 1992). They recognised that the idea of offshore business would help

⁵³ As of 2004, the term International Business Company (hereafter, IBC) replaced the term offshore company which is no longer used after Cyprus entered to EU.

economy by finding the suitable resources such as funding and the right people to pursue this idea. In this attempt, Mr. Michalakis Zampelas was the key person that brought the offshore business in Cyprus. He was a professional accountant with studies from the UK and during that time he was the Head of the multinational firm, Coopers & Lybrand (later PwC Cyprus). Late in 1974, he heard from Dutch clients that they wanted to set up investment vehicles in Cyprus, but the Dutch clients were concerned about the high level of local taxes (Zampelas, 2014). The reason was that the investors, who wanted to invest in Cyprus, faced a double taxation⁵⁴ on their incomes from investment activities. Thus, this made them hesitate whether to proceed or not with further investment agreements.

Having the above incident in mind, Michalakis Zampelas invited a high-powered Dutch lawyer to Cyprus, part of a famous law firm specialising in international taxation. However, he then started to worry and it is recorded saying “when I realised what I had done, I started shaking” because Cyprus was in a bad condition after the Turkish invasion (ibid). Cyprus was in ruins and Larnaca airport was a glorified landing strip, surrounded by refugee tents (ibid). This situation put him in thoughts on “what kind of impression would the Dutch lawyer form of the country” (ibid). Therefore, he contacted the Governor of the Central Bank, Chris Stephani and told him: “Mr. Stephani, if I ask you to come to my office tomorrow to meet with this man, will you come?” and then he agreed to join the meeting (ibid). Mr. Zampelas did the same by contacting with the Commissioner of Income Tax, the Head of the Bank of Cyprus and the Mayor of Nicosia and lawyer, Lellos Demetriades. When the Dutch lawyer came to the meeting, he wondered “how is it possible that you brought all these people to a meeting with

⁵⁴ Double taxation is the levying of tax by two or more jurisdictions on the same declared income (in case of income tax), asset (in case of capital taxes) or financial transaction (in case of sales taxes). This is often mitigated by tax treaties (see Appendix 17) between countries.

me” (ibid). A few hours later, he asked to speak with the Netherlands Office where he had a long conversation and at the end he announced “we go ahead” (ibid).

As the legal, managerial and administrative environment is viewed favourably by many companies for offshore activities, Cyprus has all the merits as a former British colony with laws based on British legal system, with well-defined statutes, similar accounting standards and a clear system of enforcement to attract offshore businesses. In 1975, the offshore business started in Cyprus where more than 54,000 offshore enterprises were registered (Cyprus Business & Investment Opportunities Yearbook, 2011, p.222). Tables 4.7, 4.8 and 4.9 below show the number of fully-fledged (i.e., completely developed or trained) IBCs, the origin of new registrations of offshore enterprises by geographic region and the permits for the registration of IBCs.

Table 4.7: The Number of Fully-Fledged IBCs in Cyprus for Years 1985-2003

End of Year	Number of IBCs with Fully-Fledged Offices at the end of the year
1985	600
1986	630
1987	589
1988	636
1989	708
1990	774
1991	884
1992	988
1993	1.075
1994	1.096
1995	1.168
1996	1.069
1997	1.049
1998	1.055
1999	1.082
2000	1.080
2001	1.098
2002	1.116
31.05.2003	1.131

Source: Central Bank of Cyprus

Table 4.8: Origin of New Registrations of Offshore Enterprises by Geographic**Region in Cyprus**

Geographic Region		Europe	America	Asia	Africa	Australasia	Annual Permits
1976-83	%	55,6	7,4	30,7	5,5	0,8	2358
1984	%	42,2	6	49	2,5	0,3	649
1985	%	44,2	8,2	37,8	7,8	2	591
1986	%	57,7	8,6	21,4	6,9	5,6	497
1987	%	59,7	7,8	22,1	6,5	3,9	452
1988	%	63,6	10,1	19,5	5,6	1,2	555
1989	%	61,7	8,6	21,8	6,8	1,1	744
1990	%	57,2	8,4	28,1	5,4	0,9	970
1991	%	73,9	14,4	3,5	7,3	0,8	1.271
1992	%	81,2	7,5	2,3	8,8	0,2	2.040
1993	%	82,8	7,1	7,3	2,4	0,4	2.893
1994	%	85,4	7	5,8	1,5	0,3	4.238
1995	%	84,7	7,5	5,9	1,6	0,3	4.958
1996	%	80,5	11,2	6	1,8	0,3	4.263
1997	%	80,9	11,5	5,7	1,6	0,4	5.260
1998	%	80,2	9,5	7,7	2	0,6	4.846
1999	%	80,8	9,5	6,8	2,3	0,6	5.167
2000	%	81,3	9,5	7,4	1,4	0,4	5.713
2001	%	78,5	10,8	8,3	1,8	0,5	5.858
2002	%	75	12,5	10	2	0,5	4.617
31.05.2003	%	73,9	12,8	10,2	2,2	0,9	1.490

Source: Central Bank of Cyprus

Table 4.9: Permits for the Registration of IBCs in Cyprus

End of Year	Number of New IBCs	% Change in Number of New IBCs	Cumulative Number	% Change in Cumulative Number of New IBCs
1976	83	-	83	-
1977	138	66,3	221	166,3
1978	186	34,8	407	84,2
1979	248	33,3	655	60,9
1980	245	-1,2	900	37,4
1981	333	35,9	1.233	37,0
1982	526	58,0	1.759	42,7
1983	599	13,9	2.358	34,1
1984	649	8,3	3.007	27,5
1985	591	-8,9	3.598	19,7
1986	497	-15,9	4.095	13,8
1987	452	-9,1	4.547	11,0
1988	555	22,8	5.102	12,2
1989	744	34,1	5.846	14,6
1990	970	30,4	6.816	16,6
1991	1.271	31,0	8.087	18,6
1992	2.040	60,5	10.127	25,2
1993	2.893	41,8	13.020	28,6
1994	4.238	46,5	17.258	32,5
1995	4.958	17,0	22.216	28,7
1996	4.263	-14,0	26.479	19,2
1997	5.260	23,4	31.739	19,9
1998	4.846	-7,9	36.585	15,3
1999	5.167	6,6	41.752	14,1
2000	5.713	10,6	47.465	13,7
2001	5.858	2,5	53.323	12,3
2002	4.617	-21,2	57.940	8,7
31.5.2003	1.490	-67,7	59.430	2,6

Source: Central Bank of Cyprus

The presence of the offshore business has generated a considerable amount of work for accountants in Cyprus. Local accounting firms became involved in accountancy work and also handled the annual audits of the offshore companies. Coopers & Lybrand in partnership with Ioannou Zampelas and Company handled much of this business (Wilson, 1992) (see Appendix 18).

4.3.4 Accounting, Taxation and Law

The emergence of the offshore business in Cyprus had the economic rationale of the cost savings of operating in a freer business environment (Wilson, 1992). The

development of offshore activities would result in the generation of new business and employment opportunities and the recovery of the local economy. They have generated a substantial amount of work for accountants and lawyers in Cyprus, reflecting an increase on both income and employment. The offshore companies have increased the demand for professional services on the island (ibid). The need for more attractive tax incentives for offshore companies' deposits locally led professional accountants to issue changes in tax legislation. The new framework allowed a foreign company or an employee who worked abroad from Netherlands or another country to be paid or the profits gained to be taxed without being charged there and without paying a double tax (Zampelas, 2014). This double tax was considered as tax discrimination⁵⁵ while outsiders paid different tax from the insiders referring to nationals, resident individuals and resident companies⁵⁶.

To combat this discrimination, an amendment in Income Tax law 15 of 1977 (see Appendix 19) opened the way for using branches of foreign companies for offshore activities, including regional offices and offshore banking units, free from any tax incidence. When a foreign firm is deemed to be managed and controlled from Cyprus, the tax is 4.25 per cent (a company is taxed at 10 per cent of the corporate rate which was that time 42.5 per cent and with 10 per cent, it becomes 4.25 per cent). This arrangement was considered as convenient for the companies that wanted to take advantage of Cyprus network of Double Taxation Agreements as such foreign firms would be considered residents in Cyprus for the purpose of such Agreements. As offshore companies demanded professional accountants' services such as the

⁵⁵ The concept of tax discrimination is ill-defined and poorly understood but its influence seems to continually expand (for more details see Mason and Knoll, 2012)

⁵⁶ Residence for tax purposes is determined by a taxpayer's connections with a jurisdiction. States define tax residence for natural persons with respect to a person's citizenship, domicile or physical presence. For more information, see Hugh and Brian (2004).

preparation and auditing of financial statements and tax consulting, this law reform showed how professional accountants were linked with offshore business activities and the advertisement of Cyprus as the best place for foreign firms to establish their branches or to start business locally. It was the period when the role of accountants became more important (Zampelas, 2014), the local accounting/auditing firms started to proliferate in order to serve the coming investors and foreign firms that were attracted by this tax advantage.

The emergence of international corporations and multinational corporations (hereafter, MNCs) played a significant role in the increase of world trade since World War II and in the impetus of the creation of International Accounting Standards (hereafter, IASs) (Zeff, 2012). The degree and form by which MNCs extend their operation can influence the host country's accounting system such as with the IASs adoption. This influence can either be direct, through the transfer of accounting technology and know-how, or indirect through the transfer of an accounting subculture via the training of young accountants and the import of accounting concepts, bases and policies (Coopers and Lybrand, 1994). In contrast to other small countries where MNCs influence local commercial and accounting practices (Brown et al., 1995), their impact on Cypriot accounting practice has not been significant. Long term FDI in the form of factories, warehouses and machinery has been limited, mainly because Cyprus does not offer the necessary strategic advantages to provide the MNCs' attention (Wilson, 1992). However, the emergence of offshore business and the increased number of external users of published financial statements, brought the need for financial disclosure that would enable them to understand and communicate better the accounting information. Thus, professional accountants decided to voluntarily adopt the IASs (now International Financial Reporting Standards, hereafter IFRSs) and to make Cyprus the

first country following these standards in 1981 (IFRS Foundation, 2015; PwC, 2015; Philippou, 2013; Zampelas, 2014). The transformation from the UK GAAP standards which were followed before to IFRSs showed the impact of globalisation and international business on accounting standards framework. This would help to eliminate cross-border trading, make a quick response to changes and aid the multilateral trade liberalization (Ethier, 2005; Arnold and Sikka, 2001). Furthermore, this transformation helped the expansion of investment opportunities and the creation of commercial and work relationships with foreign firms and investors (see Table 4.8 above).

The idea of offshore business motivated international companies and MNCs such as Coca Cola, Reuters and Barclays to establish their presence in Cyprus by looking for accounting and business services. In addition to the boom of the offshore business (see Tables 4.7, 4.8 and 4.9 in previous pages), local companies expanded too; this is evident by the economic recovery in the 1980s and the establishment of the Over-The-Counter (hereafter, OTC) capital market. Therefore, professional accountants were necessary and in great demand during that time (Wilson, 1992) with their role becoming more important in the social and economic contexts (see Tables 4.10, 4.11, 4.12 and 4.13 below).

Table 4.10: Average Payments of Audit and Legal Activities to Cypriot Residents by the Average Fully Fledged IBCs

Year	Legal & Audit Average Payments £
1988	1.437
1989	1.526
1990	1.737
1991	1.764
1992	1.982
1993	2.980
1994	2.520
1995	2.456
1996	2.818
1997	2.593
1998	3.367
1999	4.820
2000	4.675
2001	5.039
2002	5.153

Source: Central Bank of Cyprus

Table 4.11: International Trade on Services (Total New Amount, €million)

Category of Services	2008	2009	2010	2011	2012
Financial Services	687	714	653	547	377
Other Business Services	1111	1197	1640	1703	1604
Miscellaneous business, professional and technical services	802	730	1090	1157	1074
Legal, accounting, management and public relations services	804	733	1111	1121	1050
Legal services	313	268	331	380	371
Accounting, auditing, book-keeping and tax consulting services	296	276	466	451	429
Business and Management consultancy, public relations services	195	189	314	290	250
Total	4208	4107	5605	5649	5155

Source: Central Bank of Cyprus

Table 4.12: Employment in Broad Sectors (including Professional Services)

Employment in Broad Sectors	2001 (000)	2011 (000)	% of total
Professional scientific & Technical activities	10,8	17,2	4.4%
Financial & Insurance activities	16,0	18,1	4.7%
Professional & Financial Services	26,8	35,3	9.1%
Accommodation & Food Services	34,0	35,9	9.2%
Total Employment including other sectors	330,4	388,7	100.0%

Source: CyStat

Table 4.13: Employment in Specific Sectors (including Accounting)

Employment in specific sectors	2001 (000)	2008 (000)	2011 (000)	% of total in 2011	Average Growth in 2007-11
Professional scientific & technical activities	10,8	15,4	17,2	4,4%	4,5%
Legal & Accounting	5,5	7,9	8,9	2,3%	4,7%
Financial & Insurance activities	16,0	17,1	18,1	4,7%	2,5%
Financial Services excluding Insurance & Pensions	12,0	12,8	13,5	3,5%	2,5%
Financial Services serving international clients	3,2	3,8	4,9	1,3%	2,5%
Accommodation & Food Services	34,0	37,0	35,9	9,2%	-0,1%
Accommodation	15,9	17,3	16,7	4,3%	-0,1%
Air Transport	3,7	2,1	1,2	0,3%	-15,2%
Total Employment	330,4	389,1	388,7	100,0%	1,1%

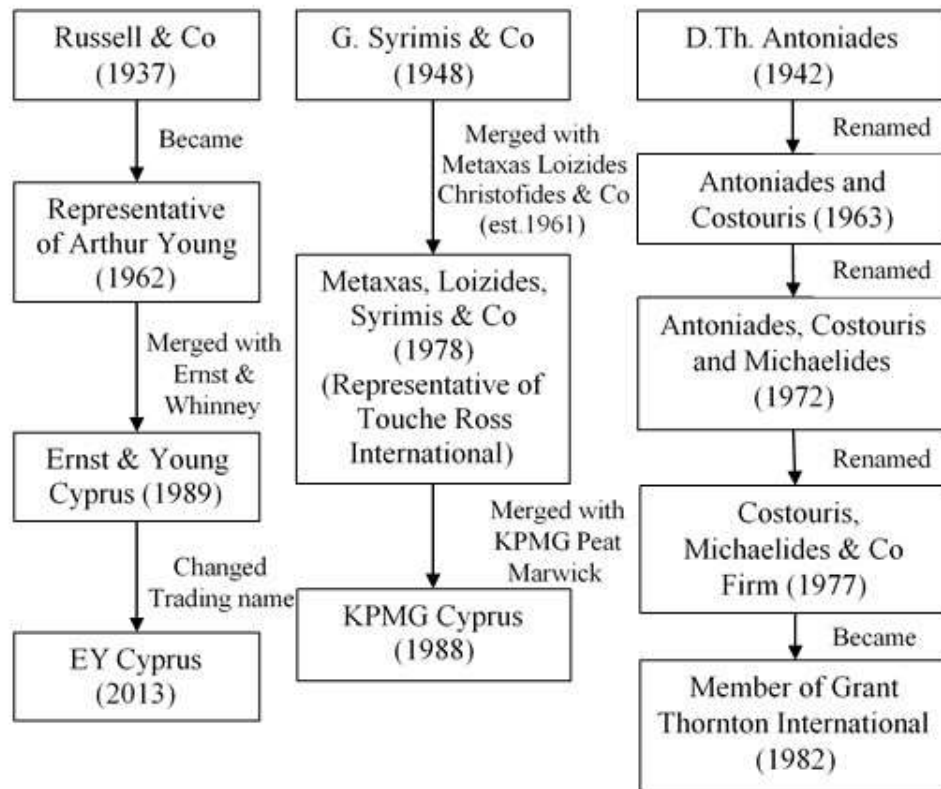
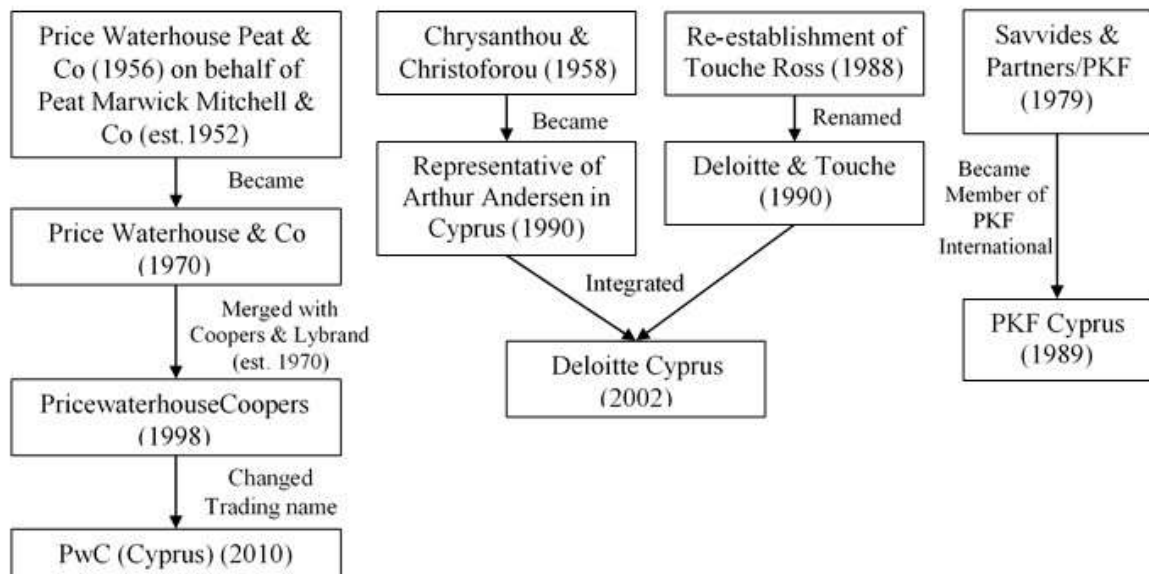
Source: CyStat

The increased demand for professional accountants and their professional services led to the proliferation of accounting firms in Cyprus.

4.3.5 Professional Accountants and Accounting Firms

The expansion of offshore activities in Cyprus and collaboration with foreign companies brought the necessity to follow international business practice with the adoption of IASs (now IFRSs). Lawyers and accountants were the groups of professionals who were needed to provide the required services to the foreign companies such as the preparation and auditing of financial statements and registration of new companies. Thus, the accounting profession needed to be internationalised following the path of globalisation and international business practice. In particular, the expansion of the so-called ‘Big Four’ firms played significant role in the advance of the profession and the flow of international business practices. To reduce the disparities in accounting practices across countries, professional accountants found it easy to operate in various countries by creating office branches. Professional accountants can be characterised as ‘passive constructors’ of accounting techniques, concepts and practices around the world (Aranya et al., 1978). British colonialism across various countries, such as Cyprus, enabled the establishment of the British accounting model and afterwards its continuity in the colonies after independence to facilitate the trading operations and business collaborations.

In Cyprus, only few accounting firms existed prior its independence but since its independence the scene has changed with the expansion of the integrated tier of the ‘Big Five’ firms (now ‘Big Four’ consisting of PwC, Deloitte, EY and KPMG). After mergers with local accounting firms (see Figures 4.3 and 4.4 below), the ‘Big Four’ firms started to operate in the Cypriot context (see Appendices 20, 21 and 22).

Figure 4.3: Mergers of Big Audit Firms with Local Accounting Firms (Part 1)**Figure 4.4: Mergers of Big Audit Firms with Local Accounting Firms (Part 2)**

Until 1980, the development of these firms in Cyprus was moderate as they were mainly engaged in traditional accounting services and statutory audits with specialised services such as tax consulting undertaken on a limited scale. The economic boom during the 1980s and the arrival of offshore business asking for tax and financial consulting and planning, enabled accounting firms to flourish and increase their incomes (see Table 4.10 above). During the 1990s, a consolidation of the roles of international firms as regional management consultants and business advisors was evident as there was high demand of such services (see Appendices 23 - 27) from offshore firms that operated in Cyprus (Zampelas, 2000).

The attitude of Cypriots towards business in general and particularly accounting is favourable⁵⁷. The accounting profession is held in high esteem and the majority of accountants (specifically those with UK education and training) become successful professionals, holding highly paid positions in the public and private sectors (Hadjiroussos, 1998). Young people continue to pursue professional qualifications, by sending applications in these 'Big Four' firms to gain work experience and training after which they want to become professional accountants in private and public sectors (Zampelas, 2014). Furthermore, some firms offer Summer Placement Programmes (or Internships) with which university students have the opportunity to experience how it is to be working in such an environment. The chance is given to those students who are keen on pursuing a career in the professional services and also for those who are still in doubt as to whether this kind of career is suitable for them. Table 4.14 below provides information regarding the Audit firms in Cyprus and their professional opportunities.

⁵⁷ According to Onoufriou (2011), financial studies are first in students' choices and accountants, auditors and economists can easily progress their career as labour market will not stop asking for them.

Table 4.14: Audit Firms in Cyprus

Name of the Firm	Opportunities offered
KPMG Limited Cyprus	Summer Placement Program Training Programs for ACCA, ACA, CFA, CF, CIA, Banking
PwC Cyprus	ACCA and ACA Training Schemes
EY Cyprus	Summer Internships ACCA and ACA Training Schemes
Deloitte Cyprus	Summer Internships ACCA and ACA Training Schemes
Grant Thornton Cyprus	Summer Internships ACCA and ACA Training Schemes
PKF Cyprus	ACCA and ACA Training Schemes
Baker Tilly Klitou (Cyprus)	ACCA and ACA Training Schemes

Source: Information from audit firms' official websites

However, new demands were brought forward as Cyprus started planning to enter to EU. The framework of accounting profession was one of the issues that needed changes and reforms.

4.3.6 Accounting Profession and European Union Accession

In order to be eligible to enter the EU, Cyprus aimed to develop and transform the local socio-economic context including efforts towards economic convergence and adaption of institutions, mechanisms and policies. When Cyprus was considered eligible for membership in 1993, a process began to prepare Cyprus for the accession and the adoption of the required EU policies and legislations. There was a need to transform

the Cypriot Law based on the European Law and its relevant policies and mechanisms. An Acquis screening took place to determine the areas that needed necessary changes and reforms. Because Cyprus had legislation similar with that of the UK, the European Accession would have impact on the existed policies, mechanisms and legislations, resulting to the transformation of Cyprus into a more International and European-orientated country. As in the UK, harmonising the local law in line with the EU Directives was expected to have an impact on Cypriot accounting practice, particularly the Fourth Directive which was based substantially on German law rather than the Seventh Directive which mainly followed British practice (Vafeas et al., 1998). The result was expected to be a move from professionalism and flexibility to greater governmental influence over financial accounting and reporting and the introduction of detailed valuation, measurement and reporting rules. Nonetheless, the impact of the harmonisation exercise was not expected to be radical, as in the case of other European countries where it has effectively shaped accounting and reporting practice (e.g. Luxembourg). This is because the ‘true and fair’ principle, which was the basis of the Fourth Directive has long been the fundamental cornerstone of Cypriot accounting. Furthermore, many of the consolidation provisions of the Seventh Directive were already practised by Cypriot companies due to the application of the relevant IASs. Appendix 28 provides the limitations found and recommendations given based on Regular Reports from the Commission of the European Communities.

In particular, the Eighth EU Directive played a significant role in the development of the accounting profession as it defined rules for approving persons as statutory auditors in the EU member states. First, it was passed into law in 1984 (see Commission of the European Communities, 1984) and two decades later, a revised version of the Directive was passed by the EU Parliament, providing more comprehensive regulations for

statutory audits. The aim of this new Directive was to improve transparency and reliability of the statutory audit process by introducing additional controls over audit firms and public interest entities. Therefore, public oversight over statutory auditors needed to be created and implemented in the Cypriot context, including “the approval and registration of statutory auditors and audit firms, adoption of national standards on audit ethics, quality control of audit firms and auditors, continuous education of auditors and investigative and if necessary, disciplinary actions against audit firms” (ICPAC, 2008, p.17). However, Cyprus failed to establish an effective public oversight system, leading the European Commission to alert Cyprus that did not respect EU rules on auditing (European Commission, 2011; TA editorial, 2011). According to the European Commission (2011), “if the Cypriot authorities fail to take satisfactory measures to remedy the infringement of EU law within two months, the Commission may decide to refer the case to the EU Court of Justice”.

4.4 Summary and Discussion of the Chapter

This chapter discussed various socio-economic-political events which shed light on how the historical context has been created, shaped, influenced, advanced and undermined at the same time the accounting profession in Cyprus before and after independence. As critical realism was adopted, it was necessary to be aware of the socio-economic-political structures in order to examine, analyse and explain the advancement of local accounting profession. This chapter provided a backdrop for a better understanding of the empirical analysis in later chapters.

During the pre-independence period, colonial masters changed the educational and law context according to British education model and legislations. This change made Cypriots embrace the British model with their actions and choices. As an agricultural

and undeveloped economy, Cyprus did not offer adequate sources of education and this shortage urged the British to transform it based on their necessities. To facilitate their trading and commercial activities in Cyprus and the flow of capital to Britain, they provided education opportunities and training to Cypriots such as knowledge of the English language as well as commercial and accounting skills. While the education development helped the social mobility of Cypriots by offering them more job opportunities, the British Empire benefited commercially and economically.

The emergence of British legislation on business matters (e.g. Companies Act and other accounting-related legislations) and of the first accounting firms played an important role in the flow of commercial activities and the production of professional accountants locally. The period before independence was considered as the period during which there was a transformation of Cyprus from an agricultural undeveloped country to a British-orientated territory with business practices and accounting methods influenced by colonisers. The process was repeated by Cypriots through their actions, practices and choices throughout the years.

After Cyprus gained its independence, the things did not change in the accounting context since Cypriots continued to embrace British accounting model. There was a continuity of following British accounting education where Cypriots continued to study abroad or locally for British professional qualifications (ACCA, ACA) in order to be considered as professionals in the society. Viewing the interest of Cypriots for these qualifications, British facilitated their flow by providing scholarships and other funding for studies abroad. Local accounting/audit firms helped in this professionalization project by encouraging Cypriots to follow this path. Educational institutions were established in Cyprus to provide further education. They were structured based on the British educational system and syllabuses were influenced by British professional

qualifications and collaborations with foreign universities. Furthermore, the trade exchange between the two countries continued after independence.

However, the scene changed with the Turkish invasion in 1974 since after that a transformation was needed to recover the economy. The emergence of offshore business was considered as a solution by professional accountants. During that time, accountants took the role of entrepreneurs by managing to attract foreign investments and firms locally with the advantage of Cyprus Network of Double Taxation Agreements. The offshore business brought the necessity to change the local orientation of business and legal context into an international one as there was increased arrival of foreign firms to the island. Therefore, there was a need for a development in accounting and auditing services that would meet the foreign firms' needs. These necessities attracted the 'Big Four' firms to establish branches in Cyprus, which subsequently played a significant role in the advance of the local profession. These firms facilitated the local production of accountants by offering training schemes of professional qualifications and internships for prospective accountants. Furthermore, the EU accession was another stage of transformation for Cyprus itself and its local inhabitants but also for accounting and auditing practices. There was the need to comply with the EU Directives regarding the recognition and practice of professional accountants locally.

Therefore, these periods of transformations of the accounting profession show how the UK and EU had a significant influence on Cyprus locally. During their conquest, the British brought new accounting techniques and implemented new accounting models according to their home standards, facilitating in this way their commercial activities and gaining benefits from Cyprus. The contacts with various countries for trading and investment purposes show the expansion of global capitalism and its impact on the

local economy. Although various developments and reforms have been made through the years for shaping the local society and economy, Cyprus remains a small economy within a much larger entity, namely the world capitalism.

The discussion of the socio-economic-political context of Cyprus illuminated the historical relationship and the contemporary linkages between Cyprus and British colonial power and with other Western powers such as the EU or/and the global capitalism system. The discussion showed how such relationships have succeeded, influencing and shaping the way Cypriots think and act in common with the destinies of the British colonial power and other powers that fashioned the Cypriot economy and subsequently, dominated it. Therefore, Cypriots have been influenced by their old time colonial master's ideals and customs.

The case of the development of the accounting profession in Cyprus reflects the influence by the British and also gives an awareness of the necessity to search for socio-economic independence regarding the establishment and development of local professional accountancy body, namely ICPAC. The search for professional independence, particularly for the accounting profession, gained momentum after independence. Therefore, this chapter provided the necessary background for understanding the emergence of ICPAC and the accounting profession. Chapters Five and Six examine the establishment and operation of ICPAC and the development of the accounting profession in postcolonial period; and examine whether they are influenced or continue to receive influences or any obstacles from other local or external forces.

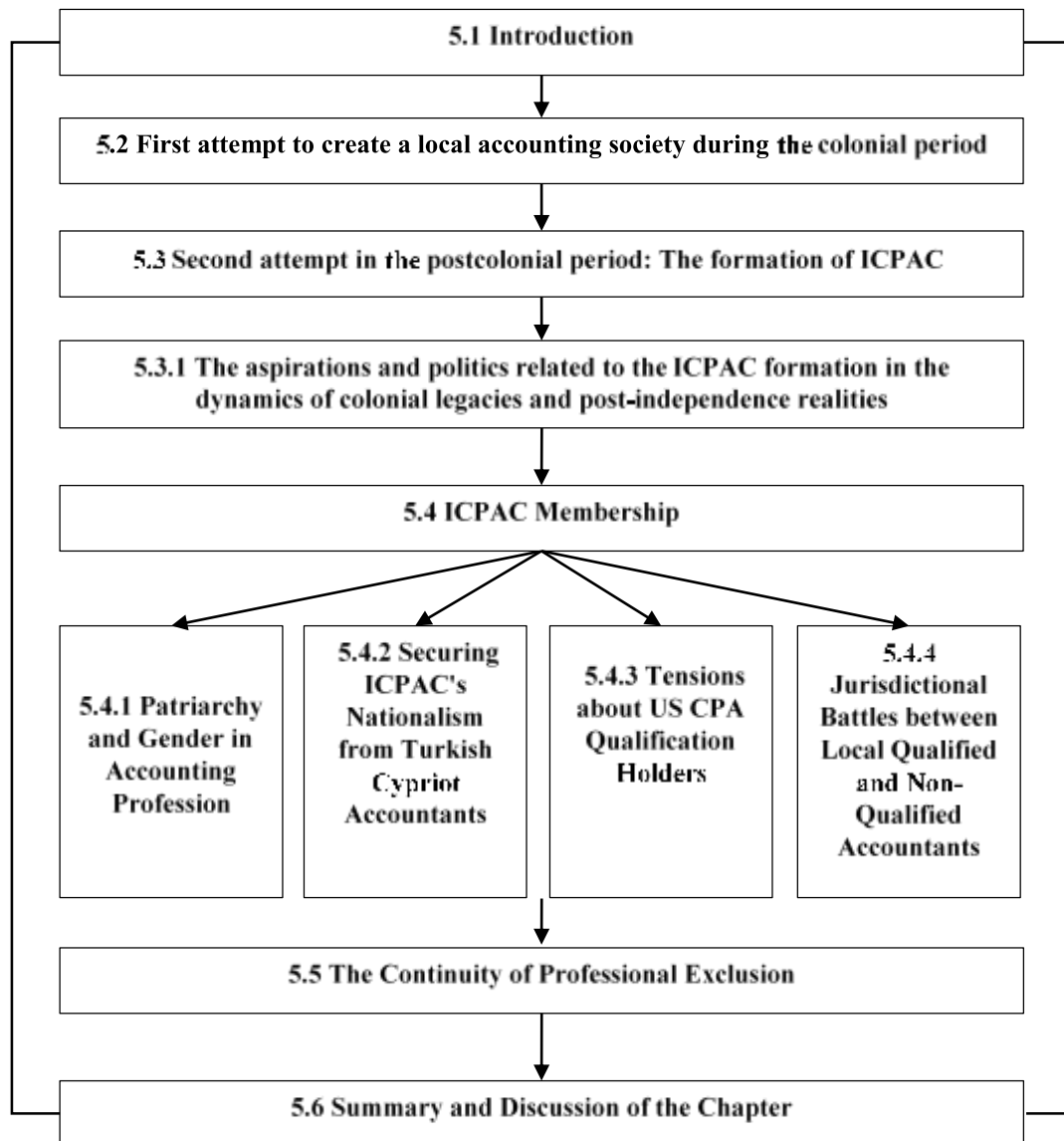
Chapter 5 The Establishment of ICPAC: Some Evidence

5.1 Introduction

The previous chapter contextualised the emergence and development of the accountancy profession in Cyprus by drawing attention to socio-economic-political structures. It shed light on the historical relationship between Cyprus and the UK and subsequently with the EU to argue that these facilitated conditions were conducive to the development of the profession. The colonial experience had changed people's subjectivity, or at least the worldviews of the local economic elite who sought to be more like their colonial masters. The tendency to emulate the British model resulted in the creation of local accountancy bodies. After one unsuccessful attempt to create a local accountancy body which occurred before Cyprus' independence, one year after Cyprus gained its independence in 1960 the second attempt to establish an Institute proved successful. Therefore, the first years of ICPAC as a newly established body will be examined regarding the politics and processes followed for its creation and the arrangements needed to be made regarding the membership admission process and what the requirements for such membership were.

This chapter explores the genesis of ICPAC, drawing attention to the factors and key players that shaped its emergence and development. To obtain the relevant information for this thesis, documents from ICPAC's archives including letters, reports, minutes of Annual General and Extraordinary Meetings of the ICPAC Council, local legislation and legal cases have been examined. This chapter is supplemented by interviews with

former ICPAC Presidents and male and female professional accountants. Furthermore, it explores the tensions and opportunities arising from the birth of ICPAC through six interlinked sections (see Figure 5.1 below). Section 5.2 examines the first attempt to create an accounting association in Cyprus before independence that could be described more as a ‘society or club’; the contacts with various individuals, professional bodies and organisations, the procedures, the aspirations to set it up and at the end the failure to do so. Section 5.3 transfers the scene to the period after independence where the idea to establish a local professional accountancy body, namely ICPAC, flourished. It presents the formation of ICPAC and its first years as newly established professional body including the politics behind it, the processes followed and contacts with British professional bodies. Regarding to who was eligible to become an ICPAC member, section 5.4 investigates the issue of membership admission and the conflicts among various professional groups. The continuity of exclusion (‘social closure’) of some groups of accountants and their jurisdictional claims are also examined in section 5.5. Lastly, section 5.6 provides a brief review of the chapter, identifying key issues and preparing the reader for the next chapter.

Figure 5.1: Flow of Chapter Five

5.2 First attempt to create a local accounting society during the colonial period

By the mid-1950s, Cyprus had a small number of professionally qualified accountants, mainly members of British accountancy bodies (ICAEW and ACCA⁵⁸). Those aspiring to become ICAEW members had to travel to UK to obtain their professional qualifications. In contrast, students registered with ACCA had the advantage to study and sit their exams in Cyprus which had become an ACCA approved examination centre. Cyprus had about 40 ACCA students (Clarke and Varnava, 2013, p.309). While ACCA set up branches in various countries including former colonies of Nigeria and T & T (see ACCA, 2015a) during that period, Cyprus' ACCA members and registered students wanted to form a District Society and a Students' Society similar to those existing in the UK. To achieve this formation, it was necessary to submit a request to the District Societies Committee for general approval and if approved, the permission would be given to form a local organisation without the status of a branch or district society. Thus, Cypriot aspirants appointed Mr. J.G. Papakyriacou (the Assessor of Income Tax Office of Nicosia, Cyprus) to contact ACCA (at that time known as the Association of Certified and Corporate Accountants) and begin a dialogue with them.

In his letter on 7 December 1955 he stated:

“I believe that it is the Association's policy to assist in the establishment of such Societies wherever practicable. In the circumstances I shall be much obliged if you will kindly furnish me with a copy of the Rules of a District Society and a Students' Society in the United Kingdom so that we may be enabled to adjust them to the requirements of the Cyprus laws and obtain

⁵⁸ In 1939, the Corporation of Accountants (Scottish body, founded 1891) merged with London Association of Certified Accountants and became the Association of Certified and Corporate Accountants (Habgood, 1994, p.12). Its name was shortened in 1971 to the Association of Certified Accountants and it gained the Royal Charter in 1974 where it has been renamed to Chartered Association of Certified Accountants in 1984 (see Habgood, 1994; ACCA, 2015a for further details).

registration in due course. Any other advice on this matter will be greatly appreciated.” (see Appendix 29)

The resulting organisation was to be known as *‘The Cyprus Society of the Association of Certified and Corporate Accountants’*. The scope of a district society or branch of a professional accountancy body was to cement the credentials of aspiring Cypriot accountants as *‘professionals’* who were affiliated with a recognised UK professional body. The district society would give visibility to the existence of an accountancy profession and promote the same among students during the colonial period. Furthermore, it would provide support to its members by running events and giving access to local accounting developments and seminars in the UK and worldwide. For Cyprus, on 3 January 1956, ACCA did not give full privileges as the formation of an association was aimed only at organising the ACCA qualifications holders who used to practice the profession on the island. For such formations, ACCA did not provide any financial grants to such societies but it only gave authority with approval of the members to pay a local subscription. This would facilitate ACCA to increase its incomes from subscriptions and subsequently to ensure that members will continue to embrace ACCA. For further clarifications, a copy of the rules of such a society was enclosed in a letter dated 3 January 1956 (see Appendix 30).

After the initial approval by district societies committee on 26 January 1956, the next steps were to summon a General Meeting of members of the local district society to approve the plan and to appoint a provisional committee and officers. Further dialogue with the ACCA in London continued. ACCA’s Head Office suggested that Mr. Papakyriacou should consult Mr. A.F. Bates C.M.G. and the Cyprus Government Financial Secretary. This is indicative of close links the State had with the ACCA; in

fact, some members of ICAEW and ACCA held senior leading positions⁵⁹ in Cyprus Government and could easily communicate with ACCA. A letter from ACCA dated 26 January 1956 (see Appendix 31) offered further guidance:

“The rules of the Hong Kong society which I sent you limit membership to fellows and associates of the Association but in view of the fact that you have only nine it will be necessary for you to decide at the outset whether or not you propose to admit students to membership of the local society. On the whole it would seem desirable both on financial and other grounds, and if so you could submit for approval a modified bye-law to admit students to some subordinate form of membership at possibly a lower annual subscription. This would be quite reasonable as your activities will probably very largely for the benefit of the students themselves.”

ACCA clarified that the Cyprus Society will be different from other countries' societies as it will be operated “without the status of a branch or district society” (Letter dated 26 January 1956). This suggests that ACCA did not give full rights and did not take the responsibility to control and supply with financial resources the local society from the Head Offices as it did with other societies worldwide. Cypriots just had the opportunity to establish the local society that will include ACCA's brand name and it will be operated like a society or club of ACCA qualified accountants and students locally. ACCA's brand name was used as a mechanism to facilitate the reproduction of accountants with ACCA qualifications locally and to maintain Cypriots' subjectivity and identity around British accounting model. With this continuity of British accounting model, ACCA attempted to achieve a professional closure in the Cypriot context. This domination of ACCA products and services would be rooted in human's mind based on the degree to which a particular product or service would be recognised within its professional or service group.

⁵⁹ For example, Nicos Ionides was appointed in Government in 1935 and in 1947 he started to work in Inland Revenue Department. Andreas Apostolides started his professional career at Inland Revenue Department where he reached the position of Commissioner of Taxation in 1969. Andreas Loizides was appointed as Minister of Commerce, Industry and Tourism for the period 1970-1972.

As Cyprus was still under British Rule, in accordance with the Assemblies, Meetings and Processions Law, Cap. 44⁶⁰ and Emergency Powers (Public Safety and Order) Regulations⁶¹ of 1955, a meeting had to be arranged with the Commissioner to take permission to arrange the general meeting of the society at the premises of the Cyprus Civil Service Association (hereafter, CCSA). By completing the required form (see Appendix 32), Mr. Papakyriacou also enclosed the following letter indicating the reason for this meeting:

“I have the honour to apply herewith for your kind permission to hold a general meeting of the members of the Association of Certified and Corporate Accountants residing in Cyprus at the premises of the CCSA, Nicosia, on the 4th March, 1956, at 11.00 a.m. or in the case of adjournment on the 11th March, 1956, at the same time and place. The object of the meeting is the formation of the Cyprus Society of the Association of Certified and Corporate Accountants.” (Letter dated 22 February 1956, see Appendix 33)

After permission for holding this meeting was obtained from the Commissioner of Nicosia/Kerynia, a copy of Draft Rules of the Society was prepared and it was subsequently enclosed in the letter sent to ACCA with an invitation to attend the first meeting. On 4 March 1956, the first meeting of the Provisional Committee took place with a unanimous resolution to approve the formation of the Society and the draft rules. It also authorised the Committee to proceed with the registration of the Society in accordance with the requirements of the Registration of Clubs Law, Cap. 147 of 1951⁶². The following members were unanimously elected during the meeting to serve in the Provisional Committee of the Society:

⁶⁰ See The Cyprus Gazette (1955a, p.631)

⁶¹ See The Cyprus Gazette (1955b, p.802)

⁶² The first Colonial law was The Clubs (Registration) Law - Cap. 112 of 1930. For more information, see Cylaw.org (1959).

Mr. A.F. Bates	Chairman
Mr. J.G. Papakyriacou	Honorary Secretary
Mr. George Syrimis	Honorary Treasurer
Mr. X.N. Sarris	Honorary Auditor

(Source: Minutes of the First General Meeting dated 4 March 1956)

The links these people held with the State are highly visible. The four committee members held high positions in Cyprus Government and were among the first accountants on the island with ACCA qualifications.

The first meeting of the Society discussed matters about Society's premises and it was agreed that the Committee of the Nicosia Branch of the CCSA could secure accommodation for their society. The majority of prospective members were students and the financial resources of the Society were limited. Thus, as many of the students were civil servants, a letter was prepared (see Appendix 34) for the President of Nicosia Branch of the CCSA requesting the use of a room as an office, a library and to accommodate lectures.

In order to comply with the Registration of the Clubs Law, Cap. 147 of 1951, a minimum membership of twenty students was required, but the Society initially had only ten. The list with the names and addresses of the registered ACCA students was needed to call a meeting and elect two of their number for co-option to the Committee of the Association. According to Mr. Bates (ICPAC Minutes dated 13 March 1956), an action plan was needed on how to keep alive the members' interest; for example, organisation of lectures and social events. Mr. Syrimis proposed that this could be accomplished by arranging dinners for members and their families during which several personalities might be invited to deliver short speeches regarding the

accounting profession and related issues. However, this action plan would be taken after registration of the Society was realised.

The dialogue with ACCA continued, but local logistical problems needed to be solved as the local CCSA did not accede to the request to use its premises for a meeting of the Society. Its letter of 12 April 1956 (see Appendix 35) stated:

“We are unable to accede to your request unless all the members of the Society are Government Officials and members of the Cyprus Civil Service Association [...] It is very much regretted that we are unable to meet your requirements as there is none available but, subject to the foregoing conditions, you may share one room with some other Societies of our Association.”

The above developments were taking place during events shaping Cyprus’s quest for independence from British rule. The period 1955-59⁶³ was particularly marked by social tensions, curfews and restrictions on the movement of individuals. Such tensions made it difficult to run lectures for students or for the society to operate. Due to local events, ACCA agreed that the best solution was to postpone the procedure of the formation of the local accounting society:

“I think that on the whole it must be the right decision to defer any attempt to organise District Society activities for the time being and I agree that a meeting of members about once a quarter is perhaps as much as we can reasonably expect until things improve” (Letter dated 24 April 1957, see Appendix 36).

The idea of the formation of the accounting society did not materialise and remained unaccomplished for three years until the independence of Cyprus from Britain in 1960 ushered in a new age. Cyprus became a Republic and a renewed nationalism fuelled concerns about local institutional building. After about one-year independence, the ‘idea’ of forming a body of professional accountants locally came to fruition.

⁶³ The struggle for liberation and for enosis with Greece began by EOKA (Ethniki Organosis Kypriou Agoniston, National Organization of Cypriot Fighters), on 1 April 1955 (see Soulioti, 2006 for further information).

5.3 Second attempt in the postcolonial period:

The formation of ICPAC

ICPAC was formally established on 29 March 1961, after Cyprus gained its independence from the UK. At that time, there were only 21 accountants who were allowed to carry on the business of accounting practice; some ten years after the Companies Law of 1951⁶⁴ was enacted. During that time, the accountants were distinguished into two groups based on their educational credentials. The first group identified themselves as the professionally qualified accountants, holding British professional qualifications (ACCA, ICAEW). The second group included primarily those without the professional qualification though they held a variety of other educational certificates (e.g. university degrees/diplomas from Greece and the LCCI higher certificate) or exercised the function of an accountant through long work experience. This group was often labelled by the first group as non-qualified accountants⁶⁵. The struggle for social closure and recognition was to play a key role in ICPAC's emergence. The aspirations of the founding members led to the formation of the ICPAC and subsequently to the adoption and implementation of politics in the spectrum of colonial legacies and post-independence realities.

⁶⁴ The first legislation that was introduced in Cyprus regarding accounting and auditing profession was the Companies Act of 1951 which was identical to the British Companies Act of 1948. Throughout the years, it has been amended more than 25 times. The first amendment of this law took place in 1968.

⁶⁵ The Institute of Independent Accountants of Cyprus (hereafter, IIAC) was established on 2 November 1998. Before its establishment, Independent Accountants were not members of any official professional association and they practised the profession based on the Income Tax (Foreign Persons) Law of 1961. The Institute of Approved Graduate Accountants – Auditors of Cyprus (hereafter, IAGAAC) was established in December 1995.

5.3.1 The aspirations and politics related to the ICPAC formation in the dynamics of colonial legacies and post-independence realities

The political independence in Cyprus brought the need to organise the accounting profession by forming a local accountancy association. Therefore, 21 accountants were mobilised to establish an Institute which will be composed of only qualified accountants with British qualifications, an act which reflected a professional exclusion in accountancy. Their movement was characterised as:

“It was the dream of certain individuals at the time [...] the vision of certain individuals who wanted to have an umbrella [group] for accountants and to help to develop the accounting profession in Cyprus.” (Former ICPAC President, 1984-1986, Interview dated 12 January 2015)

Their target was to establish a professional body of accountants in Cyprus which will secure their local accounting profession and promote the collective interests of the group of accountants educated in UK. ICPAC sought to distinguish itself from its local challengers by restricting its membership to those who held membership of major British accountancy bodies. These included chartered accountants who were members of the ICAEW, ICAS and Chartered Accountants Ireland (hereafter, CAI), as well as members of the ACCA even though at that time its members were not entitled to describe themselves as ‘chartered’. A Cypriot professional accountant explained that:

“It is easier for a UK qualified accountant to adapt to the needs of the local business world and immediately start practicing without any further need to either study or take exams or familiarise himself or herself with what goes on in the profession. I think that was the basic difference.” (Interview dated 4 February 2015)

This assertion shows how the predominance of the British professional model in the Cypriot context facilitated and made Cypriots reliant on it in their efforts construct their

local professional accountancy body and professionalization project. Following the same system as they did during the colonial period, professional accountants adopted the entry requirements indicated by the Article of 155 (1) (b) of Companies Law of 1951, Chapter 113 referred to:

“A person shall not be qualified for appointment as auditor of a company unless either: (a) he is a member of a body of accountants established in the United Kingdom and for the time being recognised for the purposes of this provision by the Governor; or (b) he is for the time being authorised by the Governor to be so appointed either as having similar qualifications obtained outside the United Kingdom or as having obtained adequate knowledge and experience either in the course of his employment by a member of a body of accountants recognised for the purposes of paragraph (a) of this subsection or by having before the commencement of this Law, practiced in the Colony as an accountant.” (p.116)

It is worth noting the explicit reference to ‘a body of accountants established in the United Kingdom’ in the above legislation. Whilst in the UK chartered and certified accountants were engaged in their own battles for recognition and social status (Kedslie, 1990a, 1990b; Willmott, 1986; Macdonald, 1984), the Cypriot law did not attach any weight to those battles. Instead, it treated them as they were homogenous or of equivalent status. From the perspective of a Cypriot accountant:

“Although [the government] hesitated to say that ICPAC’s members will be chartered and certified accountants, it was the best decision taken from the accounting profession, in other words, to merge chartered and certified accountants in Cyprus whereas abroad professional accountants were in dispute.” (Former ICPAC President, 1976-1978, Interview dated 10 April 2014)

The creation of the umbrella of the British bodies and the local recognition of only those with British qualifications facilitated exclusion of those with alternative qualifications and claims to expertise. A professional accountant explained that:

“During the old days, it was very difficult to finish [these British professional qualifications], it was like a ‘closed shop’. Few people were able to finish [them] because the way of preparing for and sitting the exams was very difficult. You should pass all the modules of each section together [...] Every section should be passed in one go.” (Interview dated 3 February 2015)

The establishment of ICPAC aimed to distinguish the qualified accounting labour from its competitors as there were intra-professional conflicts between the local professional groups. As a professional accountant phrased it:

“The creation of [ICPAC] came out as a necessity having in mind that the ICAEW is a private club. It is a club that you have to have a level of knowledge, esteem, respect and prestige to join. I think the very few people that were in those days qualified accountants needed a place where they meet, talk and follow the trends of [ICAEW] in UK. I think it was a very natural thing to do. It was a natural evolution as more qualified people and more people could join the club. I think the evolution of [ICPAC] was following many years later the footsteps of [ICAEW].” (Interview dated 4 February 2015)

It seems that Cypriots were influenced by ICAEW and wanted to establish a similar body in Cyprus. There was a need from local accountants to create a body that would organise professional accountants and develop the profession locally. Although Cypriots wanted to form a local professional identity, they continued to depend on the British model of professional bodies. They attempted to build an Institute based on knowledge and structure which already existed in the island since colonial period.

The formation of ICPAC commenced with the first General Meeting held at Mr. Syrimis office at Trikoupi Street, Nicosia, Cyprus on 24 November 1960. A group of accountants seeking professional recognition met to discuss their *modus operandi*, as well as any legal procedures and the documents needed to establish ICPAC. The Institute would operate as a not-for-profit professional body and its revenues were to be used for promoting the accounting profession through seminars, educational and social events. Unlike the ICAEW, ICPAC was not incorporated by a charter from the State. Instead, it followed the ACCA model and incorporated itself as a ‘*company limited by guarantee*’. It did not have shareholders. Its members were entitled to attend general meetings and vote on matters on the agenda papers. The members provided

ICPAC's capital through annual subscription, which at the time was fixed at CY£6.00⁶⁶ per year. The members accepted to contribute a nominal amount towards any shortfall in the company's assets to settle its debts in the event of its being wound up. This nominal amount, set out in the company's articles, was usually CY£1.00 but it could be any amount that was thought fit. In this way, members of the company are protected from any personal liability for the company's debts. Only if the company is wound up and funding is needed to pay its debts, are members liable to the extent of their guarantee. The Companies Law of 1951 reflects this requirement with respect to memorandum as:

“Each member undertakes to contribute to the assets of the company in the event of its being wound up while he is a member, or within one year after he ceases to be a member, for payment of the debts and liabilities of the company contracted before he ceases to be a member, and of the costs, charges and expenses of winding up, and for adjustment of the rights of the contributories among themselves, such amount as may be required, not exceeding a specified amount.” (Section 4(3), p.16)

The ICPAC Council was elected on 1 March 1961, consisting of the following individuals:

Solon Triantafyllides	President
George Syrimis	Vice-President
Andreas Loizides	Secretary
Nicos Miltiadou	Treasurer

(Source: ICPAC Minutes dated 1 March 1961)

Before signing the Articles of Agreement and Memorandum by seven individuals as required by the Companies Law 1951, a preparation of the documents was first needed. The ICPAC founders sent a copy to British professional bodies – ACCA, ICAS and

⁶⁶ Later the annual subscription was divided into two categories: Practising members and non-practising members and the price changed throughout the years. For example, in year 1977, the subscription for practising members was CY£25.00 and for non-practising members CY£8.00.

ICAEW – to inform them about ICPAC’s establishment. Any future members including British and Government were also informed about the first activities of the Institute such as the preparation and printing of Articles of Agreement and Memorandum, the organisation of the ICPAC Council, the individuals selected as Council members and the objectives of the Institute. ICPAC Council also informed the public by publishing advertisements and information sheets in the local press about the existence of ICPAC.

Thus, the ICPAC was established under the Companies Law of 1951 firstly with seven members and fourteen more individuals as its founding members (see Appendices 37 and 38). They signed the Articles of Agreement and Memorandum on 29 March 1961 (see Appendix 38) and ICPAC started to operate as the local professional accountancy body. Among the first members, there were two British citizens and accountants, Mr. Paul Graham and Mr. Wilfrid Normand.

With its establishment, the two main targets of the ICPAC Council were to get the accounting profession secured from outsiders, by passing legislation to the House of Representatives⁶⁷ and to advance the level of the local profession. ICPAC Council further proceeded to register the Institute’s name and its members’ name in English contacting Registrar of Companies:

“Mr. G. Syrimis and Mr. D. Antoniadis are responsible to contact Official Receiver and Registrar to take the necessary measures to safeguard the name of the Institute in English language (CERTIFIED PUBLIC ACCOUNTANTS OF CYPRUS) and the name/title of the members in Greek language (Εγκεκριμένος

⁶⁷ There is no evidence that Parliament received and proceeded with the drafts laws and regulations during that period. ICPAC prepared and revised them continuously through the years after several meetings and discussions but never submitted them to the Parliament. With the law enactment, the group of British qualified accountants would secure their professional jurisdiction from the other two groups of non-qualified accountants who wanted to receive a similar recognition. Chapter Six will discuss the regulation of the accounting profession in more details.

Λογιστής) and in English language (CERTIFIED PUBLIC ACCOUNTANT (CYPRUS)) or (C.P.A. (CYPRUS)).” (ICPAC Minutes dated 12 April 1961)

As Parker (2005, p.38) stated, the choice of “CPA designation in Cyprus was consistent with that of non-Commonwealth Middle Eastern countries of Greece, Jordan, Israel, Lebanon, Saudi Arabia and Turkey”. However, the Registrar of Companies of Cyprus informed the ICPAC Council that it will not be possible to secure the members’ name and then the ICPAC Council decided to contact British bodies for advice on how to deal with this situation. ICPAC officials also asked ACCA and ICAEW if their members in Cyprus could use the designation of CPA (Cyprus) rather than chartered or certified accountants’ designations. Their response was negative as ICPAC did not obtain any Royal Charter like most British professional bodies during that time⁶⁸ and that the statute of Royal Charter did not stand in Cyprus. Cypriots wanted to use a similar name with their ICPAC membership as the British bodies. However, the absence of a Royal Charter regarding the local accounting profession shows the power that British professional bodies exerted on foreign professional bodies and how they influenced foreign professional projects.

As ICPAC was formed for promoting the accounting profession and the interests of professional accountants, the Council decided that the word ‘limited’ should be dropped. For a company limited by shares, the word ‘limited’ indicated a company that focused to distribute profits or offer dividends or other benefits to its members. As a not-for-profit company, ICPAC has no share capital or shareholders and its main scope is to retain its profits within the company to invest in its operations for the promotion of the profession locally. As a guarantee company, ICPAC can be exempt from having the word ‘Limited’ or ‘Ltd’ at the end of its name, if it is set up for certain usually

⁶⁸ At that time ACCA did not have a Royal Charter.

charitable or non-profit purposes. The provision on Companies Law of 1951 states that the word ‘limited’ can be dispensed with in names of charitable and the companies:

“[w]here it is proved to the satisfaction of the Governor that an association about to be formed as a company is to be formed for promoting commerce, art, science, religion, charity or nay other useful object, and intends to apply its profits, if any, or other income in promoting its objects, and to prohibit the payment of any dividend to its members, the Governor may by license direct that the association may be registered as a company with limited liability, without the addition of the word “limited” to its name, and the association may be registered accordingly and shall, on registration, enjoy all the privileges and, subject to the provisions of this section, be subject to all the obligations of limited companies.” (Section 20, page 22)

Therefore, a Special Resolution was tabled on 2 June 1961 to change the professional body’s name to “*Institute of Certified Accountants and Auditors of Cyprus (Σύνδεσμος Εγκριμένων Λογιστών και Ελεγκτών Κύπρου)*”. According to the Companies Law of 1951, it is possible to “authorise the company to make by special resolution a change in its name including [...] the omission of the word ‘limited’” (p.22). The reasons behind this change might have been for simplification purposes and for ICPAC to be more in line with its nature and objectives. The ICPAC Council attempted to create an appropriate image and reputation, starting with the change of the Institute’s name as this created confusion to the public. It wanted to show to the public that the Institute was established for accomplishing the interests of Cypriot accountants and to form an appropriate professionalization project locally. This professionalization project would enable Cypriots to form their local professional identity which could be presented and promoted locally and abroad.

The next step was to clarify the composition of the membership and in doing so ICPAC was heavily influenced by the rules used by the British professional bodies for the admission of new members.

5.4 ICPAC Membership

From its inception, ICPAC Founders and Council decided that only chartered and certified accountants would be permitted to become members of the Institute. Throughout the years, individuals from foreign professional accountancy bodies such as US CPAs, other local professional groups of accountants and Turkish Cypriot accountants expressed their wish to become members. They believed that ICPAC membership would enable them to advance their economic and professional interests locally. However, they faced objections leading some member candidates to turn against ICPAC by litigating to achieve their rights to be included in ICPAC membership list. During the period 1961-1982, the membership rate was quite low but later it started to increase year by year (see Table 5.1 below). The development of Cyprus as an offshore financial centre started with the introduction of appropriate tax incentives in the year 1977. The incentives proved to be very successful (based on an increase in foreign companies, FDI etc.⁶⁹) with a consequent increase in the need for qualified accountants and thus an upward trend of membership in ICPAC after the 1980s. The change of social needs and the advancement of accountants in society⁷⁰ also explained their increased desire to become ICPAC members. It is also worth noting that during the early years of ICPAC (1961-1982) the membership was almost exclusively male and female membership began to rise from the 1980s onwards (see Tables 5.1 and 5.2 below).

⁶⁹ See Chapter Four for evidence.

⁷⁰ See Chapter Four for evidence.

Table 5.1: Membership ICPAC for Years 1961-2009

YEAR	TOTAL	MALE	FEMALE	Excluding W/off	Practising
1961-1982	172	171	1	172	54
1983	194	190	4	194	61
1984	213	209	4	213	64
1985	233	226	7	236	70
1986	261	250	11	267	80
1987	286	274	12	295	86
1988	308	292	16	320	90
1989	348	325	23	363	103
1990	390	362	28	408	107
1991	430	398	32	451	117
1992	468	434	34	492	130
1993	544	501	43	571	160
1994	614	557	57	644	184
1995	694	613	81	727	208
1996	783	669	114	819	228
1997	882	738	144	921	272
1998	1010	826	184	1052	273
1999	1091	886	205	1136	284
2000	1185	956	229	1233	290
2001	1313	1037	276	1364	309
2002	1547	1185	362	1599	363
2003	1659	1223	436	1769	387
2004	1825	1359	466	1959	421
2005	1998	1461	537	2152	462
2006	2159	1563	596	2332	520
2007	2317	1638	679	2513	562
2008	2489	1733	756	2706	606
2009	2687	1837	850	2927	644

Source: ICPAC Archives

Table 5.2: Rate of Membership Growth for the Years 2007-2011

Year	Total Growth	Growth of Male Membership	Growth of Female Membership	Cumulative Totals		
				Total	Men	Women
2007	158	75	83	2317	1638	679
2008	172	95	77	2489	1733	756
2009	198	104	94	2687	1837	850
2010	212	116	96	2899	1953	946
2011	210	126	84	3109	2079	1030

Source: ICPAC Archives

5.4.1 Patriarchy and Gender in Accounting Profession

Most female professional accountants were influenced by family members and friends to pursue an accounting career and also revealed that they did not have any previous knowledge or connection with accounting subject. As three interviewees put it:

“I did not choose it. My father chose it. I did not want to study accounting. It was something that it did not represent me. But I was influenced by my father. It was not something that it was my dream. He was not a professional accountant. He just wanted it. He emigrated from Cyprus, from poor family and he wanted his daughter to study and to be successful. He pushed me in this direction.” (Female Professional Accountant, Interview dated 11 December 2015)

“I did not know much about accounting. I was a student in Economics but I was coached to go into chartered accountancy. Because at the time, there were so many people qualified in Cyprus and I wanted to come back to Cyprus. Somebody, a friend of my father, who was a chartered accountant, said to me *‘if you are good, you can follow this profession and it will always give you a good job’*. At the time, I did not know anything about [accounting]. I said *‘OK, it will be a good job’*.” (Female Professional Accountant, Interview dated 14 December 2015)

“I did not follow a commercial direction [in high school]. I had no idea what accounting was but I still wanted to become a chartered accountant.” (Female Professional Accountant, Interview dated 4 January 2016)

In common with other sections of Cypriot society, family and particularly fathers influenced the choice of career and accountancy was no exception. The liberalisation of the economy and emergence of offshore finance fuelled the demand for accountants and offered greater employment opportunities and economic rewards to accountants. Consequently, more male and female Cypriot graduates chose a career in accountancy, believing that it would open doors for them in future, helping their social mobility. This indicates their continuous perceptions for the superiority of these particular qualifications and the continuity of colonial influences.

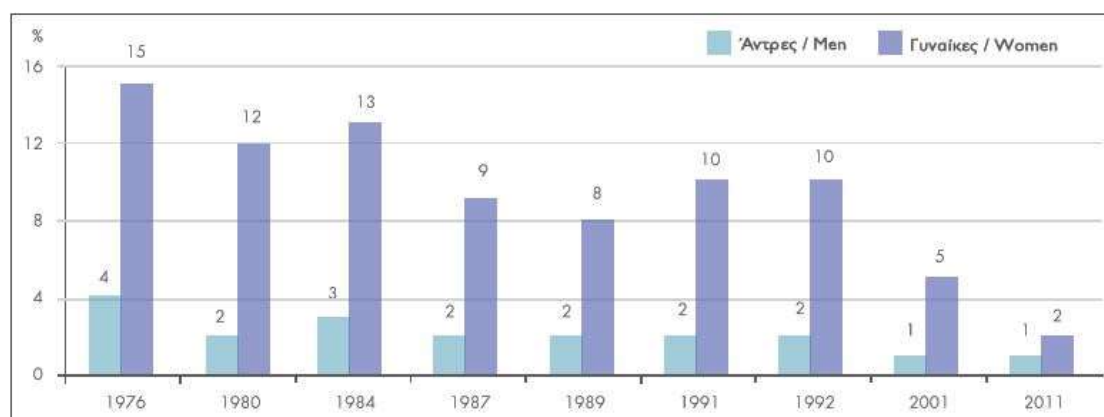
However, several reasons explain the appearance of female accountants after 1980s and their subsequent growth. By 1960s the gender line was deeply rooted; the natural

place to find a man was the coffee shop while women were settled at home (Loizos, 1981). Women were primarily occupied in the production of goods and services that could be used within the home while they depended on the man of the household (the father or the husband) for income (Cockburn, 2004; Anthias, 1992). Tradition played significant role in women's life in Cyprus as until 1955 the married women were not allowed to work. Cypriot women formally entered the workforce after the disaster of 1974 where the depressed economy provided opportunities for them (Cockburn, 2004). Nevertheless, it was not easy for Cypriot women to establish themselves in the workforce, taking into account the highly patriarchal Cypriot society (Loizos, 1981). Accountancy was one of the professions that would facilitate their social mobility and benefit in economic terms. The literacy and education attainment were low during 1970s and afterwards, they began to increase year by year, showing the desire of Cypriot women for education in postcolonial period (see Tables 5.3 and 5.4 and Graphs 5.1, 5.2, 5.3 and 5.4 below).

Table 5.3: Literacy Rates 1976-2011⁷¹

Year	Literate (%)			Illiterate (%)		
	Total	Males	Females	Total	Males	Females
1976	90	96	85	10	4	15
1980	93	98	88	7	2	12
1984	93	97	87	7	3	13
1987	94	98	91	6	2	9
1989	95	98	92	5	2	8
1991	94	98	90	6	2	10
1992	94	98	90	6	2	10
2001	97	99	95	3	1	5
2011	99	99	98	1	1	2

Source: Recreated from CyStat (2012, p. 29)

Graph 5.1: Literacy Rates 1976-2011

Source: Adapted from CyStat (2012, p.29)

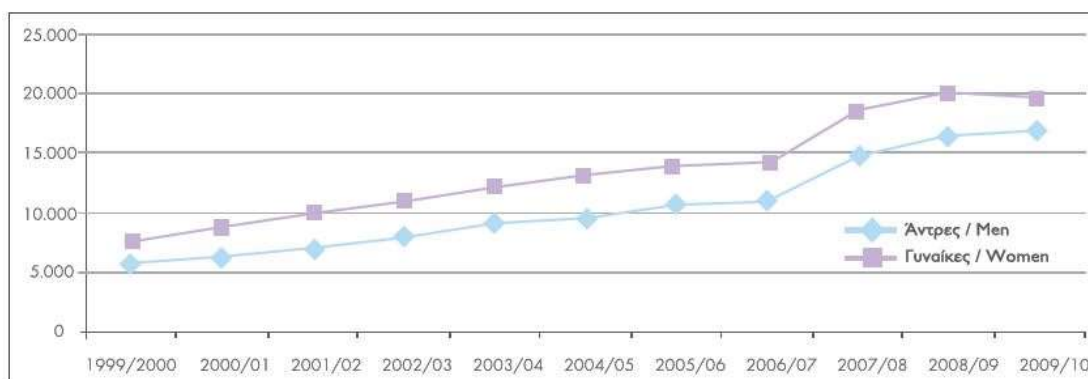
⁷¹ For the year 1976 illiteracy refers to persons aged 10 years and over and for the rest of the years it covers the ages of 15 years and over. Literacy Rate is the percentage of persons who can read and write simple sentences.

Table 5.4: Cypriot Students in Tertiary University Education in Cyprus and Abroad 1999/2000-2009/10

Year	Total		Cyprus		Abroad	
	Men	Women	Men	Women	Men	Women
1999/00	5749	7762	511	1890	5238	5872
2000/01	6295	8852	603	2085	5692	6767
2001/02	6947	10068	637	2285	6310	7783
2002/03	7839	11029	778	2606	7061	8423
2003/04	8957	12136	949	2866	8008	9270
2004/05	9668	13039	1045	3171	8623	9868
2005/06	10472	13844	1218	3266	9254	10578
2006/07	10999	14252	1448	3416	9551	10836
2007/08	14800	18553	4971	7450	9829	11103
2008/09	16338	20196	6417	9029	9921	11167
2009/10	16809	19650	7610	9397	9199	10253

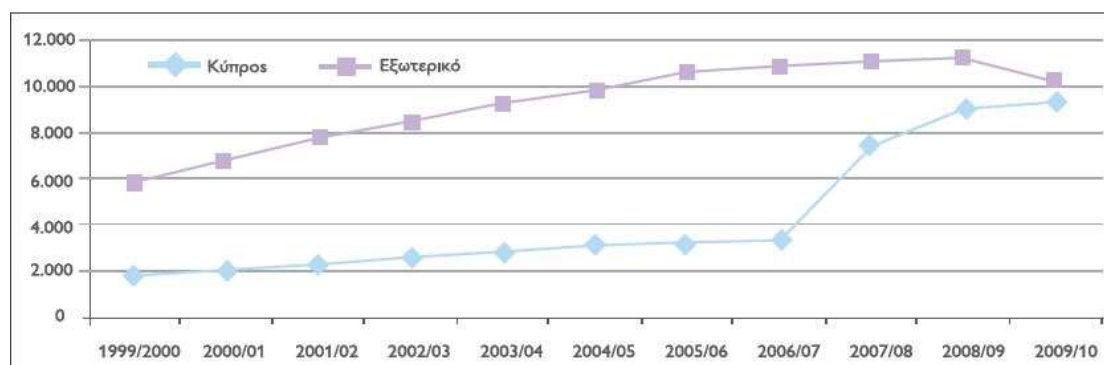
Source: Recreated from CyStat (2012, p. 32)

Graph 5.2: Cypriot Students in Tertiary University Education in Cyprus and Abroad 1999/2000-2009/10



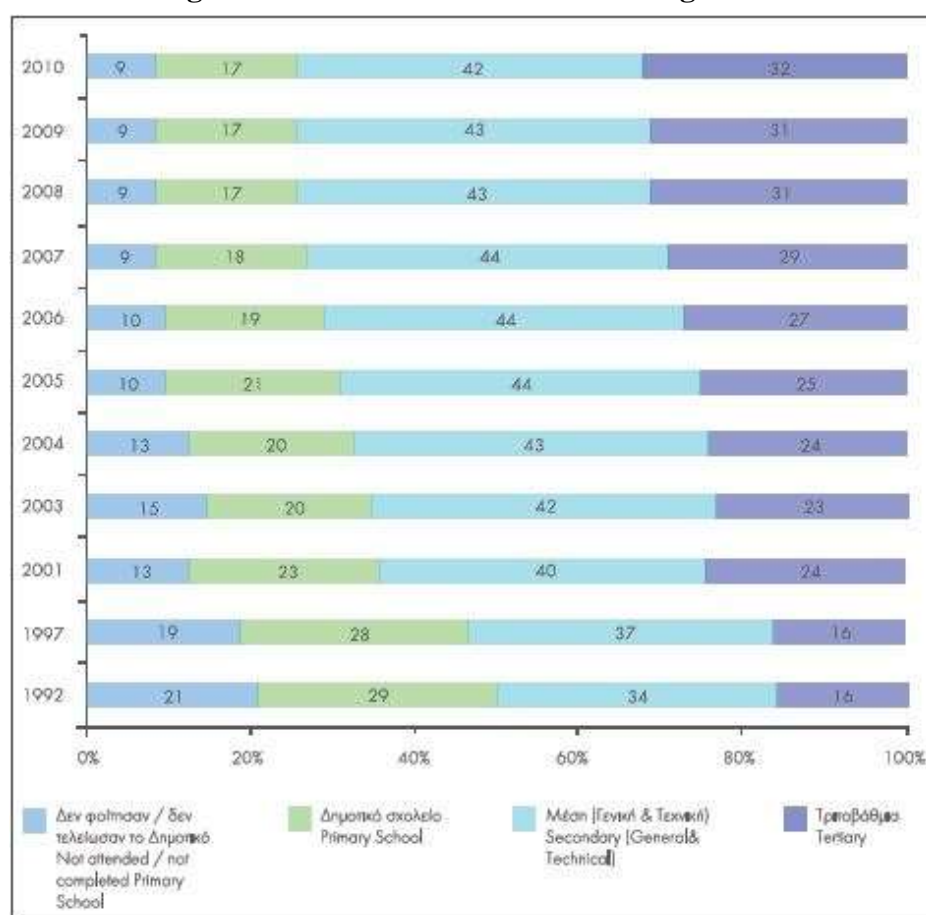
Source: Adapted from CyStat (2012, p.33)

Graph 5.3: Cypriot Female Students in Tertiary University Education in Cyprus and Abroad 1999/2000-2009/10⁷²



Source: Adapted from CyStat (2012, p. 33)

Graph 5.4: Percentage Distribution of Women aged 20 years and over by Highest Educational Attainment during 1992-2010



Source: Adapted from CyStat (2012, p. 31)

⁷² Blue line indicates 'in Cyprus' and purple line 'Abroad'.

Cypriot women would normally go to Greece for studies but their choice created professional group conflicts. The type of their qualifications restricted them from becoming ICPAC members and excluded them from the profession in general:

“There was no female qualified accountant that met the criteria. By not being qualified, she was not allowed to join the ICPAC. It was not a thing of gender. It was, I think, about qualification. For someone to become qualified during those days, s/he needed to go abroad. So a lot of people went to Greece. If they obtained some kind of qualification in economics, it was not recognised by ICPAC.” (Female Professional Accountant, Interview dated 11 December 2015)

Their educational background did not allow them to enter to accounting profession as most of them chose Greece as a cheaper choice for their studies and also due to the close affinity with Greece:

“With Greece, I think, the reasons have to do with proximity and free-of-charge education after the war. The UK was more expensive and the cost of living was cheaper in Greece.” (Female Professional Accountant, Interview dated 11 December 2015)

However, the lack of required qualification was not the only constraint that made female accountants delay their appearance in the profession. The issue of gender also played a significant role in their professional advancement or lack of it because it created restrictions for them. People within and outside the profession behaved differently towards female accountants, due to already existing stereotypes about women and professional accountants:

“When I decided to [follow accountancy career], because my family was in London, my parents were living in London, at the time I did not have any reactions. But when I became qualified and I came to Cyprus, then you could see that it was a surprise. Sometimes they were calling me, they were sending letters, saying ‘Mr. [Surname]’ instead of Mrs. [Surname]. They made you feel different at that time. When I was working in London, there was no such thing. In Cyprus, they were looking at you, thinking, before meeting you, *‘she is a girl’*. It was mostly people outside the professional environment who had this reaction. Relatives or friends were thinking *‘she is working so many hours’* [and] these people’s reactions, when you have children, are more difficult [to handle]. So the challenges were mostly from the society in general rather than people working with me. Because I had the qualification, I was good at my job.

Nobody said *'do no send her because she is a woman'*. I never had that reaction.” (Female Professional Accountant, Interview dated 14 December 2015)

As Cypriots studied and worked in the UK, both before and after independence, they had a very close affinity and possibly internalised British or Western ideas regarding the professional model or status. Upon their return in Cyprus, they were regarded as inferior in their own country. They were considered as individuals with different ideas, perceptions and habits that the local Cypriots, who did not travel, work or live in UK, found difficult to habituate (Socratous, 2016). There was a conflict of ideas regarding the professionalization project and the eligibility to work in a local audit firm. The local customs and perceptions on the women's position in the society can be considered as the main reason for the restrictions during the admission process in audit firms for female accountants:

“There were very few places from British firms for non-British individuals for an articleship contract. Limited numbers. I would guess that due to competition, there were fewer women who applied. Then gradually when the Institute decided to allow Cyprus to train chartered accountants locally, then it was much easier for girls to say *'OK, I am in my home country and I can also study this'*. So I think one of the main issues was the fact that it was another country and was more difficult to have access, to get articleship contract in UK. Secondly, accountancy was considered as a male-dominated profession.” (Female Professional Accountant, Interview dated 14 December 2015)

“When I applied for jobs in Cyprus, there were one or two employers of large firms that they said *'No, I think we cannot employ women. It will be difficult, what you will do with clients, how you will handle clients etc.'*” (Female Professional Accountant, Interview dated 4 January 2016)

This reflects that men dominated the profession and the society on the whole. As there were gender struggles in UK, in Cyprus the gender emancipation was floundered because before 1980s Cyprus was a more traditional patriarchal society. This gender inequality perception made female professionals to feel as inferior and not be able to develop their professional skills and to demand their rights inside the profession:

“The problem with women is that they always have inside them the inferiority that *‘it is a man’s world and they have to prove themselves’*. Because a woman has to prove herself more than a man.” (Female Professional Accountant, Interview dated 11 December 2015)

However, this trend started changing after 1980s when women started demanding their rights. There was the need to obtain income, enhance their social mobility and gain recognition from society and the professional environment and to enter into the profession by developing their knowledge and professional credentials. Apart from female accountants, other both local and foreign accountants face difficulties and met objections regarding ICPAC membership and the exercise of the profession locally. These restrictions made these groups of accountants proceed to appeals in the Court.

5.4.2 Securing ICPAC's Nationalism from Turkish Cypriot Accountants

After Cyprus gained its independence in 1960, the Cyprus Constitution was to secure unity between Greek and Turkish Cypriots and to provide a framework for the newly independent country and its government. In accordance to the Constitution, 30% of positions in Public Sector and 40% of positions in Policy and Army were allocated to the Turkish Cypriot community. Furthermore, the number of members of Parliament would be constituted by 50 individuals from which 35 (70%) would be elected from the Greek community and 15 (30%) from the Turkish community. Based on this arrangement and in relation to the accounting profession, an ICPAC founding member stated that:

“We had three Turkish Cypriots Chartered Certified Accountants. I cannot say for sure their names but as the Constitution of Republic of Cyprus was formed, it made provision for two basic issues regarding the participation of Turkish Cypriots. The one was that in several positions of the Central Bank [of Cyprus], Attorney General [...] The one should be Greek Cypriot and the Assistant (Deputy) to be Turkish Cypriot.” (Interview dated 14 January 2015)

A Former ICPAC President added that:

“There were Turkish Cypriot accountants. But they came to the Institute asking for the 30% of Council membership to be Turkish Cypriots as extension of the Provisions of Constitution for the Governmental positions [which stated] that 30% of Governmental positions should be in the hands of Turkish Cypriots.” (Interview dated 12 January 2015)

However, this issue brought some objections. An ICPAC founding member expressed his disagreement stating:

“I would put one’s foot down. We aimed to establish an association for the good of the profession and we would give such rights? Because it was like we gave rights to those who exercised the profession as well as to those who did not exercise the profession. If we had accepted them as members of the ICPAC Council and we had included them in the Articles of Agreements, later we could not be able to make changes. Their proposal was rejected and they left. I remember the one was called Tatar, the other Guven and the third one I think Rustem. One of them would come and attend some of the General Meetings like an ICPAC member but without being our member.” (Interview dated 14 January 2015)

Another Former ICPAC President argued that:

“The Council said that this Institute was not being formed based on Provisions of the Constitution of the Republic of Cyprus, it was not governmental. We formed it for all the Cypriots, if you would like to join [the Institute], come. If you do not come, it is your choice.” (Interview dated 12 January 2015)

The exclusion of Turkish Cypriot accountants from the ICPAC Council was due to the nationalist trend to form the Council with Greek Cypriots only. There was a belief in 1960s that if they would allow Turkish Cypriot accountants to be part of the ICPAC Council, the Greek Cypriots may regret it later and will not be able to change the documents. The different vision held by the two communities for what the future should hold for Cyprus explains the perception of Turkish Cypriots' exclusion from ICPAC Council. While the main objective of Turkish Cypriots was *taksim* (partition of the island), which would compel Cyprus to become two separate States, the Greek Cypriots sought *enosis* (union) with Greece (Olin, 2012). This reflects an economic separatism, leading to economic dualism and of the exclusionary politics of Greek Cypriot political

elites and the separation politics of Turkish Cypriot elites (Meyer, 1962; Varnava and Yakinthou, 2011).

However, the ICPAC Council did not conclude to a full exclusion of Turkish Cypriots from ICPAC activities. ICPAC gave them permission to attend the Annual General Meetings as audience. After the Turkish invasion of 1974, the Turkish Republic of Northern Cyprus (hereafter, TRNC) was formed and only recognised by Turkey. The differences among the two communities' socio-economic-political frameworks and legislations created significant gaps and obstacles to various sectors of their life and the accounting profession is no exception. The constitutional framework of TRNC is not recognised by the Greek Cypriot Government and United Nations. Therefore, the divergent trajectories of the two communities did not allow Turkish Cypriots to unify with Greek Cypriots and join the ICPAC. A former ICPAC President explains the situation by presenting an example:

“One [Turkish Cypriot accountant], who became ICPAC member, exercised the profession [in the Northern side of Cyprus]. When the ICPAC started to monitor the accounting firms, the issue was how you would monitor this individual who worked with legislations which were not legislations of the Republic of Cyprus? They had other legislations. Thus, a situation was generated which did not favour the inflow or the admission of Turkish Cypriot [accountants].” (Interview dated 12 January 2015)

Before the April 2004 referendum of Annan Plan⁷³, Turkish Cypriots started to express an interest in becoming ICPAC members. After the failure of the Annan plan⁷⁴, the interest of Turkish Cypriot accountants started fading. Therefore, the political situation and the differences in legislation did not permit Turkish Cypriots to become ICPAC

⁷³ The Annan Plan was a United Nations proposal to resolve the Cyprus dispute between the two communities. The said proposal suggested restructuring the Republic of Cyprus as a ‘United Republic of Cyprus’, which would be a federation of two States. It was revised a number of times before holding a referendum on it in 2004 (see United Nations, 2004).

⁷⁴ The two communities were asked whether they approved of the fifth revision of the United Nations proposal for reuniting the island, which had been divided since 1974. While it was approved by 64.9% of Turkish Cypriots, it was rejected by 75.8% of Greek Cypriots (BBC News, 2004).

members. The EU accession of Cyprus and the adoption of EU legislation further widened the gap for Turkish Cypriots to join ICPAC and to exercise the profession locally.

In a similar case, US CPA holders attempted gain recognition and asked for their professional rights locally. As US CPA holders received negative response and they were distinguished from other occupational groups, they initiated legal action. This is discussed further in the section that follows.

5.4.3 Tensions about US CPA Qualification Holders

During the 1980s, Cypriots migrated to the US in pursuit of education, job and economic opportunities. Upon returning home as US Graduates with US CPA professional qualifications, these Cypriots looked for job opportunities. However, since they were not included in the list of recognised professional bodies of UK, US CPA holders were automatically not recognised in Cyprus and subsequently they were not allowed to become ICPAC members and to exercise the profession. The issue of the approval of US CPA holders as accountants/auditors locally was raised with the application of Mr. G. Kaimakliotis, US CPA holder (ICPAC Minutes dated 14 April 1988) to be accepted as an ICPAC member based on Article of 155 (1) (b) of Companies Law 1951, Chapter 113. Furthermore, Representatives of US Graduates and CPA holders went up against the Parliament of Cyprus arguing that they wanted the same rights and status as the ICPAC members. An ICPAC founding member reflects on the exclusion of this professional group as below:

“After several years, their qualification was approved as long as they litigated the matter in case their application to become members was rejected.”
(Interview dated 14 January 2015)

Former ICPAC President revealed that CPA holders received support from the US Ambassador:

“After the intervention of the Ambassador of America in Cyprus, the Council of Ministers made an amendment or a regulation based on which CPA holders became recognised locally.” (Interview dated 12 January 2015)

However, an explanation given was that Cyprus, as a small economy, could not afford large number of professional bodies due to limited sources and its size. Based on this assertion, the ICPAC lawyer explains it from a legal perspective:

“It was not possible. The law allows having two or three professional bodies if it is necessary. But there is no reason to have many professional bodies, as long as the systems and exams are all the same.” (Interview dated 12 April 2014)

An alternative explanation may be that ICPAC Council was more interested in consolidating its position and it did not see CPAs as a threat to its professionalization project. Its main concern seemed to be to marginalise the so-called non-qualified accountants. If other professional groups would start to form their own professional associations, ICPAC would lose its dominant role in the professional arena.

ICPAC was called to decide whether to admit or not US CPAs as members whereas there were hesitations regarding their approval. Although their education level was regarded as one of high standards, there were differences among the various States of America and consequently the regulations varied. In some States of America, an individual needed three years of work experience in order to become qualified as in the UK but in other States, only one year was necessary. For this reason, the ICPAC Council contacted Board of Trade of UK to clarify the issue of the years of work experience. The Committee of Board of Trade referred that similar arrangements in UK were made based on the principle of reciprocity⁷⁵; for example, a CPA holder could

⁷⁵ The principle of reciprocity is about favours, benefits or penalties that are granted by one state to the citizens or legal entities of another, which should be returned in kind. For example, it can be used in the reduction of tariffs,

change their place of practice to another jurisdiction, from US to UK, or the reverse case was possible a British qualified accountant could move to US to practice the profession. Respective US States recognise the members of British professional bodies and offer this reciprocity under certain requirements and then the new license in the new jurisdiction can be obtained and a new principal place of practice will be located.

Therefore, there were different work experience requirements for local and foreign accountants. For US CPA holders, the ICPAC Council demanded five years of work experience in auditing and three years as residents in Cyprus for obtaining the license to practice the profession locally and become ICPAC members. In case of no reciprocity with any US State, ICPAC would ask from US CPA holders only five years of work experience in Cyprus. In that context, the idea for the creation of admission examinations for CPAs to become ICPAC members was put on the map. After several considerations, the ICPAC Council imposed some conditions in order to accept CPAs as ICPAC members because they wanted all its members to have an equal length of experience. Hence, the Council of Ministers proceeded to an amendment or a regulation based on which the CPA holders would be recognised. The suggested requirements were the following:

“A CPA should fulfil the following conditions to become member of ICPAC (i.e. he would be considered by the Council as holding an equivalent qualification to a member of one of the English bodies – ICAS, ICAEW, CAI, CACA – as per Articles s.4 (b):

- (a) Have an undergraduate degree with a major in accounting, obtained in the United States.
- (b) Have passed the Uniform CPA Examination.
- (c) Have met the requirements to become a CPA of the State in which the candidate has qualified, including the required accounting expertise.
- (d) Be a member of American Institute of Certified Public Accountants [hereafter, AICPA]

the grant of copyrights to foreign authors, the mutual recognition and enforcement of judgments, the relaxation of travel restrictions and visa requirements.

- (e) Must have had at least 4 years' approved accounting experience at least 2 of which must have been obtained in Cyprus after passing the CPA exam. The experience in Cyprus must have been obtained either in the full-time employ of a member of ICPAC in public practice, or a senior accounting position in a company or a public utility body or a government department under the direct supervision of a member of ICPAC.
- (f) Have passed conversion exams in Cyprus Company Law and Taxation, approved by International Federation of Accountants [hereafter, IFAC].

The Council reserves the right to change these regulations as it may from time to time think fit." (ICPAC Minutes dated 21 July 1988)

The above criteria were approved by the Council of Ministers in a meeting dated 7 December 1989⁷⁶. However, holders of US CPA qualification were unhappy about the requirement to sit the examination of Taxation and Cyprus Law as the Council of Ministers decided. Mr. George Syrimis, the Minister of Finance during the 1990s suggested that it was necessary to try to keep the accounting profession unified and not to split it up to different professional bodies (ICPAC Minutes dated 29 January 1990). The decision taken by the Council of Ministers was the same with what ICPAC suggested before. Furthermore, the ICAEW President agreed that it would be better to avoid forming different professional bodies and he offered any help needed. Based on the case of US CPA holders, the issue of a practising certificate and the future possibility to implement aptitude tests for ICPAC member candidates were raised. Regarding the CPA issue, the Council of Ministers agreed after an amendment⁷⁷ to accept CPAs under the following conditions:

“(a) To have undergraduate degree of USA, with specialization in accounting; (b) To have passed the similar exams of AICPA; (c) To fulfil the requirements of academic qualifications and service training, of the State where they obtained the title of CPA for the participation as members of AICPA and (d) To have five years of experience in accounting, at least two years and six months of this experience to be obtained in Cyprus, in a full employment of qualified accountant of public companies or in high position of public

⁷⁶ No. of Decision 32.707

⁷⁷ Council of Ministers meeting dated 23 August 1990, No. of Decision 33.997

company/government sector under the supervision of qualified accountant of public companies, after the obtainment of professional title of CPA.” (ICPAC Minutes dated 2 May 1991)

Even after CPAs gained approval to exercise the profession locally and become ICPAC members, the law case *Pantelis Symeonides vs. Republic of Cyprus, via Minister of Commerce and Industry and others*⁷⁸ indicates that there were still issues of exclusion. This particular case refers to Mr. Symeonides, a CPA holder who had applied to obtain permission to exercise the accounting/auditing profession in public companies based the Article 155 (1) (b) of Companies Law, but it was rejected due to lack of required qualifications. Based on the criteria for recognition purposes of CPA qualification as equal with the qualifications referred to Article 155 (1) (a) of Companies Law, he did not meet any of them. Then, he filed for an appeal as he deemed that the criteria given by the amended decision of the Council of Ministers dated 23 August 1990 and which were used to examine his application were unconstitutional and against the principle of equality of Article 28 of the Constitution of the Republic of Cyprus, indicating in this way that any form of social closure must cease to exist. The Article 28 refers to the following:

“All persons are equal before the law, the administration and justice and are entitled to equal protection thereof and treatment thereby.”

The applicant argued that these particular criteria foresee a different treatment of CPA holders from Chartered/Certified Accountants of UK and this modification results to unfavourable treatment of the CPA holders. However, the decision of Court rejected the assertion of the applicant by stating the following:

“The discrimination that exists between holders of titles of Chartered/Certified from the one side and C.P.A. from the other side, is reasonable and it is supported by the estimate of relevant parties that there are differences between the two titles. The criteria that are included in the relevant decision of Council of Ministers are objectively justified and they do not violate the principle of

⁷⁸ Case No. 382/92

equality that is secured within Article 28 of Constitution. The creation of reasonable and non-arbitrary discriminations is allowed when the intrinsic nature of things permits it.”⁷⁹

The assertion about unconstitutionality did not stand and the appeal was rejected. In their attempt to receive recognition and exercise the profession in Cyprus, CPA holders faced restrictions. The continuity of embracing British qualifications in the local professional context was evident in the failed CPAs’ attempts to receive local professional recognition. There were cases of CPAs⁸⁰ who believed that they were treated differently from British qualified accountants regarding job opportunities and consequently their professional and social mobility. Their professional identity seems to have been strongly influenced by British legacies in postcolonial Cyprus. However, the continuity of British legacies seemed to have been terminated when the Council of Ministers proceeded to several amendments on the CPAs entry requirements to obtain their professional jurisdictions. In a similar vein, another professional group, the non-qualified accountants faced constraints to maintain their professional rights in Cyprus.

5.4.4 Jurisdictional Battles between Local Qualified and Non-Qualified Accountants

The ICPAC members were mainly qualified accountants with British qualifications (ACCA, ICAEW). There were also the groups of accountants, mainly Graduates from Greek Universities and LCCI higher certificate holders with limited work experience and with license from Finance Minister to prepare accounts for tax purposes. These groups were considered by ICPAC as non-qualified accountants with no British qualifications who were not allowed to practice the profession and to be ICPAC

⁷⁹ Pantelis Symeonides vs. Republic of Cyprus, via Minister of Commerce and Industry and others, Case No. 382/92, pp. 2205-2206

⁸⁰ See Pantelis Symeonides vs. Republic of Cyprus, via Minister of Commerce and Industry and others, Case No. 382/92

members. The professional exclusion of this group of accountants by British qualified ICPAC members led a struggle over who would dominate.

During the 1960s, an individual could apply to the Ministry of Finance and if they worked in Cyprus and had work experience, s/he could obtain the license to exercise the profession for tax purposes only (see Appendices 39 and 40). In this context, a professional accountant stated that:

“In the end, they regretted it. They gave licenses to people that held Accounting Higher [LCCI qualification] with 5 years’ work experience.” (Interview dated 3 February 2015)

A former ICPAC President added that:

“The work of accountants during those times was on tax issues. The accountants were authorised by the Ministry of Finance to submit accounts for income tax; the so-called practical accountants. They were not qualified but if they held LCCI Accounting Higher and had some work experience, they could obtain that license.” (Interview dated 3 February 2015)

The Article 53 of Section 58 of Income Tax (Foreign Persons) Law⁸¹ of 1961 reflects this provision since authorisation of non-qualified accountants was given to prepare accounts for tax purposes only. This law stated that:

“Any accounts and any computations of chargeable income produced to the Commissioner or accompanying any return of income submitted to the Commissioner may, at the Commissioner’s discretion, not be considered if they have not been prepared and certified by an independent accountant practising in the Republic duly authorized by the Minister of Finance to prepare accounts and computations for income tax purposes.” (The Cyprus Gazette, 1961, p.453)

As this provision had colonial roots, it is evident that there was a continuity of implementation of colonial laws by Cypriots after independence. With the authority to provide such license to non-qualified accountants, the Ministry of Finance had also the

⁸¹ Individual and companies resident in Cyprus are liable to income tax in accordance with the Income Tax Law in respect of their worldwide income. The income liable to income tax includes, inter alia, trade income, income from salaried services, pensions, interest, dividends, royalties, any amounts of trade goodwill etc.

right to terminate the validity of licenses. An ICPAC founding member gave an example:

“I know a case of someone, 50 years ago. S/he left an envelope on the table of a tax officer. They removed her/his license because s/he was accused of bribery after several investigations were made.” (Interview dated 14 January 2015)

ICPAC Council stated that the licensed accountants should not have the same rights as the professionals and should not be permitted to call themselves ‘qualified accountants’. Thus, the ICPAC Council suggested that they may be permitted to call themselves ‘authorised accountants’ (ICPAC Minutes dated 21 April 1976) and their work be solely confined to preparation of tax returns and to exercise the accounting profession for tax purposes. In line with this position, ICPAC suggested that the Provision of Article 53 of Income Tax (Foreign Persons) Law of 1961 needed to be reformed. A former ICPAC President argued that:

“The non-qualified accountants were the cheapest, with licenses from Ministry of Finance. The qualified accountants believed that this should be safeguarded. The recognition of the accounting profession was due to this issue. Because there were many non-qualified accountants, they exercised the profession and they did, let’s say, [the job] cheaper [they required less money].” (Interview dated 3 February 2015)

The situation created concerns (Philippou, 2013; Zampelas, 2014) regarding retaining the control of ICPAC Council in the hands of qualified people, after the entry of the non-qualified ones. ICPAC members, who were employees and exercised the profession, asked how this group could affect the process with the draft legislation if they would like to exercise the profession. In relation to this issue, a chartered accountant from the Ministry of Finance stated that:

“They will not accept the qualified to be named ‘licensed’ by the Ministry. Regarding public companies, the licensed accountants have the right to audit public companies after attending certain seminars. Regarding the possibility of licensed accountant becoming ICPAC members, they examined the scenario of adding several conditions to the legislation for the admission of licensed

accountants such as to practice the profession for a certain time period before the legislation.” (ICPAC Minutes dated 3 August 1993)

After a meeting, the Finance Minister had with ICPAC, several positions were adopted on how to handle the non-qualified accountants and the modifications that would help to avoid creating a bad reputation of the profession. The positions were the following:

“ICPAC believes that licenses must be given only to qualified accountants. But, to not consider this position as extreme, they can give licenses under certain conditions in non-members for the audit of persons and partnerships only for which the work will not exceed the amount of £100,000. Additionally, all the references to members of recognised professional accountancy bodies to be replaced by ICPAC and thus, the section referred to this must be removed. The supply of license without restrictions must be given only to ICPAC members. A recommendation was placed regarding the change on Companies Act, Chapter 113. The issue of introduction of Practising Certificate was raised.” (ICPAC Minutes dated 12 November 1987)

As non-qualified licensed accountants were not under the umbrella of ICPAC, they could not be controlled as was the case with qualified accountants (ICPAC members) who were monitored by the Institute. A professional accountant stated that:

“[Non-qualified licensed accountants] cannot be controlled. They are not like us [ICPAC members] that we undergo audit monitoring, go to seminars and we are monitored. They cannot control them and I think they stopped giving such licenses.” (Interview dated 3 February 2015)

With the accession of Cyprus to the EU, there was a transformation of the legal framework from a colonial-imperialistic one to one with an international global-oriented spirit; in that context the provision of Article 53 of Income Tax (Foreign Persons) Law of 1961 was repealed. According to EU legislations, a person with Governmental position was not allowed to regulate the professional qualifications which were determined by EU Directives. Therefore, Finance Minister no longer had the authority to issue these licenses from 2004 onwards. However, a former ICPAC President revealed that there was intense lobbying of the House of Representatives by the group of non-qualified accountants which exerted some kind of influence:

“Before Cyprus’ accession to EU, there was a group [of non-qualified accountants] around 150 people who applied with the special provisions provided before EU accession from Minister of Commerce - license for exercising accounting/auditing profession. These licenses were provided until 2004.” (Interview dated 29 January 2015)

ICPAC acted as ‘*closed shop*’ trying to protect the interests of its members and its reputation as a local professional accountancy body from non-qualified accountants who could damage the process of acquiring recognition of the profession based on functional and symbolic concerns. This reveals that non-qualified accountants were deemed as cheap labour that could damage the status of the accounting profession that ICPAC wanted to maintain and/or create locally and abroad. The accession of Cyprus to the EU seems to have helped the monopolisation of ICPAC locally by the termination of licenses the Finance Ministry gave to non-qualified accountants. The terms of professionalization had already been settled in the European professional accountancy bodies (e.g. Britain, France, Germany) and Cyprus merely implemented what had already been established in the EU. This indicates a discontinuity of colonial imperialistic legislations and a new regime with a European-international path for the Cypriot accounting profession.

The struggles between various professional groups for jurisdictional rights revealed the existence of professional exclusion. The monopoly of opportunities given to a certain group of accountants shows that ICPAC tried to secure advantages for one group by putting barriers to another group which was considered as a ‘*danger for the profession*’. This shows the inferiority for the professional groups and professional qualifications, embracing only the credentials of their former colonial masters. Cypriots adopted the British model regarding the admission requirements for a professional membership and for exercising the accounting profession locally. The colonial legacies expound this

high level of influence and the sense of superiority towards these bodies and their qualifications in Cyprus.

5.5 The Continuity of Professional Exclusion

Female Cypriot accountants, Turkish Cypriot accountants, US CPA qualified accountants and non-qualified accountants from Greek universities faced professional exclusion in Cyprus during the early years of ICPAC's establishment. They fought jurisdictional battles to obtain the authority to exercise the profession locally. Although the different and unfair treatment of these groups seemed to have decreased with the passage of time with the reforms of ICPAC admission requirements, there are legal cases that show a continuity of professional exclusion. For example, the court case of *Alexandros Aivaliotis v. The Republic of Cyprus, Through the Public Service Commission*⁸² presents a complaint for the distinction between certified and chartered accountants and the preference for ICAEW and ACCA qualifications instead of other British qualifications regarding an appointment for high position in the public sector of the Republic of Cyprus. Although ICPAC Council clarified that it did not distinguish chartered from certified accountants or vice versa, the law case shows the preferences for ICAEW and ACCA as the only recognised professional bodies in Cyprus, excluding other British qualifications. This is evident in a job vacancy of Assistant Accountant in the Treasury Department as it was advertised on 18 May 1967 in the Official Gazette.

The entry requirements were the following:

“(a) Membership of a recognised body of professional accountants; a university degree in a related subject would be an advantage; (b) extensive knowledge of Government accounting practices and procedures or a minimum of three years’ practical training with a firm of qualified accountants and auditors; and (c) a very good knowledge of Greek and English in the case of a Turkish candidate.

⁸² Case No. 219/67 dated 15 June 1970

Preference will be given to qualified candidates who have already had considerable experience in the Treasury and who have shown merit in the discharge of their duties.”⁸³

For this position, there were two candidates, the applicant and Mr. Vakis Stavrou Ioannou. The Public Service Commission excluded the applicant from consideration on the ground that he was not duly qualified as he only held a certificate of membership of the Association of International Accountants (hereafter, AIA)⁸⁴. The applicant received a negative reply enclosing the following reasons:

“I am directed to refer to your letter of the 21st September and to inform you that it was not found possible to select you for appointment to the post of Assistant Accountant for the reason that you are not a Member of a Recognised Body of Professional Accountants as required under the relevant Scheme of Service. For your information in order to be eligible for appointment to the above post, you must either be a Member of the ICAEW or ACCA.”⁸⁵

Based on the analysis given for the case by the Court, the expression ‘*recognised body of professional accountants*’ was legally wrong. It further stated that it should not have been limited to ‘chartered’ and ‘certified’ accountants only but it should have been such as to embrace all those belonging to the profession of accountants. This showed the power of British professional bodies, ACCA and ICAEW. Furthermore, the Public Service Commission worked in excess or abuse of its power in interpreting the words of the scheme of service and pointing out these two particular professional bodies. The word ‘*recognised*’ should have been interpreted as ‘*established*’ or ‘*accepted*’ by the profession in general and not the interpretation given by any administrative body either locally or in UK. The Commission assumed that the association of Mr. Aivaliotis was

⁸³ Alexandros Aivaliotis v. Republic (Public Service Commission), Case No.219/67, p. 153

⁸⁴ The Association of International Accountants Limited provides an international organisation for accountants. It is an incorporate society of accountants, within the meaning of Section 52(4) of the United Kingdom Income Tax Act of 1952, stating that “upon any appeal the General Commissioners shall permit barrister or solicitor to plead before them on behalf of the Appellant or officers, either viva voce or in writing, and shall hear any accountant, that is to say, any person who has been admitted a member of an incorporated society of accountants” (Income Tax Act, 1952, p.33).

⁸⁵ Alexandros Aivaliotis v. Republic (Public Service Commission), Case No.219/67, pp. 153-154

not considered as equal to the chartered or certified accountants and they failed to consider the idea that an alternative interpretation was available. The AIA was also recognised but only for certain purposes as under the section 161(1) (a) of the Companies Act 1948, the Board of Trade presents the four recognised professional bodies of accountants whose members can be automatically qualified for appointment as auditor of a public or non-exempt private company:

“The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Accountants of Scotland, The Institute of Chartered Accountants in Ireland and The Association of Certified and Corporate Accountants.”⁸⁶

Any person with membership of AIA was not considered qualified for such an appointment until s/he obtains from the Board of Trade an individual authorisation.

Based on this, a certified accountant argued that:

“The company accounts are most important accounts and only those who have acquired a high standard of knowledge and ability can prepare accounts and comply with the complex requirements of the Companies Law.”⁸⁷

Therefore, there was continuity in the distinction drawn between professional qualifications. Qualified accountants of British professional bodies considered themselves as a distinguished group that could take responsibilities and duties of professional accountants and could be nominated as qualified and the most suitable for this job.

5.6 Summary and Discussion of the Chapter

Former British colonies established their local professional accountancy bodies after gaining their independence and receiving significant influence from British

⁸⁶ *ibid*, p.156

⁸⁷ *ibid*, p.159

professional bodies. The same happened in Cyprus when a group of accountants decided to establish ICPAC after independence. There was also a pre-independence attempt to create a local accounting society in Cyprus with the help of ACCA which would be operated having the brand name of ACCA and not its control. After the failure of the first attempt during the period of 1955-1957, ICPAC was officially established on 29 March 1961, one year after independence. During its first years of operation, ICPAC tackled issues relating membership admission requirements. At the beginning, the decision was to only allow chartered and certified accountants from British bodies as its members as it was stated in the Companies Law of 1951. When other groups of accountants wished to become members and/or to exercise the profession locally, they faced objections. Therefore, various conflicts emerged in the professional arena.

The issues of patriarchy, gender, nationalism and professional exclusion played significant role in the emergence and development of local accounting profession. Regarding the group of Turkish Cypriot Accountants, the nationalistic ideas of Greek Cypriots were evident in that they did not want to include Turkish Cypriots in the ICPAC Council. Moreover, the political situation made their admission as ICPAC members difficult due to differences in their legislation and due to the community *acquis*⁸⁸ as Cyprus became an EU member in 2004. The group of US CPA holders deemed that there was an unfair distinction made between chartered/certified and US CPAs. The law cases revealed their struggle to obtain their professional rights locally. After several amendments in the Companies Act, they obtained the permission to become ICPAC members and to exercise the profession locally. The group of Graduates of Greek Universities and licensed accountants by Finance Ministry faced

⁸⁸ “The *acquis* is the body of common rights and obligations that is binding on all the EU member states” (European Commission, 2012b).

similar professional exclusion. ICPAC considered this group as non-qualified, without British qualifications and as dangerous for the process of the recognition and the advance of the profession and of the professional body itself. Therefore, ICPAC Council tried to restrict their entry.

This chapter revealed the issue of social closure in various professional groups, and particularly the struggle between British qualified and non-qualified accountants over who would dominate the profession. The continuity of colonial legacies led ICPAC to adopt similar to the British bodies membership admission and professional exercise requirements. ICPAC attempted to maintain a monopoly of opportunities for the group of professional accountants with British professional qualifications. There was the perception that British qualifications were superior to other kinds of qualifications. Furthermore, the procedures of organising and operating ICPAC were influenced by British bodies as the Western ideas already existed from the period of colonialism, reflecting a continuity of British influence. After independence, ICPAC followed the same path as that of British bodies by reproducing the same tactics, which brought several tensions to the women of the profession, to the US CPAs and to the non-qualified accountants locally.

The insistence of non-qualified accountants to continue exercising the profession without being ICPAC members made the ICPAC Council to bring to the table the old plan to regulate the profession in Cyprus. The fights between professional groups, especially with non-qualified accountants, made ICPAC to think and proceed with the recognition of accounting profession, the creation of local professional exams, to advance the level of the local profession and to maintain its status among other groups. Therefore, Chapter Six will focus, examine and analyse these issues revealing new work relationships, influences, dominances, struggles, defeats and victories.

Chapter 6 The Development, Recognition and Regulation of Local Accounting Profession and ICPAC: Some Evidence

6.1 Introduction

Chapter Five provided some evidence regarding the establishment of ICPAC and it showed how local and colonial politics combined to thwart an attempt to establish a professional accountancy body in pre-independent Cyprus. The British accountancy bodies (ACCA, ICAEW) played a key part in this failed attempt. The local independence movements heralded a new era of equal rights, but this had to compete with class structure propagated by the British colonial rule. Cypriots from diverse business and accounting backgrounds sought to become ICPAC members, but were denied that privilege which was restricted to a select few groups. The non-qualified accountants faced a professional exclusion and were considered by ICPAC as dangerous for the reputation and future of itself and the local profession. Furthermore, the professional exclusion of Turkish Cypriot accountants and US CPA holders told a story of nationalistic frictions and educational discriminations among various professional groups from different educational, social and national contexts. The differences in legislation and community acquis between Cyprus and TRNC and the

political situation created by the Cyprus Issue⁸⁹ played a significant role, resulting in the professional exclusion of the Turkish Cypriot accountants. The US CPA holders faced professional exclusion due to their education and foreign professional qualifications. An educational background and experience apart from British were considered as non-recognisable and non-applicable in the local professional framework and did not meet the requirements for exercising the profession in Cyprus. Therefore, the three stories of professional exclusion reflect that there was distinction among different classes of accountants.

ICPAC operated based on British membership admission requirements. Similar to British bodies' strategies, ICPAC allowed only specific groups to become members and exercise the profession locally. The patronage of certain British bodies (ACCA, ICAEW) on behalf of ICPAC and of Cypriots was evident in the belief of the superiority for these bodies and their qualifications. The British legacies and the activities of British bodies during the colonial period explained the continuity of the British accounting model by Cypriots. At the same time, the persistence of non-qualified accountants to exercise the profession without being ICPAC members raised the issue of the regulation of the profession. Furthermore, the EU demands to comply with the relevant European legislation brought new challenges for the accounting profession and started a turf war between the local qualified and non-qualified accountants. The shifting from British colonialism to British-EU relations brought changes of the positions of professional elites locally.

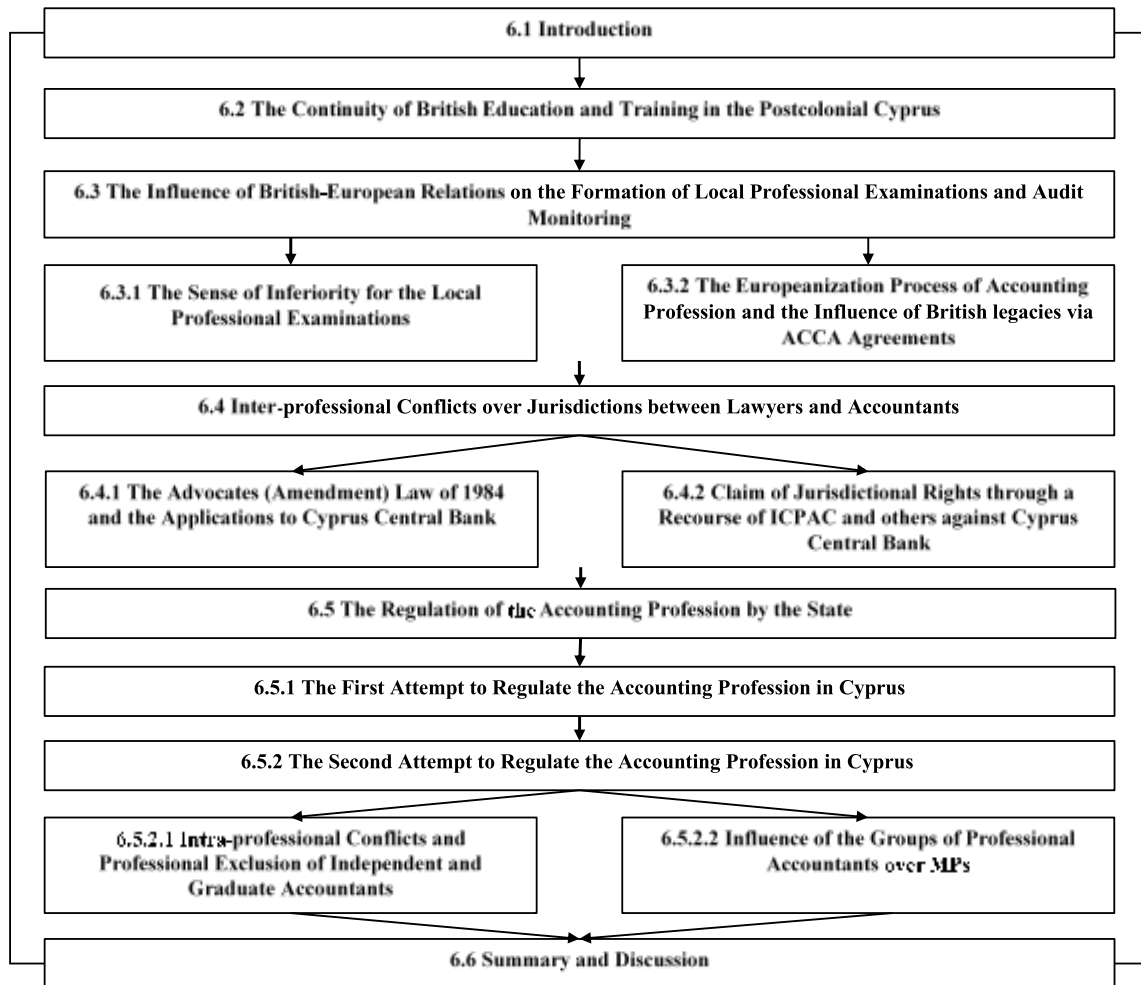
This chapter seeks to explore the factors which may have influenced the emergence and development of local accounting profession, especially the British legacies that

⁸⁹ The ongoing issue of military invasion and continuing Turkish occupation (since 1974) of the northern third of the island, a situation described and deployed in multiple United Nations' reports and resolutions.

shaped the operations of ICPAC in postcolonial period. Adopting a critical realist lens, it examines how the already existing structures and the realisation of various events played a significant role in the organisation and development of local profession and ICPAC. To obtain the relevant information for this thesis, documents from ICPAC, Parliamentary and Newspaper archives were examined and supplemented with interviews from Former Presidents of ICPAC and professional accountants.

This chapter consists of six sections (see Figure 6.1 below). Sections 6.2 and 6.3 show the influence and dominance of British accounting model and British-European relations on the local education, training and formation of local professional examinations and audit monitoring in the postcolonial period. Subsections 6.3.1 and 6.3.2 demonstrate how Cypriots continued to embrace professional accountancy bodies (ICAEW, ACCA) after independence and believed that the local examinations were inferior to the British ones. Furthermore, the inter-professional conflicts that emerged between lawyers and accountants due to the Advocates (Amendment) Law of 1984 which restricted the jurisdiction of accountants are discussed in section 6.4. Accountants claimed their jurisdictional rights by taking their case to the Court as discussed in subsections 6.4.1 and 6.4.2. The conflicts between professional groups brought the need to form a 'regulatory space' for the accounting profession as further elaborated in section 6.5. Various interactions took place during the process of forming this 'space'. While the subsection 6.5.1 discussed the unsuccessful first attempt to accomplish the regulation of the accounting profession, the subsection 6.5.2 presents the success story. This new regulatory arrangement created intra-professional conflicts and subsequently, professional exclusion of the group of non-qualified accountants as indicated in subsection 6.5.2.1. The House of Representatives of the Republic of Cyprus received influence from professional groups of accountants regarding the

maintenance of their professional jurisdictions. The subsection 6.5.2.2 presents the interactions that took place for this Bill between various groups such as the professionals, the State and Ministers, MPs and the EU. Lastly, section 6.6 provides a brief review of the chapter by identifying the key issues.

Figure 6.1: Flow of Chapter Six

6.2 The Continuity of British Education and Training in the Postcolonial Cyprus

As a former British colony, Cyprus inherited some features of British accounting model for the education and training of professional accountants. Before independence, Cypriots generally pursued a career in accounting by first studying for the LCCI accounting certificate and then by travelling to UK to obtain ACCA or ICAEW qualifications. This trend continued after independence as the interest in British professional qualifications started to grow year by year (see Table 6.1 below).

In order to foster an educational environment for its members, ICPAC inaugurated a local library as it sought to offer its members facilities similar with those offered to their peers in London. In this attempt, ICAEW and ACCA responded to ICPAC's call to supply materials such as a variety of books. Subsequently, ICPAC prepared a catalogue with the needs of library. Letters were sent by ICPAC to British professional bodies asking for their assistance:

“To send letters to [ICAEW] and [ACCA] where [ICPAC] will please them to supply with some books for its library.” (ICPAC Minutes dated 15 May 1968)

Some of the books that were ordered from British professional bodies were about the accounting standards and company law since Cyprus followed similar ones with the British:

“The Independent Auditor’s reporting standards in Three Nations (5 copies) and Jenkin’s Company Law Report (10 copies).” (ICPAC Minutes dated 23 January 1973)

Table 6.1: Number of ACCA and ICAEW Cypriots as ICPAC members per year

YEAR	ACCA	CUMULATIVE NUMBER OF ACCA	ICAEW	CUMULATIVE NUMBER OF ICAEW	YEAR	ACCA	CUMULATIVE NUMBER OF ACCA	ICAEW	CUMULATIVE NUMBER OF ICAEW
1961	8	8	8	8	1989	10	121	14	170
1962	0	8	0	8	1990	12	133	7	177
1963	0	8	0	8	1991	14	147	13	190
1964	0	8	0	8	1992	18	165	17	207
1965	1	9	4	12	1993	32	197	40	247
1966	0	9	0	12	1994	31	228	33	280
1967	0	9	0	12	1995	52	280	26	306
1968	2	11	3	15	1996	57	337	17	323
1969	0	11	0	15	1997	48	385	34	357
1970	0	11	0	15	1998	76	461	22	379
1971	1	12	4	19	1999	43	504	19	398
1972	3	15	2	21	2000	52	556	24	422
1973	7	22	3	24	2001	61	617	30	452
1974	2	24	5	29	2002	97	714	69	521
1975	0	24	0	29	2003	84	798	44	565
1976	7	31	1	30	2004	86	884	53	618
1977	1	32	1	31	2005	109	993	60	678
1978	4	36	5	36	2006	88	1081	40	718
1979	4	40	10	46	2007	94	1175	52	770
1980	7	47	9	55	2008	114	1289	48	818
1981	4	51	9	64	2009	138	1427	55	873
1982	7	58	9	73	2010	137	1564	80	953
1983	6	64	13	86	2011	111	1675	110	1063
1984	6	70	9	95	2012	124	1799	66	1129
1985	12	82	15	110	2013	96	1895	47	1176
1986	6	88	21	131	2014	124	2019	62	1238
1987	13	101	14	145	2015	55	2074	23	1261
1988	10	111	11	156					

Source: ICPAC Statistics

Furthermore, ICPAC started to provide its opinions on local accounting lessons and syllabus in high schools after a letter received in 1968 by the Ministry of Education (ICPAC Minutes dated 9 October 1968). ICPAC considered the accounting education in schools as important for someone's social mobility and professional development (Zampelas, 2014; Philippou, 2013). High schools and accounting teachers were considered as the emancipatory power that motivated students to continue to embrace British model and to become chartered or certified accountants. As emancipatory agents, teachers could influence the subjectivity of the students regarding their career choices and the kind of professional model that was considered to be the best for their professional development. A former ICPAC President (1976-1978) stated that:

“We were lucky because we were the first students of Neocleous [Lyceum]. [Mr.] Kyriacos Neocleous established the Lyceum [Middle/Secondary School], he wanted to become known and thus, he selected 4-5 students who started with him and he pushed us and helped us [towards this career]. [These students] were Evdokimos Xenophontos from Bank of Cyprus, Damianos Constantinou from Moore Stephens (Athens, Greece), myself, Panayiotis Stylianou who was internal auditor of Cyprus Electricity Authority and Andreas Nicandrou. [Mr. Neocleous] cared for these people. [He] pushed us, he [motivated] us, after we passed the LCCI Elementary, Intermediate and Higher [examinations].” (Interview dated 10 April 2014)

A professional accountant also argued that he learnt about the accounting profession when s/he was in high school and was motivated by her/his teacher:

“From the first lessons of accounting from [my] teacher. S/he explained us what the accounting profession is.” (Interview dated 3 February 2015)

Moreover, a former ICPAC President (2001-2003) stated that:

“Previously I did not have any knowledge about accounting matters, except from our teachers in high school who told us about this profession that has a lot of opportunities [and that] someone can specialise. My father was banker and due to this, I had more familiarity with economic subjects and then I decided to follow the accounting career.” (Interview dated 29 January 2015)

However, some reported that secondary school education and teachers were not the main factor that motivated them to follow the accounting career. The financial incentive

played significant role in Cypriots' decision because in this way they could succeed in having a better life as their families were poor and with limited education:

“I knew that my father was paid around 400-500 pounds per year and every week the small amount of 8.50 pounds because he was not educated.” (Professional Accountant, Interview dated 3 February 2015)

“It is the only thing that you could study without money during that period. Of course, we did not take a lot of money. It was about 3.5 pounds per week before the Intermediate and 4.5 pounds after the Intermediate.” (Former ICPAC President, 1970-1973, Interview dated 3 February 2015)

British accounting education and professional qualifications became an important vehicle for enhancing the social mobility of Cypriots as they sought professional appointments at home and abroad. There was also the need of further educational enhancement opportunities and training such as the adoption of ‘Professional Development Courses’ first offered by ICAEW in UK. ICPAC approached ACCA and ICAEW to discuss the possibilities of offering similar courses in Cyprus. The ICPAC Council sought co-operation with Brian A. Maynard, the President of ICAEW during the year 1976. Similar contacts through Mr. Papakyriacou were made with ACCA for the organisation of seminars for the ACCA members in Cyprus. ICPAC deemed that such seminars from both British bodies should be increased as they could maintain the local accountants' level of education, knowledge, expertise and professionalism:

“A suggestion was made that ICPAC should organise more often lectures/events with materials received by ICAEW and ACCA. The [ICPAC] Council supports the organisation of such lessons for the benefit of ICPAC members and it decides that this issue needs further enquiry.” (ICPAC Minutes dated 10 April 1980)

Some potential topics that needed to be included in one of ICAEW seminars were about International Accounting Standards and Management Course on Feasibility and Viability Studies (ICPAC Minutes dated 8 May 1980). Furthermore, the organisation and running of tax informative lectures in Cyprus by ICAEW took place due to the similarity of local tax legislation and the preparation of tax returns with British tax

system and techniques. The agreement for the implementation of training for audit clerks enabled the obtainment of Accounting Staff Qualification after the completion of various modules such as bookkeeping, preparation of company accounts, incomplete records and practical auditing for small companies (ICPAC Minutes dated 6 June 1980).

During the seminars, the teaching staff were lecturers from London who came to Cyprus to carry out the lectures. The materials from lectures, such as company financial statements and accounts, were from local companies which had been sent to British bodies to make the required preparations. As teachers and seminar leaders came from the UK, it is likely that due to their familiarity with British law and practices, the lectures were based on the British system. The delivery of seminars by British educators facilitated Cypriots to learn how to prepare accounts with newly implemented strategies and methods that were being used in UK.

Viewing the increased interest in the accounting profession and the high level of professionalism, ICAEW decided to start expanding abroad by starting with Cyprus as pilot centre. In the early 1990s, ICAEW gave the permission to train chartered accountants in Cyprus:

“The model of Cyprus, as the first country outside the UK where ICAEW decided to give the opportunity to someone to become a chartered accountant was considered as ICAEW’s success story.” (Former ICPAC President, 2001-2003, Interview dated 29 January 2015)

“This means that the audit firms of Cyprus could employ [individuals] with training contracts with exactly the same terms and conditions as in UK. [Individuals] could sit exams and take the professional qualification of ICAEW in Cyprus.” (Former ICPAC President, 1984-1986, Interview dated 12 January 2015)

Therefore, from the 1990s onwards it has been more convenient for Cypriots to study and obtain the ICAEW qualification. A professional accountant argued that this decision was regarded as advantageous for local inhabitants:

“[It is] easy for a Cypriot who wants to study and become a chartered accountant. Because in her/his home country and sometimes, only half of kilometre away from his/her home, s/he can go to College, to university and attend lectures which are needed to sit and pass the exams.” (Interview dated 3 February 2015)

Cypriots deemed this permission as an honour and recognition for the local quality of accounting profession:

“At that time, it was considered one of the most important steps for Cyprus and for the local accounting profession. It is very honorary. It was the first time that ICAEW gave permission to employ trainee students abroad and Cyprus was the first. This was indication of the high level work that we did locally.” (Former ICPAC President, 2005-2007, Interview dated 31 January 2015)

There was an appreciation for this achievement from the ICPAC Council as ICPAC Council members were British bodies’ members:

“We owe this to ICPAC. We must acknowledge it.” (Former ICPAC President, 1986-1987, Interview dated 14 January 2015)

A professional accountant presented the ICAEW permission as ICPAC’s contribution:

“I think it was a very big compliment for the local Institute. I think the experiment paid off in the sense that [we fulfilled] the responsibility of actually training young students to acquire the knowledge and the discipline needed to become a chartered accountant. I think they showed a lot of trust in the local Institute.” (Interview dated 4 February 2015)

As professional accountants who worked in Cyprus but completed their articleship in the UK, they maintained contacts with British accountancy firms, their partners and directors. In this context, a former ICPAC President (1970-1973) argued that these connections played significant role in this ICAEW permission:

“Later those who were the rulers in [ICPAC] and also held high positions in big [accounting/audit] firms, they made Cyprus the first country in the world that could produce chartered accountants. In other words, the chartered accountants

are trained on the spot. So the accountants returned to produce accountants in Cyprus.” (Interview dated 3 February 2015)

Thus, the ICAEW permission urged Cypriots to bring candidates from foreign countries to train them locally. A former ICPAC President (1976-1978) explained the story behind this as:

“We took this license around the time of the fall of the Soviet Union. At that time, I realised that there were not qualified accountants in [Soviet Union’s countries]. [Since] we [as Cyprus] were allowed to train chartered accountants, why not bring some people [from these countries] and offer them training? Upon returning to their countries they would be grateful for the people and offices that [offered them this opportunity]. As I worked this idea in my mind, I discussed it with many people but they put me constraints. I went to the Minister of Labour; he was friend of mine. I asked him permission to bring 25 University Graduates from foreign countries to train. He told me that this was impossible. I further explained that we will bring the best of the best candidates, we will give them work, accommodation, we will train them, pay them and in three years this [group] will be the elite. When they go back, which positions will they get? As they will be the only ones with these credentials in their countries, they will take the top positions of various organisations there. So these people will be grateful to us. They will be the ambassadors of Cyprus. They will send work [to Cyprus] as they will also be aware about the double tax agreements. In the end, I persuaded him and we began to bring trainees from Russia.” (Interview dated 14 April 2014)

The arrival of foreign candidates in Cyprus for training facilitated business collaborations. This development helped to cement economic, commercial and business relationships with foreign countries and encouraged foreign firms to relocate in Cyprus. Furthermore, this communication helped Cypriots to learn more about the international markets and, subsequently, to make business contacts with foreign firms and individuals:

“They knew the markets in their countries better. After they became qualified, they could serve. There was also the issue of language, to serve better the clients that came from [these countries] and to become members of groups that serve specific clients that came from these geographical areas.” (Former ICPAC President, 1999-2001, Interview dated 10 February 2015)

“[As] Ambassadors of Cyprus, they would help the flow of investments because they would return to their country and gain a position in an international audit firm or company. They would have Cyprus in their minds. They would

remember *'I went there to study'.*" (Former ICPAC President, 1984-1986, Interview dated 12 January 2015)

On the other hand, there was the issue of competition that led ICAEW to change strategy:

"The ICAEW at that time was very inward looking and only if you were in the UK, you were able to sit the exams there. It tried to establish itself as an international and recognised brand and not only a UK brand." (Former ICPAC President, 2003-2005, Interview dated 29 January 2015)

This change was considered as an opportunity for ICPAC and the local profession to become known worldwide and to start developing itself:

"I think [Cyprus] put itself on the map as a serious country for the [accounting] profession." (Former ICPAC President, 2005-2007, Interview dated 31 January 2015)

This also helped a number of interested people that wanted to become accountants as the numbers were increasing year by year, having the belief that these particular qualifications could offer better future and social mobility in the local and foreign markets:

"This [ICAEW movement] increased the interest of someone to become an accountant, you see the numbers increasing. For example, my son passed the ICAEW exams 5 years ago and was number 3500 as an ICPAC member. So from 1982 when I became an ICPAC member and was number 188 until 2010, [in other words] in 28 years' time you can see how the numbers increased. Thus, due to this event, there has been a growth." (Professional Accountant, Interview dated 3 February 2015)

The population size was also considered a reason according to a professional accountant stating that:

"I think Cyprus has the highest number of qualified people based on population. It is amazing. When my son became a chartered accountant, I think it was around 160 Cypriots qualified accountants [at the graduation ceremony]. It was mentioned by the guy from ICAEW that *'we have 165 people qualified in Cyprus this term and in China which has 1.6 billion people only has 131 people qualified'*. So you can see the difference in size." (Interview dated 4 February 2015)

ICAEW acknowledged the increased number of Cypriot ACA trainees who had remarkable progress in professional examinations:

“It is outstanding that many Cypriot students achieve global distinctions and win prizes. During most examination periods, Cypriots will always be in the first places, either on a global basis or on a European basis or in all the papers or in some papers.” (ICPAC Officer, Interview dated 10 February 2015)

“In this year’s [reward] ceremony, 197 Cypriots were rewarded and most of them were trained in Cyprus. We also had 9 who achieved international distinctions.” (Former ICPAC President, 2009-2011, Interview dated 11 February 2015)

The educational achievements bolstered the self-confidence and image of the Cypriot profession and perhaps gave reason to some to believe that its professional attainments were equivalent to those of the leading professional bodies. The colonial legacies and closer working relationship with the ICAEW facilitated the development of locally-based training. In the words of local professional accountants and Former ICPAC Presidents:

“In Cyprus, there was always a good system to produce accountants. It is a profession that Cypriots wanted, worked for it, and was also quite popular.” (Professional Accountant, Interview dated 3 February 2015)

“Cyprus has the links with the UK; we are very close and very strong because of the past and the fact that we have been a British colony.” (Former ICPAC President, 2003-2005, Interview dated 29 January 2015)

“We had very high standards and we followed the British, if you want, their methods, the British model.” (Former ICPAC President, 2005-2007, Interview dated 31 January 2015)

“They believed that our quality was close to theirs. One of the reasons they chose us is that most of our [ICPAC] members are also their members. So we are a country with tax and company law systems that are very closely related with the British ones. Cyprus was a good choice.” (Professional Accountant, Interview dated 23 January 2015)

Therefore, the production of accountants locally was facilitated by the structures that already existed and which influenced the subjectivity of local inhabitants to continue embracing these professional bodies over time. Based on the literature of former British

colonies (e.g. Nigeria, Australia etc.), after the establishment of their local professional bodies, these countries managed to create their own professional examinations scheme in order to escape from the influence of British bodies (ACCA, ICAEW) (Annisette, 1999, 2000; Chua and Poullaos, 1998). In the context of Cyprus, ICPAC did not intend to create its own local professional examinations scheme as Cypriots relied on British bodies' qualifications and services. However, during the preparations for the EU accession, the procedure for the compliance of EU Directives, mainly the Eighth EU Directive⁹⁰ included the creation of such schemes.

6.3 The Influence of British-European Relations on the Formation of Local Professional Examinations and Audit Monitoring

As a part of its preparations for EU accession during 2002-2004, Cyprus was required to comply with EU Directives, particularly the Eighth EU Directive which focused on the accounting profession. There was a need to define the qualification of people responsible for carrying out the statutory audits of the accounting documents required by the Fourth and Seventh Directives. The reforms were considered as a procedure of the transformation of the local accounting profession. The change from a British to an EU framework brought new demands such as the creation of local professional examinations. The first discussions about local examinations took place in 2002. These examinations, enabled aspiring accountants to obtain professional certification from ICPAC (see Appendix 41) that would enable them to exercise the profession locally.

⁹⁰ 84/253/EEC of 10 April 1984 based on Article 54(3)(g) of the Treaty on the approval of persons responsible for carrying out the statutory audits of accounting documents.

ICPAC attempted to dominate the local professional arena as the only recognised professional accountancy body that would control the local professionals and the only provider of licenses to exercise the profession locally, restricting the professional rights of other professional groups. However, there were doubts that ICPAC exams would not be successful and applicable in the Cyprus context since Cypriots continued to embrace the British qualifications.

6.3.1 The Sense of Inferiority for the Local Professional Examinations

The size of Cyprus and its economy played a significant role in the creation and operation of local professional examinations. As a small island with an emerging economy, people know each other more easily due to their closer proximity and the sharing of a similar identity, culture and history. This underlined the issue of credibility:

“The [exam questions] may not be so confidential and secret, may not be so effective.” (Professional Accountant, Interview dated 3 February 2015)

There was also the belief that due to economic reasons, ICPAC was not in position to create its own examinations:

“These exams are very... the logistics to create this scheme are very difficult. The structure needed is a very demanding requirement for a small country as Cyprus.” (Former ICPAC President, 2005-2007, Interview dated 31 January 2015)

“It is an issue, I believe, of abilities and investment. We are a small organisation with minimum abilities and finance.” (Professional Accountant, Interview dated 23 January 2015)

Furthermore, the issue of recognition of these examinations abroad and the subsequent ICPAC professional qualification created doubts:

“Who will take into account our local professional qualification?” (Former ICPAC President, 1976-1978, Interview dated 10 April 2014)

“In Cyprus, this professional qualification will be accepted but, in another country the candidate would be required to sit other exams.” (Former ICPAC President, 2001-2003, Interview dated 29 January 2015)

There was the perception that a professional accountant with an ICPAC professional certificate would not be able to work abroad as other countries would not recognise his/her credentials. Cypriots considered that their local qualification may not be highly regarded by the British bodies and may not be recognised. A former ICPAC President (1984-1986) put it as follows:

“The truth is that we, as Cyprus, felt that we did not have the means to create examinations at the level of ICAEW or ACCA. It is a matter of numbers because the British bodies have thousands or hundreds of thousands students. What would we do? It would be a very expensive way and we could not receive the required recognition, in my opinion. Because one will say ‘*professional examinations of Cyprus*’, how this would be heard compared with one individual that did his/her chartered or certified in the UK?” (Interview dated 12 January 2015)

Cypriots deemed their local professional examinations and qualification as weak compared with those offered by British professional bodies. ACCA and ICAEW were perceived to be superior for those seeking to pursue an accounting career at home and abroad. In the eyes of some, this would have put ICPAC members at a disadvantage. The international recognition of such examinations would arguably enhance Cypriot professional accountants’ social mobility. However, Cypriots believed that ICPAC could not offer a professional qualification with potentialities and dynamics similar with those offered by British professional bodies. A former ICPAC President (2001-2003) stated that some concerns about the creation of local professional examinations were also expressed by Mr. Tassos Papadopoulos, President of the Parliamentary Committee on Foreign and European Affairs (hereafter, PCFEA)⁹¹:

⁹¹ Before the accession, the committee was entrusted with the task to monitor the accession negotiations between the EU and Cyprus. The Committee was being informed of the negotiations and the overall accession process of Cyprus by the government, through the deposition of all relevant documents. It was solely responsible for the examination of Bills or regulations aiming at harmonising the national legislation with the *acquis communautaire*.

“I remember that [Mr. Papadopoulos] was ambiguous and asked: ‘*what kind of examinations can you [ICPAC] do?*’ Because he believed that it was not feasible to conduct these examinations and of course he made a comment in which he compared accountants with lawyers. He said: ‘*if you do the same thing that the Cyprus Bar Association did, then the exams scenario will be to ask a question and if one memorises the answers beforehand, s/he pass. If at this level, if I [Mr. Papadopoulos who was one of the best lawyers] sit these exams, I may not pass. My son who will memorise the questions, will pass*’. If you are aware of that – and we are aware of that – then we cannot do these exams and tell someone ‘*learn the questions by heart and go, pass and you are professional accountant*’.” (Interview dated 29 January 2015)

Local colleges and universities only offered the professional qualifications of British bodies (e.g. ACCA, ICAEW). However, several considerations were made regarding the possible structure that local professional examinations could follow. The ICPAC General Manager argued that several studies were made regarding the structure:

“We examined the American system, we examined the British system. For example, in America, if you want to become CPA, you should have obtained a Bachelor, Master and after that in order to pass the examinations for CPA there are one year studies with one multiple choice exam. It is an issue of money. The marking takes a few minutes electronically. With the British system, you read a text and you correct it. If you put a wrong dot [for the US system], you fail. They pass the paper through a computer and it is done. [With the UK system] you must read the paper to correct it.” (Interview dated 4 April 2014)

A former ICPAC President (2001-2003) revealed that they had three options:

“The first [option] was for ICPAC to create its own examinations, which I consider it to be an option only in theory and not in practice because it would not be easy to have the structure for professional examinations of the level required by legislation. So we had a ready product and our professional accountants were from British bodies; the second option was the ACCA and the third the ICAEW.” (Interview dated 29 January 2015)

The British legacies influenced the perceptions of Cypriots, making them to consider their local professional structure as inferior compared with the British products and services. This influence changed their professional identity as they continued to embrace the British accounting and educational system through the British professional

bodies. Thus, this continuity of influence led ICPAC to contact the British bodies (ACCA, ICAEW) for help.

6.3.2 The Europeanization Process of Accounting Profession and the Influence of British Legacies via ACCA Agreements

The ICPAC Council considered the possible options that it could choose from to create local professional examinations. After some deliberations, it realised that the ICPAC did not have the necessary sources for such development. Furthermore, the British legacies constrained ICPAC to create its local examinations and also enabled it to continue be depended on British bodies. Thus, the most favoured solution according to the ICPAC Council was a potential collaboration with British bodies for local examination and training schemes. This would build on a strong on-going relationship and it was facilitated by the fact that many Cypriots were also members of the British professional bodies. A former ICPAC President (2005-2007) argued that:

“In the process, we considered that the ‘know how’ of ACCA or ICAEW was the thing that we needed, apart from [the fact] that they were the same things. We invited these two professional bodies to discuss how they could help us. During that time, ACCA had an international approach. It had more contacts with different countries in the world. ICAEW was more focused on the UK and it gave permission to train chartered accountants only in Cyprus. So ACCA was more set and ready to offer its services.” (Interview dated 31 January 2015)

The ACCA was more receptive and willing to offer help compared to the ICAEW. A former ICPAC President (1997-1999) stated that:

“We asked from the two British bodies support and help for the creation of examinations. ICAEW did not react and ACCA reacted more quickly with a clear program in mind. Although there was already an organised educational system to train chartered accountants locally, for certified accountants there was no such system.” (Interview dated 4 February 2015)

As there was permission from ICAEW to train chartered accountants in Cyprus and due to its locally based UK strategy, ICAEW refused to be involved in the creation of Cypriot examinations. Possibly due to its strategy of expansion in former colonies, ACCA agreed to help ICPAC. ACCA also had particular affinity and familiarity with Cyprus as it operated a local examination centre. As a former ICPAC President (2001-2003) put it:

“We approached the two British bodies and we asked them to create a contract for examinations, to be able to comply with the EU legislation. ICAEW rejected the offer because it did not do any similar with examinations apart from UK. So the only option we had was ACCA that responded straightway, [so] we signed the contract. It also prepared structure for Cypriot papers of tax and company law and until today this agreement runs successfully.” (Interview dated 29 January 2015)

ACCA implemented a scheme which works in partnership with local accountancy bodies in a number of countries (see Table 6.2 below). This Joint Examination Scheme enables candidates to sit an exam component of a range of ACCA qualifications and simultaneously satisfies the exam criteria for the national accountancy body qualification. This particular scheme is already offered in different countries and gave the opportunity to the local professional accountancy bodies to strengthen their abilities to offer to prospective professional accountants the required professional qualification and education. With this scheme, ACCA gets involved in their local professional accountancy bodies and subsequently exerts some control regarding the issue of professional qualifications and the preparations and training of local professional accountants based on the British accounting model. Most former British colonies adopted the British model on education and legislation. The existing structures from the British facilitated the implementation of the ACCA Joint Examination Scheme. A similar situation arose in Cyprus as there was already the acknowledgement of British qualifications from Cypriots.

Table 6.2: ACCA Joint Examination Scheme Partners

COUNTRY	LOCAL ACCOUNTANCY BODY
Barbados	Institute of Chartered Accountants of Barbados
Belize	Institute of Chartered Accountants of Belize
Botswana	The Botswana Institute of Accountants
Cambodia	Kampuchea Institute of Certified Public Accountants and Auditors
Cyprus	Institute of Certified Public Accountants of Cyprus
Greece	The Institute of Certified Public Accountants of Greece
Guyana	Institute of Chartered Accountants of Guyana
Jamaica	The Institute of Chartered Accountants of Jamaica
Lesotho	Lesotho Institute of Accountants
Malawi	Institute of Chartered Accountants in Malawi
Malta	The Malta Institute of Accountants
Sierra Leone	The Institute of Chartered Accountants of Sierra Leone
Swaziland	The Swaziland Institute of Accountants
Trinidad	The Institute of Chartered Accountants of Trinidad and Tobago
United Arab Emirates	Accountants & Auditors Association
Vietnam	Ministry of Finance

Source: ACCA (2015b)

However, several former colonies (e.g. Jamaica, Trinidad) have showed discontent towards and refused ACCA products. They believed that these products distracted and circumscribed their actions to localise the accounting profession. With Cyprus, the scene was different as ICPAC and professional accountants embraced British bodies and their products. The Eighth EU Directive required that anyone who would like to exercise the accounting/auditing profession in Cyprus, s/he should have the knowledge of local company and taxation laws. A former ICPAC President (2001-2003) stated that:

“Of course, for someone who comes from UK, s/he does not know [the local business and tax laws] because the provisions of legislation are different. So, in agreement with ACCA, special papers have been prepared for the Cypriot legislation, the Companies Law, taxation which are included in the examination scheme until today.” (Interview dated 29 January 2015)

In their attempt to create local examinations, Cypriots made agreement with ACCA for a Joint Examinations Scheme (see Appendix 42) which would create local variants of subjects of Cypriot legislation and taxation. A former ICPAC President (1984-1986) argued that the ACCA products were used before and now they have been reformed based on Cypriot legal context:

“ACCA took the responsibility to offer the exams in Cyprus but now they were made based on the framework of the introduction of Cypriot taxation and company laws. A scheme was prepared according to which the ACCA examinations in Cyprus will include these two exams. It is a Joint Examination Scheme between ICPAC and ACCA. The ACCA had an examination centre in Cyprus before. Simply from a particular moment, instead of being the ACCA directly in Cyprus, Joint scheme was made with ICPAC and the students of ACCA became students of ICPAC and ACCA.” (Interview dated 12 January 2015)

As ACCA already held a dominant position in Cyprus, the Joint Examination Scheme offered the opportunity to secure its dominance in the local professional arena. To monitor the process of this collaboration, an ACCA liaison was hired for daily communication with ACCA. ICPAC suggested the following duties for ACCA liaison where this hiring could reduce Institute’s expenses:

“(i) Issues derived from ACCA agreement for Joint exams. (ii) Accounting issues: the undertaking of these duties will decrease today’s costs of accounting services that ICPAC pays, approximately £5.000 per year.” (ICPAC Minutes dated 2 July 2002)

An ICPAC Officer put it as:

“We have here a person who basically acts as liaison between the British bodies, basically for ACCA. The liaison officer is here because of the Joint Examination Scheme. So this person has an everyday contact with ACCA, local colleges and students regarding the administration issues of the Scheme.” (Interview dated 10 February 2015)

The hiring of ACCA liaison in Cyprus shows that ACCA wanted to assure that this partnership would derive economic, social and political gains with its smooth and controlled operation. Furthermore, the continuous and frequent communication with the liaison would provide an image of the situation in Cyprus and subsequently an assurance for ACCA's dominance in the local market. As this Scheme emerged to comply with EU Directives, the issue of ICAEW examinations was raised as similar examinations with Cypriot papers were needed. A former ICPAC President (1970-1973) stated that complaints were made to ICAEW:

“Of course, we, as chartered accountants, made complaints to ICAEW, stating ‘ACCA started a *[Joint Examination Scheme]*, why did you not do something similar?’ We pressed them.” (Interview dated 3 February 2015)

Therefore, proposals to implement the same scheme with ICAEW were made. A former ICPAC President (1984-1986) revealed that:

“Unfortunately, despite my attempts when I was ICPAC General Manager to persuade ICAEW to also induct the examinations of Cypriot Company and Tax laws, for their own reasons they insisted on British legislation. So if you had someone who worked in PwC in Limassol⁹², s/he worked with Cypriot legislation but s/he had to sit the British exams. I considered this illogical. I also went to the UK and I told them that. I kept telling them but they did not agree with me.” (Interview dated 12 January 2015)

Their insistence shows that they wanted to maintain the British system. It seems that ACCA acted with a plan to expand its influence worldwide. However, there was a reference to a change on the part of ICAEW according to former ICPAC President (1984-1986):

“At some point they told me that they agree to induct in their examinations the Cypriot Company law but not Tax. However, the Cypriot trainees did not agree, because they considered that the Cypriot examinations would be more difficult from the British regarding the Company Law paper. They said ‘*we prefer to finish the British Company Law examinations and after, we will sit the Cypriot*

⁹² Limassol is a city on the southern coast of Cyprus.

exams as continuing professional education’.” (Interview dated 12 January 2015)

This reaction changed the scene and then ICAEW did not introduce any Cypriot papers on its examinations. However, there was still the need for professional examinations for those who would come from foreign countries with foreign qualifications including ICAEW to take the practising license of profession locally. The two Cypriot papers introduced in the Joint Examination Scheme with ACCA were called Cyprus Variant Papers, giving the license to prospective professional accountants to obtain the ICPAC practising license. ICPAC Officer stated that:

“We had the chance to introduce these two Cypriot papers which are modules determined by the Eighth EU Directive that requires that every member state includes in its professional examinations papers based on its Law. So we should have two papers based on Cypriot legislation; for Company law and taxation. If a member of ICAEW or other EU professional body comes and wants to exercise the profession in Cyprus, s/he needs to sit these exams to take professional license. These papers are called Aptitude tests⁹³.” (Interview dated 10 February 2015)

It seems that the EU influenced the procedure to provide license to local accountants to exercise the profession locally, under several requirements. The requests from EU Directives facilitated ACCA to expand its services and to propose a scheme which would accommodate and correspond with the EU requirements and the ACCA dominance locally. The two powers, the British bodies and the EU exerted their influence on Cyprus. However, Cypriots viewed it as single opportunity and relief from any further local responsibilities. ICPAC General Manager argued that:

“Basically we did not reinvent the wheel. The same also happens with other countries. So, we operated a mechanism of examinations with ACCA. For us, it is much easier in the administration because other people undergo the stress and pressure. But at the end of the day, the professional qualification that someone takes, will be the Examinations Scheme ICPAC-ACCA.” (Interview dated 4 April 2014)

⁹³ See Appendix 43 for the Agreement with ACCA for Aptitude tests.

Cypriots considered this Joint Examination Scheme as their own local qualification after several compromises were made by the British professional bodies:

“It is very different from the British system. So basically there is... OK, there is not a definite Cypriot paper, a Cypriot examination procedure that is ours. It is hybrid situation which, however, seems to be effective. In a small market like Cyprus, it is difficult to implement [such project]. We adopt, accordingly always to our own data, good practices and procedures that are followed by British bodies. The qualification that we take, at the end of the day, writes *ICPAC-ACCA*. So substantially it is our own examination.” (ICPAC General Manager, Interview dated 4 April 2014)

Cypriots acknowledged the influence received by British regarding the local examination procedure. They seemed to operate, act and react based on British legacies. Without having any other options, they were obligated to compromise with the adoption of the ICPAC-ACCA collaboration.

Apart from professional examinations, the Eighth EU Directive demanded the continuous monitoring of local professionals by an independent body. The supervisory concerns were also fuelled by the 2001 revelations of fraud at Enron⁹⁴, a major US-based energy-telecommunications company and the demise of its auditor Arthur Andersen⁹⁵. A professional accountant put it as:

“The audit monitoring was implemented in the EU because in the US, a company, the administration of Enron that worked on telecommunications set up fraudulent accounts that showed more profits, they deceived the investors with the help of their auditors. After this, US authorities said to Europeans: *‘look, all the companies, the American ones who audit from European auditors, we want to monitor them, to do audit monitoring visits’*. Europeans said: *‘no, we will use our own procedure’* and thus, the audit monitoring visit was implemented in the EU.” (Interview dated 3 February 2015)

However, the issue of auditor independence and the small size of Cyprus created questions on how such monitoring body would be formed in Cyprus and afterwards

⁹⁴ Enron was charged in 2001 with financial statement fraud (fraudulent manipulation of publicly reported financial results). It ‘cooked the books’ to hide the losses.

⁹⁵ Arthur Andersen was the audit firm responsible for checking Enron’s accounts for confirmation of reliability. It was found guilty of shredding documentation and was convicted for the scandal.

how it would be operated. A former ICPAC President (2005-2007) presented these worries when stating that:

“One of our obligations as a recognised supervisory body for the members who practice the auditing profession in Cyprus is the quality of our work. It was one of the obligations that ICPAC should have and we wanted during that period to create an infrastructure that will be of high level and independent, as we live in a small country as Cyprus and knowing each one is easy.” (Interview dated 31 January 2015)

Furthermore, a professional accountant pointed out the independence problem stating that:

“Cyprus, on our own, could face difficulties in implementing it correctly. [Cyprus] is a small country and always takes into account the affinities, friendships and family relations. We, as an association, had the courage to say *‘yes gentlemen, there is this problem and this control would be made by a foreign body in order to be able to enforce, otherwise we would have similar problems [as Enron and Andersen]’*.” (Interview dated 23 January 2015)

They preferred to ask help from ACCA and ICAEW due to their many years’ experience and availability of resources to provide for this project. Former ICPAC Presidents stated the reasons of this decision:

“We explored the possibility of, to speak freely, [of asking the help of] *‘our parent bodies’*. We [ICPAC Council] decided unanimously after presentations and offers that we would proceed with the ACCA because of its experiences and independence.” (Interview dated 31 January 2015)

“We, in Cyprus, did not have the know-how on how to supervise and the infrastructure to do this job. It is also an issue of independence as Cyprus is small in size. When you put someone to supervise, it is highly likely to have a conflict of interest. Thus, for independence and know-how purposes, we asked from the two British bodies to help us.” (Interview dated 6 February 2015)

Therefore, contacts with ACCA and ICAEW were made and as a next step, proposals were received indicating their main points (see Table 6.3 below).

Table 6.3: Proposals of ACCA and ICAEW

	ACCA	ICAEW
<i>First Stage</i>		
Study of ICPAC's needs	Free – No fees/costs	£14.000
<i>Second Stage</i>		
Ascension of audit monitoring	Alternative fees/costs are given	It depends on the results of first stage

Source: ICPAC Minutes dated 8 March 2008

The first stage was an examination to find out ICPAC's needs and the second stage was the implementation of audit monitoring. It is apparent that each professional body has its own terms, conditions and cost prices. For the ACCA contract, the alternative costs for the second stage were £360,000 for 6 years, a visit in every accounting firm, plus a charge of firm for additional visits or £540.000 without any additional charges (ICPAC Minutes dated 8 March 2004). ACCA showed more interest and contacted the ICPAC General Manager by telephone and email for clarifications (ibid). ICAEW firstly informed the General Manager by email that it will contact him in case of further clarifications but nothing happened after that (ibid). There was no other communication on behalf of the ICAEW. A former ICPAC President (1984-1986) argued that ACCA proposal was more suitable for ICPAC needs:

“ICAEW told us that ‘we can do a proposal, we need an amount, you need to pay us’. ACCA came and told us: ‘Look, we will come and see what your needs are and anything you need help with, we will help you’. So the ICPAC Council said: ‘Why pay [ICAEW] for advice? The [ACCA] would come free, conduct their study and they will advise us’.” (Interview dated 6 February 2015)

The ACCA's proposal had more advantages than the ICAEW's one as they showed greater interest in Cyprus. It was quite detailed and gave solutions to issues related with Quality Check (ICPAC Minutes dated 8 March 2004). The proposed costs to implement it were very logical and it offered the potential of future operation of quality check by ICPAC (ibid). Thus, a further meeting took place between Mr. Peter Large,

Executive Director Professional Standards ACCA and Mr. Sha Ali Khan, Head of Monitoring and Supervision ACCA, accompanied by Mrs. Varvara Lillika, an ACCA Representative in Cyprus for presenting their final proposals and reaching a final agreement (ICPAC Minutes dated 5 April 2004). Before starting the audit monitoring in Cyprus, ACCA decided to hire a person that would be trained in the UK for the period of 6-8 months:

“S/he was an employee of the ACCA and s/he went to England for few months for training. S/he started the visits to offices under the guidance of England Division. So it is about know-how. At some stage, s/he joined ICPAC and ACCA hired another person and after that they hired two more. They have three persons who received help from the pyramid of England Division in supervising offices here in Cyprus. They do not have offices. They work online from home where they communicate with the ACCA for issuing reports.” (Former ICPAC President, 1984-1986, Interview dated 6 February 2016)

ACCA wanted to train this person based the British system to achieve better results in monitoring of the profession in Cyprus. The involvement of ACCA was shown through ICPAC operations and through the ways ICPAC depended on the ACCA services to comply with the EU Directives. ICPAC considered these collaborations to be more conducive to its projection of a respectable profession for the advancement of the local and global interests of its members.

In Cyprus, apart from accounting profession, the legal profession was considered high in demand for various foreign and local companies and individuals. This created conflicts between the two professions in relation to which will be the top-ranking profession.

6.4 Inter-professional Conflicts over Jurisdictions between Lawyers and Accountants

Accountants are best seemed as part of ‘the global system of professions’ (Abbott, 1988). Within this system, each professional group struggles to defend and expand its professional jurisdiction in competition with rival professions. The complex relationship between accounting and law has been examined by various scholars (see Bromwich and Hopwood, 1992; Freedman and Power, 1992; Dezalay and Sugarman, 1995; Dezalay, 1989; Martens and McEnroe, 1991). The literature argues that the legal and accounting professions have common and competing interests and the inter-professional disputes have been endemic (Napier and Noke, 1991, 1992; Sikka and Willmott, 1995). In the case of Cyprus, the arena where disputes have been observed between the two professions is the Amendment of Advocates Law of 1984. This led accountants and ICPAC to initiate a legal action and to start a jurisdictional struggle to maintain their privileges.

6.4.1 The Advocates (Amendment) Law of 1984 and the Applications to Cyprus Central Bank

In 1984, an amendment in Section 2(1) of the Advocates Law, Cap.2⁹⁶ was made on who would be eligible to ‘*practise as an advocate*’, precluding anyone other than an advocate from:

“drawing, reviewing, amending any Memorandum or Articles of Association of a company of any form or any application, report, statement, affidavit, decision or other document pertaining to the incorporation, registration,

⁹⁶ As amended by section 2 of Law No. 98/84. Available at: http://www.cylaw.org/nomoi/arith/1984_1_098.pdf [Accessed 12 March 2016].

organisation, reorganisation or dissolution of any legal entity.” (The Advocates Law, 2(1) (b) (iv))

This amendment denied other individuals except lawyers the right to undertake the aforementioned activities, e.g. a letter to Central Bank of Cyprus to register an offshore company or to transfer shares for a foreign person. A former ICPAC President (1984-1986) presented the situation as:

“Legislation came into force stating that in order to register an offshore company, a simple letter to the Central Bank for its registration should be sent through a lawyer. We [the accountants] reacted because this is a very big piece of our professional activity during that time, the registration and the attracting of foreign companies.” (Interview dated 6 February 2015)

It seems that lawyers entered into the professional jurisdiction of accountants. There was the perception that the activities related with offshore companies belonged to the accountants’ jurisdiction due the fact that the accountants brought the offshore business in Cyprus. A former ICPAC President (1970-1973) argued:

“It is the accounting profession that brought the offshore companies⁹⁷. It is not the lawyers. But the lawyers wanted to get involved. Conflict of professions.” (Interview dated 3 February 2015)

Therefore, the accountants decided to go to Court to retain their professional jurisdiction. According to former ICPAC President (1984-1986), an advice was given to initiate a legal action:

“The advice given to us was to go to Court. So I made a fictitious application to Central Bank; a fictitious one to take negative response. And then, they replied that *‘we return your application because it must be done through lawyer’*. We appointed Mr. Lellos Demetriades who was the legal advisor of ICPAC to go to Court. It is not that we did not want to comply with our obligations; for example the fact that the Articles of Agreement of a company or other documents related with the reorganisation of a company are to be prepared by a lawyer. But other things, such as the preparation and sending of a simple letter, something let’s say procedural, we thought it could be prepared by an accountant or anyone else. Not only by a lawyer. Anyone should be able to do it.” (Interview dated 6 February 2015)

⁹⁷ See Botis (2014) and Chapter Four of this thesis.

The predominance of lawyers in the professional context of Cyprus and the accountants' complaint was also discussed by another former ICPAC President (1970-1973):

“The lawyers did not want us [the accountants] to do this job. They alone wanted [to do this job]. The lawyers always complained that every company is obliged by law to have an accountant to prepare its accounts every year. The company was not obliged to have a lawyer. They wanted to pass a legislation for every company to have its lawyer, namely [for that] to be obligatory. They did not accept the fact that we [the accountants] write letters for Income Tax Office, to Enquiry of Central Bank. [The lawyers] wanted to do these tasks. They said that these are legal tasks and we [the accountants] were claiming that these tasks were kind of a routine.” (Interview dated 3 February 2015)

Another former ICPAC President (1970-1973) further argued that:

“The lawyers did not know how to prepare Articles of Agreement for a company. [The lawyers] went to accountants to do this. At the same time, they wanted to have the authority to submit [the Articles of Agreement] to the Registrar of Companies.” (Interview dated 3 February 2015)

There was competition between the two professions (Wilson, 1992) on who will dominate the field and who will remain on the margins of the field. The lawyers had the privilege of the knowledge and professional jurisdiction to appear, participate and influence matters in the House of Representatives. A former ICPAC President (1970-1973) stated:

“Politicians are lawyers. The majority of the Members of Parliament are lawyers. They wanted to have the upper hand in the companies and to pass legislation which stated that companies are obliged to have a lawyer the same way that every company has an accountant.” (Interview dated 3 February 2015)

Their role in the House of Representatives could influence the voting and passing of a legislation regarding their jurisdiction and the interests of legal profession. Therefore, ICPAC and seven practising accountants, members of the Institute, went to Court⁹⁸, against the Central Bank of Cyprus.

⁹⁸ Case No. 169/86

6.4.2 Claim of Jurisdictional Rights through a Recourse of ICPAC and others against Cyprus Central Bank

The stimulus for this legal action was the refusal of the respondents (Cyprus Central Bank) to deal with applications made by applicants (ICPAC and others) on behalf of individual clients for the registration and transfer of shares and the subscription of the Memorandum of Association of offshore companies. The responses received by Central Bank were the following:

“With reference to your application dated 23 January 1986 on *the establishment of the above company* would like to inform you that after representations of Nicosia Bar Association, we have provided legal advice in accordance with which such matters fall within the term ‘practising as an advocate’. Therefore, we return your application because it must be submitted by persons who have the qualifications provided by Article 11 of the Advocates Law.

With reference to your application dated 24 January 1986 on *the transfer of shares of the above company* would like to inform you that after representations of Nicosia Bar Association, we have provided legal advice in accordance with which such matters fall within the term ‘practising as an advocate’. Therefore, we return your application because it must be submitted by persons who have the qualifications provided by Article 11 of the Advocates Law.”⁹⁹

ICPAC as Applicant 1 contended that:

“by the refusal of the Central Bank, the interests of every member of the Institute in the exercise of his/her profession is prejudicially affected, so much so as to legitimise the Institute to make the reversal of the decision a corporate cause, thereby uniting forces with Applicants 2 [the seven accountants, members of ICPAC] in the pursuit of, what they proclaim as common cause, ultimately reduced to the protection of the interests of the accounting profession.”¹⁰⁰

⁹⁹ ICPAC and others v. The Republic of Cyprus, through the Central Bank of Cyprus, Revised Appeal No.888, 16 July 1992, p.281

¹⁰⁰ ICPAC and others v. The Republic of Cyprus, through the Central Bank of Cyprus, Case No. 169/86, 31 December 1988, p. 2699

The case for the applicants was that the law, in virtue of which the applications were returned, was unconstitutional because it constitutes an impermissible restriction of the exercise of the profession of an accountant in breach of the provisions of Article 25 of the Constitution of Republic of Cyprus which says that:

“Every person has the right to practice any profession or to carry on any occupation, trade or business.”

Moreover, the relevant provisions of the Advocates Law were regarded as unconstitutional because they violated the right of the applicants to equality before the law, safeguarded by Article 28 of the Constitution which says that:

“All persons are equal before the law, the administration and justice and are entitled to equal protection thereof and treatment thereby.”

The exclusion of the accounting profession from the transaction of the business in question was considered as arbitrary and unreasonable. According to the law’s judgment¹⁰¹, no valid reasons were given to premise a distinction between the law and accounting professions in the area under consideration. The applicants also stated that the accounting profession was the only one responsible to undertake work associated with company matters including the registration and transfer of shares. However, the respondents and the Bar Council disputed the validity of unconstitutionality and raised questions affecting the justifiability of the recourse. The Court decided that the recourse should be dismissed as its subject matter was not justiciable. The first judge rejected the appeal on the ground that the relevant letter of the Central Bank for the applicants was of an advisory or informative nature that informed them for the requirements set by the law for consideration of their application and that the refusal was executive act.

¹⁰¹ *ibid*

It could not be impugned with a recourse under the Article 146 of the Constitution which says:

“The Supreme Constitutional Court shall have exclusive jurisdiction to adjudicate finally on a recourse made to it on a complaint that a decision, an act or omission of any organ, authority or person, exercising any executive or administrative authority is contrary to any of the provisions of this Constitution or of any law or is made in excess or in abuse of powers vested in such organ or authority or person.”

An appeal dated 31 December 1988 was lodged against the decision of the Supreme Court Judge that the recourse of Applicant 1 (ICPAC) could not be examined as it relied on the finding that the refusal of the Central Bank was not executive act. The principal element of an executive act was the direct legal effects which were recommended in the creation, modification or ablation status, i.e. to have the right and to be obliged to run an administrative nature.¹⁰² Thus, after re-examination of the contested decisions, it was evident that there were executive acts as they affected the professional interests of Applicants and they deprived their rights to exercise their profession as registered accountants and to be remunerated for their services. The refusal of Central Bank was not an advisory or informative practice but an executive practice with full reasons which was resting on the prohibition to pursue an aspect of the profession as it came out in Articles 11 and 2 (b) (iv) of the Advocates Law. This was referred to the written address of Cyprus Central Bank:

“The Central Bank, in view of the Advocates (Amendment) Law of 1984 (98/84) decided to not accept applications from accountants regarding the recommendation, registration, organisation etc. of any legal person, as long as in accordance with the aforementioned law, these applications must be performed only by lawyers.”¹⁰³

¹⁰² ICPAC and others v. The Republic of Cyprus, through the Central Bank of Cyprus, Revised Appeal No.888, 16 July 1992, p.283

¹⁰³ *ibid*

In this perspective, Mr. Lellos Demetriades, the lawyer of the appellants¹⁰⁴ developed their position that their legitimate interests have been damaged. The applicants lost their right to offer their professional services based on remuneration fee, independently of the effects that the contested decision created to the customers of the appellants. This issue was raised during the ICPAC Annual General Meeting when the President of ICPAC (1987-1989), Mr. Savvides mentioned the problems of the profession:

“The State must face these issues with a correct way. The existence of a healthy profession in Cyprus is regarded as basic prerequisite for the development of the country to an international financial centre. It is unacceptable that the accounting profession continues to face unfavourable laws that tend to struggle and undermine our work. We urge the government to submit a law to Parliament for lifting the injustice of this.”¹⁰⁵

On the other hand, the Cyprus Bar Association disagreed with ICPAC’s statement and adopted the following position:

“Lawyers appreciate and respect the professional and scientific work of accountants. The accountants, in their overwhelming majority reciprocated the same respect and appreciation towards lawyers, recognising the role that the lawmaker set for each profession. Unfortunately, some accountants, who fortunately counted on the fingers of one hand, for years systematically invade the space of lawyers and they engage in paralegal activities, supersession and solicitation of clients, with unethical, according to the lawyers, behaviour. For example, there are the printed publications that advertise themselves and they offer services that only lawyers registered in the Register of Practising Lawyers maintained by the Supreme Court of Cyprus can offer. The Cyprus Bar Association, defending the law and the lawyers, sought to stop this unacceptable and criminal act of circulation of printed handouts and advertising of few accountants at the expense of the legal body and justice.”¹⁰⁶

The Government accepted the request of the Cyprus Bar Association as this was the opinion of Attorney General of the Republic of Cyprus and as a result, accountants

¹⁰⁴ The first recourse was submitted from ICPAC as the Applicant 1 and other seven people, professional accountants, members of ICPAC. For the appeal, only the appellant 1 (ICPAC) and the appellants 2 and 8 (professional accountants, members of ICPAC) participated as the others did not want to get involved and left.

¹⁰⁵ “ICPAC: Correct the whole philosophy of reform, Suggestions for safeguarding the profession”, *Phileleftheros* Newspaper, 7 July 1989, page 8

¹⁰⁶ “Counterattack of lawyers against the accusations of approved accountants”, *Phileleftheros* Newspaper, 23 September 1991, p.1

proceeded with planned protests and demonstrations to blacken the Maritime Cyprus Conference¹⁰⁷ of 1991. In this context, President of Cyprus Bar Association stated that:

“For 10 years, the auditors, systematically violate the law and they engage in paralegal activities and unfair competition. The forms issued by accountants constitute marketing of [the] worst kind and instead [of] informing the interested parties, they misinformed them.”¹⁰⁸

It seems that the inter-professional conflict materialized in protests and demonstrations during the Maritime Cyprus Conference on 23rd September 1991. During the conference, the Attorney General prohibited the display or distribution of information material from accounting and auditing firms related to the recommendation of shipping companies and ship registration.

The opinion of the Attorney General was a result of strong representations by the side of Cyprus Bar Association that ‘*no one except lawyers*’ can practice as advocates based on the Advocates Law. His opinion forced the audit firms to comply with the provisions of the law. The accountants’ reaction was instead of exhibiting their publications at their stand in the Conference Centre, they threw them out in front of the present conventioners and the President of the Republic of Cyprus who went to deliver the opening at the opening ceremony of the conference. In this way, they showed their disagreement and discontent that their professional rights to do their work as accountants and to offer their services to prospective clients were deprived. This led to a press conference by the two professional groups to express their views and to inform the public about the events responsible for this unacceptable situation.

¹⁰⁷ The ‘Maritime Cyprus Conference is a biennial international shipping conference, which has been jointly organized in Cyprus since 1989 by the Ministry of Communications and Works, the Department of Merchant Shipping, the Cyprus Shipping Chamber and more recently the Cyprus Union of Ship-owners. Its aim is to operate as a forum where important and current issues relating to international shipping are presented by distinguished speakers and subsequently discussed by the international shipping community.

¹⁰⁸ “High interests around shipping companies: Open conflict between lawyers and accountants. The matter will be brought to the Supreme Court”, *Phileleftheros Newspaper*, 24 September 1991, pages 1 and 4.

The President and Vice-President of ICPAC argued that Cyprus Bar Association with its actions tried to '*silence*' the accounting profession with the purpose of creating exclusive benefits for the lawyers.¹⁰⁹ On the other hand, the President of Cyprus Bar Association stated that the auditors persistently violated the Advocate Act. He also stressed that legal actions against all those audit firms that provided information material regarding their services during the conference, have been already filed. ICPAC Council took the following positions:

“The qualified accountants are not lawyers and they do not seek to replace the law profession. The content of the publications is merely informative and explain the procedure that interested parties can follow before they contact a lawyer to register their company. The information material issued by accounting offices and distributed all over the world has a result the attracting of offshore companies and important investment in Cyprus.”¹¹⁰

Therefore, ICPAC and a group of accountants proceeded to an appeal¹¹¹ to claim their professional jurisdiction with the view that the provisions of Advocates Law were unconstitutional. ICPAC strived to promote the amending legislation that annulled the provisions of paragraph (iv) of Article 2 of the Advocates Act so that to be eliminated, the strong violation of their constitutional rights but also the rights of many other professions. With an announcement dated 12 October 1991, ICPAC stressed that:

“[ICPAC] will fight with all means at its disposal to cancel or amend the unfair and unconstitutional, in its opinion, laws and to stop monopoly trends.”¹¹²

ICPAC's positions were supported by the Minister of Communications and Works, Mr. Renos Stavrakis, Dr. Symeon C. Symeonides and a Parliament Member, Mr. Nicos Katsourides. ICPAC stated that:

“The leadership of lawyers driven by a purely mercenary mentality chose to ignore the positions of Government and of the three people who contributed

¹⁰⁹ *ibid*

¹¹⁰ *ibid*

¹¹¹ See ICPAC and others v. The Republic of Cyprus, through the Central Bank of Cyprus, Revised Appeal No.888

¹¹² “The dispute with lawyers, the accountants will fight for justice of their positions: Deterrence, they highlight, of the monopolistic trends”, *Phileleftheros* Newspaper, 13 October 1991, p.12

greatly to the development of Cypriot shipping in recent years. Citing legalistic points and laws that lawyers themselves promoted in the House of Representatives, whom we consider unfair and unconstitutional, they managed to capture the twelfth hour the opinion of Attorney General to prohibit the display and distribution of promotional material by accountants in the Maritime Conference Cyprus 1991.”¹¹³

Eventually, the Supreme Court accepted the appeals of ICPAC and the two accountants against the Central Bank. The applicants’ lawyer, Mr. Lellos Demetriades, defended in the plenary of the Supreme Court that the disputed article was unconstitutional because it was in contradiction with Article 25 of the Constitution of the Republic of Cyprus, which ensured the right to practice a profession. He further argued that for many years and the approved accountants used to undertake the drafting of Memorandum and Articles of Association of companies, while they acted on their behalf to meet the obligations laid down in the relevant Companies Act, as well as for other relevant matters relating to their operation.

The provision of the related article prohibited accountants from exercising a part of their work which was instead given exclusively to lawyers. However, the Central Bank of Cyprus referred to the judgment by describing the procedure taken by the applicants as ‘*coordination by legal person*’.¹¹⁴ The ICPAC lawyer did not agree pointing out that the request of the appellant was merely a preparatory act that was required by the Exchange Control Law to be done before the submission of Memorandum and Articles of Agreement of offshore company. After the decision of the Supreme Court, it was no necessary to submit through a lawyer any requests of clients of ICPAC members that were related with licenses of the Central Bank of Cyprus for the signature of

¹¹³ *ibid*

¹¹⁴ “With Supreme Court’s decision, the approved accountants can submit documents of companies, it is not privilege of lawyers” *Phileleftheros Newspaper*, 6 October 1993, p.20

Memorandum of Company or the transfer of shares in relation to individuals residing permanently abroad.

This case reflects the inter-professional conflicts and the attempts of each profession to secure its economic and professional interests in Cyprus. Evidence was given regarding the involvement of the Government and how it was divided into two opposite camps. These conflicts brought forward the issue of the regulation of accounting profession and the need for ICPAC to safeguard its members' interests by issuing relevant legislation. The creation of a 'regulatory space' for the accounting profession by a proposed Bill brought several reactions and interactions between various groups of accountants, MPs and other parties. This issue will be discussed in the following section.

6.5 The Regulation of the Accounting Profession by the State

After former British colonies gained independence, their local professional accountants organised themselves into professional bodies to protect their profession and to ensure adherence to standards they complied with in their countries of origin. To secure their professional status, they sought recognition and acknowledgment of their social status and specific interests by the State, by applying for Royal Charter (e.g. Australia) or by Legislation (e.g. Greece). Achieving self-regulation of the profession and the organisation of professional accountants into professional accounting bodies serves to define one's occupational territory (Robson et al., 1994) regarding the rules to be followed, the skills members should have and develop. This reflects social closure since one group monopolises the advantages by restricting opportunities to another group of

outsiders, characterising them as ineligible. The State can be mobilised to grant status and privileges to a particular professional group and the resulting closure enables its members to secure markets and niches.

During the process of issuing legislation for the local accounting profession, a ‘regulatory space’ was created and shaped. In this particular space, the positions, reactions, interests and interactions of various actors such as the professional groups, the State, political institutions and professional bodies are reflected. In the case of Cyprus, the issue of the regulation of the accounting profession was first on the ICPAC’s agenda as there existed the so-called non-qualified accountants, consisting of two groups, as explained in Chapter Five; the Graduate Accountants from Greek Universities and the licensed accountants by the Finance Minister (the ‘Independent Accountants’). These two groups were considered by ICPAC as dangerous for the status of the local profession and the Institute. However, the first attempt for regulation failed due to reactions from local professional groups, the State and foreign institutions (ICAEW). The EU demands for implementation of EU Directives brought back to the table this issue. During the creation of ‘regulatory space’ for the profession, the interactions between various parties formed intra-professional conflicts. The following section discusses the first attempt to regulate the accounting profession in Cyprus.

6.5.1 The First Attempt to Regulate the Accounting Profession in Cyprus

As ICPAC was established as a company limited by guarantee in 1961, no regulation by legislation for the accountancy profession was made by the Cypriot State. There were only the Provisions of Section 155 of the Companies Law of 1951 which stated who would be eligible for appointment as an auditor of the company and the Article 53

of Section 58 of Income Tax (Foreign Persons) Law of 1961 which stated who was authorised to prepare accounts for tax purposes only. From the first years of its operation, ICPAC Council sought to achieve recognition to secure the professional rights of its members in the postcolonial period. A former ICPAC President (2003-2005) stated:

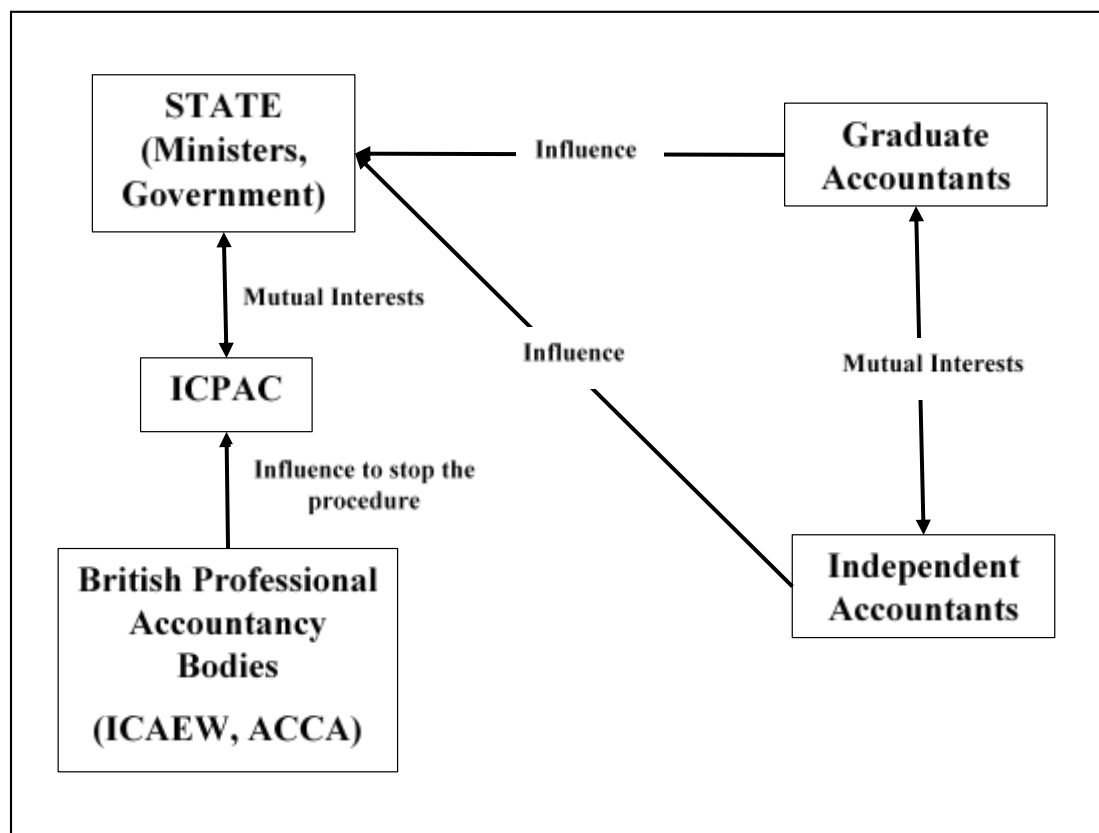
“It is important that an association has substance. It should be recognised by the State. Otherwise it is a private club. Once the State recognises ICPAC as the monitoring body, this gives it substance, responsibilities and duties across the State itself. The one part is that ICPAC tries to protect its member’s interests. The other part is that it has responsibility towards the State that allows ICPAC to be the monitoring body to ensure that the work that we do, as accountants and auditors, is up to standards.” (Interview dated 29 January 2015)

The legislation for the accounting profession would facilitate the recognition of the profession and ICPAC itself as in the past there was lack of such regulatory arrangement. A former ICPAC President (1997-1999) argued:

“They did not recognise us for many years. I was up to the ICPAC Council for 23 years. Our big problem was the non-recognition.” (Interview dated 4 February 2015)

Therefore, ICPAC Council started to prepare a Bill to create a ‘regulatory space’ for the accounting profession (see Figure 6.2 below).

Figure 6.2: The First Attempt for a ‘Regulatory Space’ for the Accounting Profession



Discussions between the State and ICPAC took place during the first years of the Institute's establishment. ICPAC Representatives gave the Institute's objectives to the Finance Minister and President of House of Representatives (ICPAC Minutes dated 24 May 1961) regarding the issue of legislation for the accounting profession. However, the Minister of Commerce and Industry (1960-1968), Mr. Andreas Araouzos, disagreed with the credentials required for a person to have in order to be recognised locally. He argued that Graduate accountants from Greek Universities should be recognised under certain circumstances, although they were not members of any recognised professional accounting bodies (ibid). Furthermore, the Accountant General of Republic of Cyprus asked ICPAC's opinion regarding the credentials needed to appoint an auditor for public companies in Cyprus and the reforms needed on the Article 155 of Companies

Law. These movements show that ICPAC insisted on securing its domination in the professional arena, continuing to embrace the British requirements to exercise the profession locally. However, the State was uncertain on how successful would be this reform and it questioned how it would manage the group of Graduate accountants. After discussions between the State and ICPAC representatives, ICPAC agreed the following:

“(1) ICPAC asked from the State the official recognition of the Institute as local professional body, with the three Chartered Institutes and the Association of Certified and Corporate Accountants.

(2) It has been clarified regarding the individuals who would be eligible to become ICPAC members:

(a) Holders of University degree from Commercial or Economic Sciences, with specialisation on Advanced Accounting under three years of tuition

(b) Achieved three years of experience in offices of qualified accountants and auditors

(c) Successful passed exams in Cyprus on the following subjects of Advanced Accounting, Auditing, Income Tax law and its implementation, Companies Law, Investigations and General Principles of Commercial Law.

These examinations would be organised and conducted by special committee composed of the following: The Commissioner of Taxation, The Accountant General, The Auditor General, The Official Receiver and Registrar, Representative of the Legal Council of Cyprus and Three members of ICPAC Council

(4) The level of the examinations to be equivalent with the examinations of recognised British professional accountancy bodies

(5) The above suggestions mentioned for both public and private companies.”
(ICPAC Minutes dated 10 June 1961)

A special committee of ICPAC was formed to manage matters relating to the recognition issue and to prepare the relevant Bill. Meetings were held with Ministers of Finance and of Commerce and Industry and the Commissioner of Income Tax for information and suggestions. In 1967, a draft of the proposed legislation was passed to lawyers for further comments. An invitation by ICPAC (see Appendix 44) was also given to ICPAC Council members for discussion of the Bill. After the meeting, further

revisions of the Bill were made and the final draft was sent to all ICPAC members, the Finance Minister and ICAEW. Moreover, an Extraordinary General Meeting was planned for the 18th May 1968 (ICPAC Minutes dated 12 April 1968). ICAEW inquired whether ICPAC was planning to recognise its examinations and its members' experience for being granted membership and Certificate of Practice (ICPAC Minutes dated 9 October 1968). However, there were doubts regarding the acceptance of the Bill by the Parliament:

“According to unofficial information, the acceptance of the Bill prepared by the Special Committee of ICPAC, is very unlikely.” (ICPAC Minutes dated 6 November 1971)

After a meeting between the Senior Officer of Ministry of Finance, the Registrar of Companies and the Minister of Commerce and Industry, Mr. Loizides, the conclusion was that:

“At this stage, it would be early to promote such legislation and our persistence towards this line might have results contrary to the objectives that we have.”¹¹⁵

Other possibilities included to establish a Council or to reform the Companies Law of UK of 1967 (ICPAC Minutes dated 6 November 1971). Plans were made to meet the Minister of Commerce to discuss the issue. During the years that followed, there were doubts about whether they would continue with the promotion of this Bill while ICPAC President argued that “it is better to stop the procedures due to the circumstances¹¹⁶ that exist in Cyprus and [because] this attempt may bring several dangers” (ICPAC Minutes dated 25 November 1972). A former ICPAC President (1976-1978) provided his opinion on the matter:

“When you are recognised and safeguarded, are interested in developing the profession? Are you interested? Why? Once the legislation protects you, you

¹¹⁵ Report of President of ICPAC Council during Annual General Meeting dated 29 December 1971.

¹¹⁶ During that time, there were internal frictions and conflicts between the two communities in the island. After 1963, Greek nationalism and Turkish nationalism became a matter of official policy and inspiration in Cyprus.

do not care about anything or anyone. So how do you develop a profession? You develop it with standards, rules, ethical rules, with all these that a professional accountant and a professional association need. So, when I saw the reaction and the effort needed for obtaining recognition for the profession under the law, it caused me anxiety. Then, I went to London without my colleagues knowing. I went for personal business and I met the President of ICAEW, Brian Maynard (1977-78) who was partner of Coopers & Lybrand and I knew him personally. We sat in the office and I told him about the issue. He said to me: *'This is catastrophic if this legislation will pass, you will be destroyed, there will be no profession, you will not be recognised by the American, European, A or B. Why will they recognise you? Why? You [ICPAC] are like the Sworn Accountants in Greece who have a law that protects them? Were the Sworn Accountants controlled and did their opinion matter? No'*. I replied to him: *'We must do something'* upon which he said: *'Yes, but what?'*. I proposed the following: *'When I go back, in the next meeting of ICPAC, I will have in my agenda this issue and I will send you an invitation to come and attend the meeting. When we will discuss about this issue, you will intervene and you will stop the procedure. And this happened. He came in Cyprus, he attended the meeting of ICPAC and we stopped the procedure. After we finished the meeting with the President of ICAEW, threatening phone calls started: 'You will die, we will kill you and your family'. Because they could not look ahead. They thought that I destroyed their profession, their job.'* (Interview dated 10 April 2014)

The above provides further evidence for the existence of a strong relationship between ICPAC and ICAEW and the dependence of ICPAC on British bodies' opinions. The disagreement of ICAEW President shows that if the Bill was passed by the House of Representatives, Cypriots would stop studying for British qualifications and would turn to the local one. Therefore, this would decrease ICAEW's income (see Appendix 45) and its power exerted on local professionals. A similar advice was given by the Minister of Commerce (1970-1972):

"When we arrived at the stage of the preparation of the legislation, Andreas Loizides became the Minister of Commerce and he was also one of our founding members. He invited us [ICPAC Council] to an Extraordinary General Meeting in which he pointed out the fears and he suggested that 'let's not proceed with the Bill'. This effort remained on the shelves for many years." (Former ICPAC President, 1984-1986, Interview dated 12 January 2015)

For the period 1961-1975, ICPAC Council studied the issue of the regulation of the profession and planned to draft a Bill. In 1976, during the Annual Meeting of ICPAC, it was decided to consider alternative ways of securing the local profession (ICPAC

Minutes dated 26 March 1976). The alternative way was to achieve recognition by the offer of high level of professional services by which the accounting profession could gain the necessary credibility and appreciation.¹¹⁷ Former ICPAC Presidents put it as:

“The effort of ICPAC was through the good [professional] services and via their highly professional level to be recognised as local professional accountancy body. To be recognised by the public, by the Cypriots and not under the laws.” (Interview dated 12 January 2015)

“We said that we will achieve [our recognition with] the quality of [our] work, not with law enactments.” (Interview dated 3 February 2015)

As there was not any legislation regarding the accounting profession, the movements from Graduate accountants to obtain similar rights as ICPAC continued. Based on this, ICPAC sought reform of the Income Tax Law to prevent authorisation of such licenses from the Finance Minister. ICPAC Representatives met with the Finance Minister and expressed their claims:

“(a) It must not be given a distinctive power to the Minister for professional competence issues. If there is professional competence, this is an issue that only the profession can decide.

(b) If licenses will be given to non-qualified accountants, the professional prestige will be underestimated. The ‘non-qualified’ will sign accounts easily without being afraid of sanctions while the qualified ones cannot do this.

(c) If the issue will be left as it is where the non-qualified will take license, there is a danger the lawyers and economists to be included.

(d) The suggestion of ICPAC dated Feb 1987 for two licenses was not good idea and they have to reform these suggestions for only one license.

(e) There are a lot of qualified accountants today abroad and they do not return due to lack of employment opportunities. 30 years [ago], the licenses were given to ‘non-qualified’ because there were not enough qualified ones.

(f) The current licensed persons to not take new clients.

(g) To examine whether the licenses are renewed year by year.

¹¹⁷ “The Accounting- Auditing Profession and the rise of its standard/level”, Phileleftheros Newspaper, 6 August, 1995, p.41

(h) It cannot be accepted that a committee can recognise a person under exams that is equal with Chartered or Certified Accountant.

(i) The good name of ICPAC in Cyprus is because its members are Chartered or Certified accountants of UK and it must take into consideration who we accept as ICPAC members.

(j) If the licenses will be given in 'non-qualified', this means degradation of profession and thus, only graduate Chartered, Certified or equals must take the license." (ICPAC Minutes dated 14 January 1988)

ICPAC considered the two groups of accountants as non-qualified as they did not have adequate knowledge and experience to exercise the profession. This brought again into light the struggle between the three groups regarding who will dominate the professional arena. Based on this, a second attempt was made for regulatory arrangements, attempting to create a 'regulatory space' for the accounting profession due to which a variety of interactions between various parties took place, as discussed below.

6.5.2 The Second Attempt to Regulate the Accounting Profession in Cyprus

The attempts to regulate the accounting profession locally were postponed due to uncertainties of what would be the outcome after the passing of Bill and because of the agreement between ICPAC and the State to stop the procedure. The Companies Law remained the same favouring ICPAC members as they were members of recognised British professional bodies with adequate knowledge and credentials to exercise the profession locally. After several years, the Parliamentary Committee on Financial and Budgetary Affairs (hereafter, PCFBA)¹¹⁸ found and declared on 6 May 1992 that the

¹¹⁸ The Committee deals with the consideration of Bills and financial issues, such as the annual budgets of all semi-governmental organisations and the Bills and regulations deposited by the competent ministry. Within the framework of Parliamentary scrutiny, the Committee examines issues related to the general economic situation and the position of Cyprus in the international economic environment, the working conditions of permanent and extraordinary civil servants, issues concerning semi-governmental organisations, as well as issues related to the

law for authorised accountants was still based on colonial law of 1951.¹¹⁹ Therefore, it asked to stop any revisions on Section 155 of Companies Law and to deposit a new comprehensive legislation so that it would cover all relevant interested parties.¹²⁰ The Statement of PCFBA encouraged ICPAC to resume the procedures to prepare the Bill for the recognition of the accounting profession and ICPAC.¹²¹ The ICPAC President, Mr. Dinos Papadopoulos, during ICPAC's Annual General Meeting on 1994 said that:

“Despite the significant contribution of the profession to economic matters of the country, ICPAC did not receive any official recognition from the State. Although ICPAC did not aim [at] a 'closed' accounting profession, it asks from the State such recognition to ensure the high level of services offered. In the current context where the licensed accountants, non-members of ICPAC, were not ruled by a professional code of conduct, an unfair competition is created with the obvious risks of shrinkage of professional levels.”¹²²

A professional accountant argued that the position of the State was different before the recognition:

“At the beginning, it was purely academic. It was just the State who did not really appreciate the fact that there was a body which was self-regulated, disciplined and keeping up to date with modern trends and changes in the environment of business or legislation. And they kept it, in a way, as a private affair. I think in the last ten years or so, there [has been] the need to have regulation, to have people who can actually monitor the day-to-day transactions of either a private or government business.” (Interview dated 4 February 2015)

Therefore, ICPAC proceeded to prepare a relevant legislation for the profession, which, after an approval was granted by passing all the internal procedures of the Institute, it would be submitted to the Finance Ministry. This Bill brought various conflicts and alliances between the three groups of professional accountants, the State, the EU and

operation of commercial banks, the Central Bank, co-operative institutions and in general, the functioning of the financial system.

¹¹⁹ “Finding of Parliament yesterday: a colonial law is operated for the accountants. It asked a Bill to be prepared”, *Phileleftheros Newspaper*, 7 May 1992, p.16

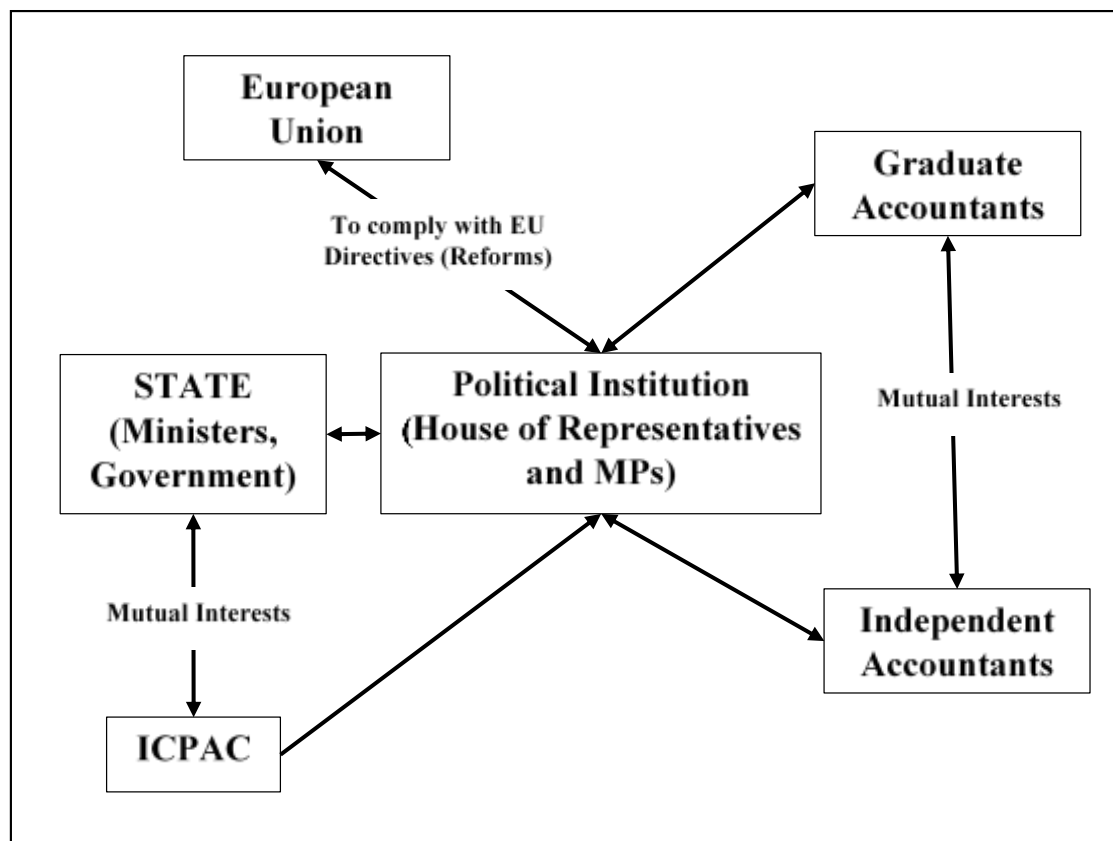
¹²⁰ *ibid*

¹²¹ “Highlights of ICPAC President, Mr. Papadopoulos: The era of protectionism and of closed economies has gone without return”, *Phileleftheros Newspaper*, 17 July 1994, p. 38

¹²² *ibid*

MPs regarding which party's interests would dominate this 'regulatory space' (see Figure 6.3 below).

Figure 6.3: Second Attempt for a 'Regulatory Space' for the Accounting Profession



6.5.2.1 Intra-professional Conflicts and Professional Exclusion of Independent and Graduate Accountants

The legislative recognition of the profession caused anxiety to both groups of Independent and Graduate Accountants as they risked losing their right to exercise the profession locally. The Graduate Accountants faced professional exclusion as Article 155 of the Companies Law excluded them from having some privileges of the

profession. This professional group appealed to the Supreme Court¹²³ as it considered the Law to be “unconstitutional and anachronistic, since it was established in 1948 when Cyprus was still a British colony.”¹²⁴ It further suggested that a solution to provide equal opportunities to all groups of accountants would be the creation of a system of professional examinations. The applicants of the appeal, Mr. Stephanou and Mr. Droussiotis, applied to obtain license for auditing public companies, asserting that:

“Their scientific professional qualifications are equal to those of British professional accountancy bodies and additionally they have many years’ experience in controlling accounting books and the preparation of tax statements where these statements justify the authorisation to control public companies.”¹²⁵

During 1995, these non-qualified accountants applied for authorisation based on Article 155 (1) (b). This Article provided the possibility of obtaining a license to individuals belonging to two different categories. The first category covered persons holding qualifications similar to those of paragraph (a) of Article 155 of Companies Law (1951) but acquired outside the UK (see Chapter Four, Section 4.2.2). The second category covered those who have adequate knowledge and experience, either acquired during their employment from individuals who held the qualifications of paragraph (b), or because they exercised the accounting profession in the Republic of Cyprus before the establishment of legislation. However, their applications to obtain authorisation were rejected by the Council of Ministers during the year 1996 as they did not have the required credentials and experience.

Graduate Accountants considered their qualifications as good as those of the professional accountants who were qualified in the UK. Thus, in a newspaper article of

¹²³ Stephanos Stephanou vs. Republic of Cyprus, through Council of Ministers, Case No.490/96 and Kyriakos Droussiotis and others vs. Republic of Cyprus, through Council of Ministers, Case No. 772/96

¹²⁴ “Contested in the Supreme Court”, *Phileleftheros* Newspaper, 13 July 1996, p.4

¹²⁵ Revisionary jurisdiction for the cases 490/96 and 772/96, dated 10 September 1998, p.5

1996, the ICPAC secretary, Mr. Phidias Pilides, argued that the Graduate Accountants were unfairly deprived the right to exercise the profession while Graduates from British Universities enjoyed this privilege.¹²⁶ He further stated that:

“First, the Graduates of Greek Universities do not have the right to exercise the profession of authorised accountant with the right of signature in any EU country, nor in Greece, the holders of the professional title ‘Sworn Accountants’, based on EU Directives, have the right to exercise the profession in other EU countries but after having passed exams concerning the language, the tax system and the company law of the country. Second, no Graduate of British University has the right to exercise the accounting profession in Cyprus. With the Bill prepared by ICPAC, the holders of EU professional titles from EU countries (including the Sworn Accountants of Greece) will have the right to exercise the accounting/auditing profession in Cyprus after passing exams on Cyprus tax and company law.”¹²⁷

Of course, this challenged the jurisdictional claims of professional accountants. A professionally qualified accountant sought to differentiate their qualifications from those of a Graduate Accountant and said:

“There were major differences in the knowledge and application of this knowledge between a UK qualified accountant and a Graduate from a Commercial School of Greece. It is easier for a UK qualified accountant to adapt to the needs of the local business world and immediately start practising without any further need to either study or take exams or familiarise himself or herself with what goes on in the profession.” (Interview dated 4 February 2015)

A former ICPAC President (1970-1973) argued:

“There were many people from the *Supreme School of Economics and Business of Greece*¹²⁸ who believed that they were accountants. They studied economics at this university, came back and had influence over the Parliament. They thought that they knew how to lead.” (Interview dated 3 February 2015)

There was difference regarding the knowledge of each group and a favouring trend towards the British professional qualifications as most ICPAC members held such

¹²⁶ “The accounting profession and who can exercise it”, by Phidias Pilides, Secretary of ICPAC, *Phileleftheros* Newspaper, 22 September 1996, p. 54

¹²⁷ *ibid*

¹²⁸ Before 1989, the University was known in Greek as the Supreme School of Economics and Business (ASOEE) and later, it changed to Athens University of Economics and Business (hereafter, AUEB). It was founded in 1920 in Athens, Greece.

credentials. The President of Institute of Approved Graduate Accountants-Auditors of Cyprus (hereafter, IAGAAC) argued that several problems arose due to the lack of legislation. The extension of colonial law of Companies Act of 1948 and 1951, which was addressed to British nationals, created uncertainty to taxpayers locally:

“First, Cyprus does not have an accountant who was examined in Cypriot tax and company Law. Second, the constitutional rights of citizens are violated since no graduates can sit an examination as in other countries. Third, the Ministry of Finance authorised for the preparation and submission of audited accountants in Income Tax Office other accountants who do not belong to a British professional body. The criteria for these licenses are not met in all cases for such an important vocation. The licenses were given on the basis of experience and not on academic qualification, since there are authorised accountants with qualifications lower than the university degrees. There is demolishing of university diploma which was put as minimum academic qualification by EU. There is confusion of graduates with the graduates that exercise the profession.”¹²⁹

The University Graduates tried to maintain their jurisdictional rights and expressed the need for legislation as there was not any professionalization system, including examinations. The IAGAAC posed the following questions to the State:

“Since no accountant in Cyprus has been examined in tax and company law, how can a group of accountants be regarded as having inadequate qualifications by another group? Since no one has all the skills, it is pointless to fight over for who has more skills than the other. Can someone be authorised to practice the profession, to prepare accounts for tax purposes but not to be able to audit public companies?”¹³⁰

These questions reflect the lack of legislation for the accounting profession and the point on how ICPAC members as one group of professional accountants can consider themselves as qualified with the appropriate credentials. Therefore, the proposed Bill which had to comply with EU Directives referred to the individuals who would be allowed to practice the profession, under certain minimum requirements:

¹²⁹ “The Accounting Profession and the lack of legislation”, by Kyriacos Droussiotis, President of Institute of Approved Graduate Accountants-Auditors of Cyprus, *Phileleftheros* Newspaper, 29 September 1996, p.38

¹³⁰ *ibid*

“(a) To hold a university degree and practical experience at least five years in an approved by the Board of the Independent professional accountants and to have passed professional examinations in line with defined specifications. (b) To be members of at least one of the recognised body of professional accountants of the 15 EU countries. (c) To be members of a recognised body of professional accountants of other five countries (USA, Canada, Australia, South Africa and New Zealand) and to meet the specific limit profession experience.”¹³¹

Furthermore, the Independent Accountants faced similar professional exclusion. To claim their professional rights, they established their own Association consisting of all the accountants holding a licence given by Finance Minister. Their Association was registered on 2 November 1998 under the name of ‘Institute of Independent Accountants of Cyprus (hereafter, IIAC)’.¹³² The Independent Accountants organised a meeting on 15 November 1998 to discuss the issue of the proposed Bill¹³³ to secure their professional jurisdiction. In this context, Mr. Athos Kakofeggitis, the CEO of an audit firm and a chartered accountant, attempted to persuade them that this Bill would not restrict them from their duties as the aim of this regulation was to harmonise with the EU, to provide an adaptable professional framework and to facilitate trade relationships.¹³⁴ An additional reason for this legislation was the monitoring of the professionals as the affected groups did not belong to any professional accountancy body and subsequently no one monitored them. With this proposed Bill, they would become part of a monitoring system to provide high level of professional services. A former ICPAC President (1984-1986) argued:

“They should come under ICPAC to be controlled. Because ICPAC would monitor its practising members. There was a provision that they should come under ICPAC for control purposes to avoid any discrimination issues. For example, why would the approved accountants be controlled and these

¹³¹ “Harmonization of accountants: Legislative regulation of the profession”, by Charis Christoforou, *Phileleftheros Newspaper*, 8 October 1998, p.10

¹³² “Establishment of Association of Accountants”, *Phileleftheros Newspaper*, 8 November 1998, p.47

¹³³ “Invitation of Pancyprian Meeting of Institute of Independent Accountants”, *Phileleftheros Newspaper*, 7 November 1998, p.14

¹³⁴ “The regulation of accounting profession in Cyprus”, by Athos Kakofeggitis, *Phileleftheros Newspaper*, 30 May 1999, p.56

individuals who are not qualified to be uncontrollable?” (Interview dated 6 February 2015)

If they would come under ICPAC, they would be under a program of continuous training from ICPAC to ensure the high level of professional and academic education and experience.¹³⁵

During the period 1999-2003, the Finance Minister, Mr. Takis M. Klerides, was well aware of the problem with the affected groups and it was expected that he could help to promote the Bill in the Parliament without delay (Philippou, 2013). An ICPAC founding member argued that most former ICPAC Presidents were Ministers and used to promote the interests of ICPAC:

“Two Ministers, Mr. Syrimis and Mr. Takis Klerides were in the Ministry of Finance and Mr. Andreas Loizides was in the Ministry of Commerce and Industry which is the Ministry most associated with ICPAC and the Companies Registrar. I can say that Officials and Government Officials were Presidents of ICPAC.” (Interview dated 14 January 2015)

From their positions as Ministers, they attempted to explain to MPs that the proposed Bill was in the interest of all groups of accountants. However, the IIAC was concerned for several points of the proposed Bill which may cause ‘arrhythmia or irregularity’ instead of regulation for the accounting profession:

“The Bill does not see as professionals all the qualified accountants and it makes distinctions and new classifications.”¹³⁶

The Independent Accountants further stated that “today some ‘windows’ in the laws being used only by some accountants”¹³⁷, reflecting the distinction between the professional groups and that the State favouring only a specific group of accountants.

They observed:

¹³⁵ *ibid*

¹³⁶ “Arrhythmia/irregularity or regulation on the accounting profession”, by the Institute of Independent Accountants of Cyprus, *Phileleftheros* Newspaper, 13 July 1999, p.46

¹³⁷ *ibid*

“The members of our Institute would be affected irreparably from the provisions of the Bill and in a very short time, they will lead to profession destruction and to financial and family disaster.”¹³⁸

The IIAC argued that “they will become victims of misinterpretation of EU Directive regarding the accounting profession.”¹³⁹ They argued that if the Bill is approved, the way they exercise the profession will be restricted. They further stated that, at least in three countries (England, Greece and Ireland) their respective colleagues secured their professional jurisdictions after the EU Directives’ adoption, without having the aim to serve the interests of particular professional groups. The Graduate Accountants believed that those responsible for the EU Directives’ implementation attempted to maintain an oligopoly in relation to who can practise the profession and they asked amendment of the criterion for 10 years of clerical experience presented in the Bill:

“The members of our Institute, who constantly demand their full equation with the members of British professional bodies, have experienced the deception and contempt by the State to the extent that perhaps there is no precedent. All the cases and unsettled cases are closed synoptically in a Bill that was prepared without any of our members being informed. Under the pretence of urgency and because powerful vested interests are not affected our true rights remain hidden. A Bill that suited our needs, was prepared and officially given to the State. Why was, after the departure of Mr. Chr. Christodoulou from Finance Ministry, our Bill withdrawn without anyone informing us about it?”¹⁴⁰

The Independent and Graduate Accountants believed that they were intentionally excluded from the profession in order to favour only the class of British qualified accountants. These two groups argued that EU Directive was planned to be implemented based on British qualified accountants and ICPAC members’ interests. Thus, the non-qualified accountants asked for an amendment of the Bill which was passed by the Parliamentary Committees. The professional exclusion of these groups

¹³⁸ “Announcement from Institute of Independent Accountants of Cyprus, *Phileleftheros* Newspaper, 18 January 2001, p.31

¹³⁹ ‘Accountants argue that they will be victimized – They denounce bad interpretation of the EU Directive’, *Phileleftheros* Newspaper, 1 February 2001, p.9

¹⁴⁰ “Attempts to maintain oligopoly” *Phileleftheros* Newspaper, 26 March 2001, p.12

brought the reaction of MPs and divided them into two opposite camps which subsequently, influenced the regulatory amendment process.

6.5.2.2 Influence of the Groups of Professional Accountants over MPs

PCFEA held meetings dated on 5 February and 19 March, 2001 for the Bill titled '*The Companies Act (Amendment) (No.4) of 2000*' in order to discuss amendments, particularly those relating to the rights of the non-qualified accountants. The aim of this Bill was to amend the basic legislation for the companies to comply with the provisions of the Eighth EU Directive 84/253/EEC (dated 10 April 1984) regarding the qualifications of persons carrying out statutory audits of companies. With the proposed Bill, the Article 155 of the Basic Companies Law would be replaced by seven new articles, which set out the qualifications and the procedures for authorisation to pursue the profession of a companies' auditor. The PCFEA found that from memos submitted by the interested parties, there were concerns on their part in relation to the possible effects that the Bill could have on their professional status. It asked relevant agencies to assure that with Bill that was under debate, none of the existing groups of professionals would be adversely affected. However, there were misunderstandings regarding what the Finance Minister accepted or not from the propositions of PCFEA. Mr. Andreas Christou from the Progressive Party of the Working People (AKEL) expressed his annoyance:

“I must say that both our party and I feel very aggrieved and annoyed. I ask not to merely postpone the issue for a week but to bring it to the Foreign Affairs Committee again, to be informed responsibly for what really happened. But these things which the official side said that they cannot be accepted and are now being accepted and adopted them and there may be other issues with other affected professional groups which are referred to and the Ministry has a view

on and possibly there is a second opinion about them.” (Parliamentary Minutes dated 29 March 2001)

Although the PCFEA was responsible for the harmonisation with the EU Directives and the proposed Bill, it also had to handle the requests of the groups of non-qualified accountants who asked for the Bill amendment. The group of Graduate Accountants asked an extension of the right to control public companies and the group of Independent Accountants claimed to continue to submit income tax reports and their professional jurisdiction to be included in the proposed Bill. In this context, the PCFEA assured that it would not change the status quo either for or against any professional group; no matter how fairly or unfairly the different groups expressed their requests. During the discussions for the proposed Bill, MPs considered to postpone the voting for one week. Mr. Panagiotis Demetriou, MP for the Democratic Rally (DISY), expressed the position of Finance Minister:

“The Finance Minister, as far as I know, met the interested parties. The Minister stated that he will study the issue – not in the context of this legislation as requested by the interested parties – and regarding the request for extension of their jurisdiction to control public companies and for safeguarding the right of the other class [Independent Accountants] to be allowed to submit and control accounts for tax purposes only.” (Parliamentary Minutes dated 29 March 2001)

Furthermore, Mr. Doros Theodorou, MP for the Movement for Social Democracy (EDEK) argued that the regulation of the accounting profession has been discussed for many years without any outcome:

“It is an issue that I have heard being discussed for at least ten years. Meanwhile we promote legislation like this here, which indirectly promotes interests.” (Parliamentary Minutes dated 29 March 2001)

The issue of the rights to be given to those professional groups to express their opinions was raised:

“I want to emphasise that it is unthinkable to pass legislation within the Parliament, which, in the opinion of interested parties, affects their interests and not to give them the right to express an opinion. This is unacceptable. We need

to grant them this right.” (Mr. Doros Theodorou, MP for EDEK, Parliamentary Minutes dated 29 March 2001)

There was also an argument which reflecting the issue Cypriots continuing to follow British model instead of complying with EU Directives. Mr. Theodorou argued:

“Is it harmonisation with EU *acquis* that we strive for or with Great Britain, which we have here for centuries? Colonialism ended, Mr. President. This cannot be that status quo because the Minister is more often than not a certified or chartered accountant. This cannot be that status quo because the Auditor General and the Accountant General are certified or chartered accountants. This cannot be that status quo, because the key positions are held by those who have these titles. I do not say that [these qualifications] are bad, maybe they are better than others, but the colonial regime cannot be continued under this pretext. It is time to say things as they are. It is time to discuss these issues and to take into account that we take one’s daily bread to overfeed others.” (Parliamentary Minutes dated 29 March 2001)

It is evident that the continuous embracement of British qualifications and the British system in general by Cypriots was raised by MPs who were of the opinion that it is time to escape from these habits and move on. This trend towards nationalism was reflected by a former ICPAC President (1984-1986):

“There was the feeling of being colonised if someone had a diploma from the UK and not a diploma from the mother homeland, Greece. You know, we, Cypriots, have patriotic feelings. Why are chartered and certified those who are entitled to practice the profession? Why are those from Greek Universities not allowed? There was a move towards that direction.” (Interview dated 12 January 2015)

There were differentiation and inequality between two professional classes. Mr. Panagiotis Demetriou, MP for the Democratic Rally (DISY), pointed out that:

“The Bill says that whatever was in force relating the registration and the rights of any class of accountants is not changed. We accepted this position. Indeed, we received a letter from the Minister that he will continue to implement the practice applied so far, on the basis of the repealed Article 155 (b), i.e. to examine the requests for signature rights to accountants who, for one reason or another, do not have [this jurisdiction].” (Parliamentary Minutes dated 29 March 2001)

The MPs were divided into two camps; the one attempted to defend and help the groups of non-qualified accountants to secure their rights and the other continued to emulate

the British system. There was a feeling that after the enactment of the legislation marginalised certain accountants they would lose their status and jurisdiction, which would pave the way for their stagnation and inactivity. Mr. Theodorou, MP for EDEK, argued:

“These people now have now control rights for the purposes of income tax in the Income Tax Office. With this legislation, the companies will be obliged, after one or two years, to submit audited accounts to the Registrar of Companies. I ask the question: *‘Does this thing affect their interests or not?’* Because, which entrepreneur will have an auditor for income tax and another auditor for Registrar of Companies? So this will lead to getting rid of some people. It is obvious that their interests are affected. *What will happen tomorrow when they will be obliged to submit accounts to the Registrar of Companies? Will they survive?* They will not. I do not accept that in this country, there may be the special ones who come as super professionals of some kind and the others who are second class professionals.” (Parliamentary Minutes dated 29 March 2001)

The PCFEA further ensured that with the resolution of the proposed Bill any existing professional rights would not be adversely affected. It stated the following:

“It suggested the summary transitional arrangements in the Bill under debate on the basis of any person who on the date this proposed law came into force was authorised by the Finance Minister to act on the basis of existing legislation as independent accountant would continue to have the same rights. After the enforcement of the law, it was asked from the representative of the relevant Minister to write to all affected professional groups and to inform them that the Government was charged when it would introduce the fourth EU Directive, to request exemption for small-sized companies, which by Cypriot standards constitute the majority of companies so that they would be exempted from the obligation to control their annual accounts. In this way, most Cypriot companies, which by European standards were considered small businesses, would be excluded from this obligation.”¹⁴¹

This elicited the response of some MPs from both ruling and non-ruling parties¹⁴² who considered it an insignificant matter which if addressed would create problems to the Republic of Cyprus by opening two different chapters of the accession negotiations,

¹⁴¹ Supplementary Report of Parliamentary Committee on Foreign and European Affairs after a meeting dated 10 April 2001.

¹⁴² The ruling parties for the period 1996-2001 were from the Right Wing.

those of the two professional classes. Mr. Tassos Papadopoulos, MP for Democratic Party (DIKO) argued that:

“Delay is not justified in any way. This issue has been examined for six months. It is a matter which leads to reopen Chapters Four and Ten; Two of the Eighteen Chapters that the EU has already approved together with the Republic of Cyprus. I think, it is too insignificant to address the fact that a class wishes to obtain additional rights. The Government or the interested parties can bring a Bill and I can approve it. Well, I think we create a huge problem in Republic of Cyprus by opening other two chapters. I do not know how many they are – ten, twenty, fifteen – the professionals who want to improve their rights. They can improve them by making a law proposal. I undertake to submit a proposal in the next Parliamentary meeting, to address their concerns. Let’s be serious. This Parliament must decide on the rights of Cypriot people, not of specific individuals.” (Parliamentary Minutes dated 19 April 2001)

Mr. Demetris Syllouris, MP for Democratic Rally (DISY) agreed:

“We do not vote only for few people, we vote for Cyprus. I believe that it is in the interest of Cyprus to do what is right and not to always favour certain people.” (Parliamentary Minutes dated 19 April 2001)

Thus, it seems that there was the intention to protect the rights of the two professional classes as long as they would prepare and submit a relevant Bill that would be discussed in another Parliamentary meeting. Although a paragraph in the proposed Bill for harmonisation with the EU was added regarding the rights of these groups, the case of a special Bill would create similar problems. Mr. Demetris Eliades, MP for EDEK argued that:

“If there will be future risks, the Minister has made a serious political commitment, but there is also the majority vote by the Parliament regarding the matter of the professional regulation, that is to pass a special law for the regulation of particular professions. But, if a further harmonising legislation will be needed, which is likely to affect some professionals, the Parliament is here; since it does not allow it now, it will not allow it tomorrow.” (Parliamentary Minutes dated 19 April 2001)

However, there was criticism expressed saying that the harmonised Bill did not represent the true intentions of the Parliament as it tried to satisfy the interests of certain professionals. Mr. Theodorou, MP for EDEK argued that:

“We are talking about something that, even indirectly, has to do with the interests of a particular professional group and we cannot ignore this, even when we are preparing a harmonised Bill. It is about a situation of inconvenience. It has been said now that the Former Finance Minister, Mr. Christodoulou, prepared a Bill to regulate the profession of auditors-accountants. Due to reactions, due to other situations, this Bill remained buried in the drawers. We passed regulatory laws for hairdressers, beauticians, doctors, lawyers, architects and it is unthinkable that we haven’t done this for accountants-auditors.” (Parliamentary Minutes dated 19 April 2001)

The debate among the MPs about the professional rights of accountants shows that they were divided into two camps, attempting to defend and secure the rights of the professional groups. At the end, the Bill was passed into law, nominating ICPAC as the only recognised supervisory body and professional accountancy body in Cyprus for the accounting/auditing profession (see Appendix 46). However, a team of five MPs did not agree with the voting and the provisions of this legislation regarding the accounting profession. They considered that some groups were in danger of losing their professional jurisdiction and subsequently the British qualified accountants would dominate the professional arena. Thus, they submitted an amendment for this legislation to secure the non-qualified accountants.

The ICPAC reacted by arguing in the press that this amendment was contrary to the EU acquis. The required level of qualification was decreased and an attempt was made for some people to acquire rights without having the required qualifications that would allow them to have such rights in the first place.¹⁴³ ICPAC expected that:

“the immediate withdrawal of the amendment which is contrary to the provisions of the Eighth EU Directive and the voting of the Bill so the commitment of Cyprus for immediate harmonisation of auditing profession in the EU Eighth Directive to be achieved while preserving the high level of auditing services offered.”¹⁴⁴

¹⁴³ “Announcement of Institute of Certified Public Accountants of Cyprus”, *Phileleftheros* Newspaper, 10 April 2001, p. 13

¹⁴⁴ *ibid*

A meeting took place between the three Associations of professional accountants and the Parliamentary Committee on Commerce and Industry (hereafter, PCCI)¹⁴⁵ to discuss and solve the issue. These Associations repeated their demand for the amendment of the Bill which was approved in 2001. This particular Bill had denied around 60 accountants from these Associations their professional rights. The requirements of EU Directives shaped the existing ‘regulatory space’ for the accounting profession, determining that only members of recognised professional bodies would be allowed to exercise the profession locally.¹⁴⁶ There was lobbying (e.g. meetings, connections between MPs and non-qualified accountants) in House of Representatives while the PCCI, chaired by Lefteris Christoforou, MP for Democratic Rally (DISY), worked to solve the issue of their recognition. A former ICPAC President (1999-2001) argued:

“There was much lobbying in the House of Representatives from these [professional] groups. It was a large number of them but it seems that they had some influence.” (Interview dated 10 February 2015)

The non-qualified accountants received continuous support from various MPs:

“Unfortunately, they had their Association and their President was from Paralimni¹⁴⁷. In Paralimni, they had a supporter of their positions and views an MP of the Right Wing Conservative political party (DISY), Mr. Lefteris Christoforou. It seems that they pressed him continuously that ‘*Look, if you do not help us to not come under the monitoring of ICPAC because we ‘afraid’ ICPAC, we will not vote you in the elections*’. I think they said something like this. This was part of the electioneering process.” (Former ICPAC President, 1984-1986, Interview dated 6 February 2015)

¹⁴⁵ It has been renamed the Parliamentary Committee on Energy, Trade, Industry and Tourism. It considers matters within the competence of the Ministry of Commerce, Industry and Tourism and semi-governmental organisations operating under its authority. It examines draft laws and regulations within its area of competence and exercises parliamentary control on issues related to trade, industry and tourism, synergism, Cypriot standards and quality of control of products, the range of corporate action, the issues of oil, energy policy, protection of the Cypriot consumer and ensuring fair competition, development and promotion of the Cyprus handicraft etc.

¹⁴⁶ “The community directive divided the accountants”, by Dimitris Ioannides, *Phileleftheros* Newspaper, 30 October 2002, p.7

¹⁴⁷ Paralimni is a town situated in the southeast of Cyprus, within the Famagusta District.

The political parties and their followers acted in this way to avoid losing the voters support. If the Bill was, then the affected professional groups would not be allowed to do even “ the simple work [...] because they will not be considered as auditors.”¹⁴⁸ The non-qualified accountants further asked for the simultaneous approval of the Draft Bill which would change the existing legislation requirements for their groups for the exercise of the profession. Therefore, on 19th of September 2003, the Parliament approved an amendment which did not follow the Community Acquis. This new regulatory arrangement gave the authority to non-qualified accountants to audit public companies, without taking into account the specialised professional knowledge, experience and monitoring required based on the Eighth EU Directive. ICPAC did not agree with this change and asked to annul the law. In building its case, ICPAC claimed that:

“Will the Community Acquis be violated before we enter to EU? The President of the Republic of Cyprus repealed the law that violates the acquis. In all EU countries, only approved auditors can audit companies. Any other arrangement or regulation clearly violates the acquis. The Parliament must protect the image and credibility of Cyprus in Europe.”¹⁴⁹

On the other hand, Mr. George Varnavas, MP for EDEK, said that the Parliament wanted to safeguard the people who had practised until that day the profession since otherwise these people would end up in a state of professional inactivity¹⁵⁰. The fact that the law was repealed by the President of the Republic caused the reaction of the members of IIAC who protested outside the House of Representatives for their jurisdictional rights.

¹⁴⁸ “Demonstration by accountants outside the Parliament”, *Phileleftheros Newspaper*, 18 September 2003, p.19

¹⁴⁹ “Announcement by ICPAC”, *Phileleftheros Newspaper*, 15 October 2003, p.11

¹⁵⁰ “Directly to the Presidential the accountants”, by Kyproulla Papachristodoulou, *Phileleftheros Newspaper*, 26 September 2003, p.21

The issue was reviewed from the Parliamentary Committees of Trade and European Affairs in Joint Conference, which basically had two choices; either to accept the repeal of the law by the President and to amend the legislation or to insist on their position and to resend the law to the President.¹⁵¹ During the Joint Meeting of Parliamentary Committees¹⁵², the MPs argued that they correctly amended the Companies Act allowing such accountants to conduct audits for public companies.¹⁵³ This amendment was re-voted unanimously with the exception of EDI (United Democrats) political party who did not vote. The decision was in the hands of the President of Cyprus, Mr. Papadopoulos, who would either sign the legislation accepting the position of Parliament or he would refer the case to the Supreme Court whose decision would be the final.

However, the non-qualified accountants did not agree with the provisions of the proposed legislation as it obliged them to come under the umbrella of ICPAC. With a joint written statement, both associations of non-qualified accountants expressed their opinions:

“They both agree that auditors and audit firms must be monitored but they disagree with the provisions of the second Bill. The monitoring must be exercised by a public monitoring authority which will be public and independent and not by ICPAC. They both disagree regarding them having to register as members of ICPAC and they regard it as unthinkable to be controlled by their competitors.”¹⁵⁴

¹⁵¹ “Contrary to the acquis the law for the accountants”, by Kyproulla Papachristodoulou, *Phileleftheros* Newspaper, 16 October 2003, p.19

¹⁵² The Parliamentary Committees on European Affairs and Trade and Industry met in two Joint meetings on October 16, 2003, following a repeal of the law by the President of the Republic, by invoking Article 51.1 of the Constitution. At the first meeting, representatives of the Office of the Attorney General and the Ministry of Commerce, Industry and Tourism were invited to attend. Also the representatives of relevant professional associations attended the meeting. (see Parliament of Cyprus, 2003)

¹⁵³ “The first ‘no’ of Parliament to the President Papadopoulos”, by Kyproulla Papachristodoulou, *Phileleftheros*, 17 October 2003, p.21

¹⁵⁴ Report of Parliamentary Committee on Trade and Industry after the meetings dated 31 March and 30 April, 2009.

Both Associations did not want to come under ICPAC's control as this would eventually have resulted in their Institute's absorption and the loss of their distinctive obligation. A former ICPAC President (1984-1986) stated that during the Bill preparation, the influence was apparent:

“The only change made in the law that I prepared with Mr. Stavrinakis [Former Judge, Minister and Law Commissioner] was the removal of the sentence referring to these individuals to be controlled. They deleted it.” (Interview dated 6 February 2015)

He further added that they were a group in decline and would probably disappear after some years as the State would cease awarding them licenses to practice:

“At this moment, there are around 100 individuals who exercise the profession and no one controls them. They are a dying group because there will not be any other such permissions given by Finance Minister. So over time they will disappear. But they may disappear after 30-40 years. This was one of the arguments/discussions and a serious problem that exists today. It is a distinction [among the professional accountants]. We currently have qualified accountants who have all kinds of obligations under the law and we have this group which is privileged. It is not controlled by anyone; they do whatever they want. I think ICPAC threw up their hands and said that *'let them be until they disappear'*. (Interview dated 6 February 2015)

ICPAC could not oblige the non-qualified accountants to come under its control and the reason was that MPs did not help as they tried to maintain their votes by helping these groups of accountants. Thus, the situation remained the same with the non-qualified accountants to continue exercising the profession without any supervision.

6.6 Summary and Discussion

This chapter examined the factors that influenced the emergence and development of local accounting profession and ICPAC after independence. As a newly established association, the next step for ICPAC was to organise and improve the professional environment, offering educational development and training for its members. It was expected that ICPAC would act independently forming its own professional

infrastructure and escaping from British influence. However, the way of thinking of ICPAC founding members still followed the British accounting model, attempting to be like the British. As most of its members were also members of British bodies (ACCA, ICAEW), they considered these bodies as the ideal ones to contribute to ICPAC's development. The fact that they disregarded and deemed unworthy any local professional scheme, led to ACCA agreements for a Joint Examination Scheme and audit monitoring in order to comply with the Eighth EU Directive. In a similar vein, ICAEW continued to dominate locally as it chose Cyprus the first country to train chartered accountants outside the UK. All these show the transformation of the local profession with the help of British bodies and the continuity of the Cypriots' embracing of the British system.

Apart from accountants, lawyers were also deemed important for the local economy and society and this resulted in a competition between the two professions. The Advocates (Amendment) Law of 1984 was considered a 'disturbance', creating inter-professional conflicts between the two professions and restricting accountants from their professional jurisdictions such as to register offshore business and to transfer shares to foreign person(s). This restriction led accountants to claim their rights by going to Court. These intra- and inter- professional struggles between professional groups led ICPAC to regulate the accounting profession, create local exams and secure its professional status by issuing a proposed Bill. The EU demands to comply with the EU Directives brought inequalities and professional exclusion for some groups of accountants. Two attempts took place to regulate the profession; the second attempt being a success. The formation of a 'regulatory space' for the accounting profession provoked several reactions and resulted in groups such as the EU, MPs, State/ministers,

ICAEW, local professional groups interacting with one another. These parties exerted their influence over the formation of this 'regulatory space'.

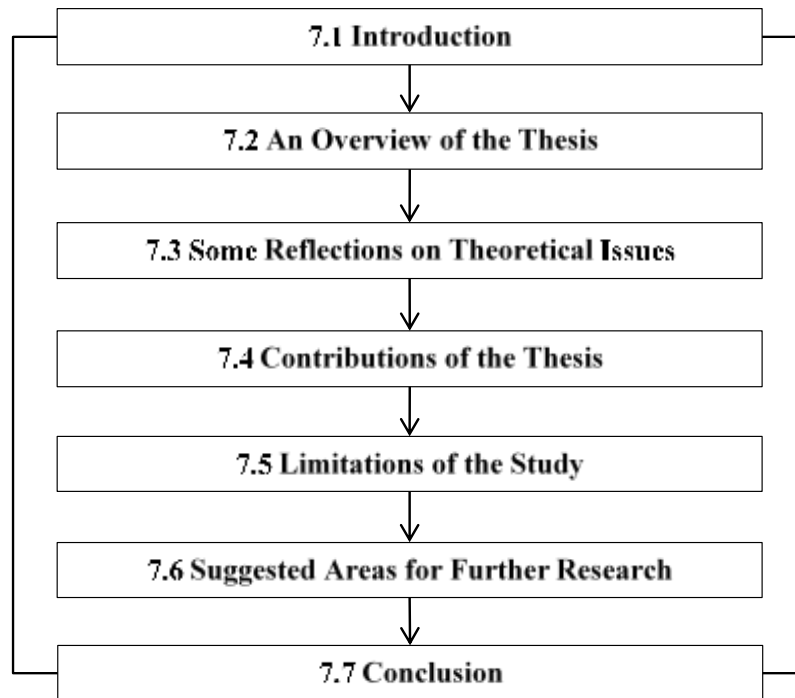
The organisation and development of local accounting profession and ICPAC received various influences from a number of people and bodies which had an impact on Cypriots' actions, behaviour and choices. Incidents like the disputes between local accountants (both qualified and non-qualified) and lawyers show how the local socio-economic-political context influenced the perceptions of these professionals and organisation of their associations. The role of external bodies and their influence such as the EU, British bodies, globalisation and international firms show how ICPAC and local profession attempted to harmonise with the international trends. However, the British legacies played significant role in both internal and external factors, bodies and people who played a role in this process as their ideas were being reproduced through local inhabitants' actions, choices, behaviours and interactions. The British bodies' expansion and activities locally had the aim to increase their income and to maintain their presence in Cyprus. By conducting work relationships and agreements with ICPAC, it would be easier for them to be involved and to control the advance of the local accounting profession and ICPAC. The necessities and the weaknesses of ICPAC and the local profession facilitated the British bodies' involvement. Cypriots continued to emulate these British professional bodies and to consider them, their products and services the best that they can follow and reproduce. This particular preference of Cypriots towards these professional bodies reflects a kind of dependence towards them. The next chapter is the final chapter of this thesis which provides a summary, the reflections and the conclusions of this study.

Chapter 7 Summary, Reflections and Conclusions

7.1 Introduction

The broad aim of this thesis has been to investigate the emergence and development of the accounting profession in Cyprus and the establishment of ICPAC in postcolonial period. This thesis has sought to contribute to the literature on professionalism, particularly setting of emerging economies (i.e. Cyprus). Cyprus was under the British rule from 1878 until 1960 when it gained its independence. Critical realism has provided the theoretical framework for examining and analysing the dynamic interactions between structure and agency as well as the local and global forces which enabled and constrained the development of the accounting profession in Cyprus. The global and local influences in the accounting profession of Cyprus had their roots in the colonial period (1878-1959). Subsequently, the profession continued to be in demand and expand due to globalization and EU demands (1960-2004). The evidence has shown that British continued to influence and transform the social structures and practices, with significant outcomes in the professional arena of Cyprus. Although there were intra- and inter- professional conflicts between local professional groups, Cypriots continued to embrace the British accounting model, British professional bodies, their services and products.

This chapter summarises and reflects upon the analysis conducted in the previous chapters and makes some concluding remarks. It consists of six more sections, as it is illustrated in the Figure 7.1 below.

Figure 7.1: Flow of Chapter Seven

7.2 An Overview of the Thesis

Accountants in Cyprus, like elsewhere, consider themselves to be professional, something that sets them apart from other occupational challenges. The term ‘profession’ has been contested and it is multi-faceted and this in turn required an exploration of how the term is understood (Saks, 1983; Willmott, 1986). Chapter Two of the thesis has offered an in-depth examination of the sociological literature of the professions, paying significant attention to the accountancy profession. Based on Conventional/Traditional perspectives, accountants often sought to distinguish themselves, making claims about their education, knowledge, ethics and the fact that they serve the public interest (Millerson, 1964). However, critical theories have problematized such claims by locating them in broader socio-economic-political and organisational contexts. Drawing on the ideas of Weber (status), Marx (economic power) and Foucault (power and knowledge), critical studies highlighted the role of knowledge and expertise for a particular profession in conflict, continuity and change (Willmott, 1986; Cooper and Hopper, 1990). Chapter Two discussed that the attempt to professionalism in accountancy intersects with class, status, social antagonisms, politics, mobilisation of the State and competition for jurisdictions.

The previous studies on accounting profession in former British colonies tended to focus on individual social actors and paid little attention to the social structures and institutions which shaped their actions (see e.g. Annisette, 2000; Bakre, 2005, 2006). The present study by applying the theoretical lens of critical realism argues that there is nothing inevitable or predetermined about the actions of individuals. The propensity to engage and develop a profession in a specific context, should therefore be learned, encouraged and nurtured by the social structures and institutions. Social practices and

structures simultaneously enable and constrain the emergence and development of a profession such as accountancy. Social actors are shaped by historically constructed structures (e.g. colonial legacies) in society. These structures enable actors to make sense of everyday events and they influence their actions, behaviours and relationships (Collier, 1994). Thus, the accounting profession in Cyprus was examined and understood, considering the influence of social structures and histories. In particular, this thesis has considered the social structures and the historical, socio-economic-political context of Cyprus to examine, analyse and explain the complexities of social structures and how these shaped the development of the profession.

Chapter Three examined the underlying assumptions and limitations of various research approaches using the Burrell and Morgan (1979) model and subsequently explored the methodological/theoretical frameworks used by prior studies conducted on the accounting profession. It also examined the agency-structure framework, providing a rationale for the use of critical realism in this thesis. Critical realism can give emphasis on and explanations of both structures and social actors (Collier, 1994; Bhaskar, 1989). It has been argued that it has attempted to address the limitations of structuration theory by focusing on both structures and social actors. Hence, critical realism has contributed to a better representation of the development of the accounting profession in Cyprus. The discussion of historical events and the socio-economic-political context of Cyprus showed the structures already existed. Individuals or a collection of individuals such as Cypriots, professional accountants, local and foreign accounting/audit firms, organisations and institutions, were considered for this thesis to be the social actors. Using the theoretical lens of critical realism, the continuity and discontinuity of social structures were identified from the actions, behaviours, choices

and relations of the social actors. These structures had impact on the development of the accounting profession in Cyprus.

Furthermore, capitalism, colonialism, imperialism and globalisation have been used as supplement concepts to support the implementation of critical realism and the examination of the socio-economic-political context of Cyprus. This has been necessary because these concepts emerged from Western countries with comparatively developed societies such as the UK and the US. Some characteristics that define Western societies are the high level of economic growth and security (export and trading activities with former colonies), formal education with high levels of literacy, good communication and transport networks which are used to evaluate the level of their economy and the degree of development. On the other hand, Cyprus is a small island with an emerging economy which received various influences from various conquerors its history, including the UK and which obtained its independence in 1960.

Taking account of the local peculiarities, this thesis drew on the notions of capitalism and colonialism theories to analyse and discuss the institutional structures which facilitated the flow of capital and the influence of British colonialism in the Cypriot context and over the emergence of accounting as a practice, tool and profession in the colonial period. The imperialism and globalisation concepts provide a means of understanding the role of global structures (e.g. Britain after Cyprus independence, international corporations, the EU) and the interplay between Cyprus, former colonial masters and supranational institutions as embedded in the system of Cyprus. The development of the local accounting profession and the establishment of ICPAC were influenced by these powers. This study has examined in detail the role of these intermediaries in order to understand their impact on the advance of the profession and how their legacies continued to be reproduced, to influence, change and transform the

subjectivity and identity of the local inhabitants. The thesis has provided evidence from the case of ICPAC, to illustrate the role that social actors (e.g. ICPAC founders and Presidents, professional accountants, accounting/audit firms etc.) played and to consider the structures and the social and historical contexts (e.g. colonialism, imperialism, globalisation, EU etc.) that facilitated the continuities and/or discontinuities of several practices and ideas that shaped the development of the profession during colonial and postcolonial periods.

The discussion of the historical developments was considered important to provide the context for the emergence of new social formations and institutional structures in Cyprus. The historical context is reflected in the findings of this study (see Chapter Four) and evidence presented demonstrates that the socio-economic-political context of Cyprus has affected the advance of the profession and ICPAC before and after independence. Cyprus' economic and political elites, having key links with Western accounting institutions and business practices, played a significant role in the development of the profession. The period before independence was considered as a period of transformation of Cyprus from an agricultural undeveloped country to a British orientated territory with business practices and accounting methods influenced by colonial masters. Changes based on the British system took place in the local educational and legal framework so that they would facilitate the trading and commercial activities of colonisers and the flow of capital to Britain. Learning the English language and acquiring commercial and accounting skills were considered as essential for the social mobility of Cypriots. At the same time, the use of British legislation on business matters and of the first accounting firms played an important role in the flow of commercial activities and the production of professional accountants locally.

However, the British influence has particularly been strong in the postcolonial period during which Cypriots continued to embrace the British accounting and educational models through their actions, practices and choices. The formation of local colleges and universities based on the British educational model, the domination of British professional accountancy qualifications, the choice of Britain by Cypriots for their studies and job opportunities reflected the level of domination and continuity of British legacies in the local society through accounting profession and business activities. Furthermore, the offshore business strengthened the importance of professional accountants in the Cypriot business society and was responsible for the proliferation of professional accountants and accounting firms on the island during the mid-1970s. Apart from British influence, Cyprus also had to adjust to a changing international environment and later to the EU demands after joining EU in 2004. The historical relationship and the contemporary linkages between Cyprus, British and other Western powers such as the EU show how such relationships have both succeeded, influencing and shaping the way Cypriots think and act in common with the destinies of the powers that fashioned the Cypriot economy and subsequently, dominated it.

The search for professional independence, particularly in relation to the accounting profession, gained momentum after independence. The colonial experience has changed people's subjectivity or at least the worldviews of a local economic elite, which sought to be more like their colonial masters. The tendency to emulate British model led some to create local accountancy bodies in Cyprus as demonstrated in Chapter Five. Before independence, attempts to create a local accounting 'society or club' with the help of ACCA as Cypriots used to keep contacts with British bodies, largely remained unsuccessful. However, the second attempt to establish an Institute was successful one year after Cyprus independence in 1960. During its first years of

operation, ICPAC tackled issues relating to the membership admission requirements. Firstly, the decision was to allow only chartered and certified accountants from British bodies as it was referred in the Companies Law of 1951 and therefore, other groups of professional accountants were restricted.

Patriarchy, gender roles, nationalism and professional exclusion played significant role in the emergence and development of accounting profession in Cyprus. The group of Turkish Cypriot accountants faced the nationalist reactions of Cypriots who denied them the ICPAC Council membership due to the political situation and differences in legislation. Law cases brought to court by US CPA holders revealed struggles to obtain their professional rights which after several law amendments, they obtained the permission to exercise the profession locally. The groups of the non-qualified accountants (Graduate and Independent Accountants) faced similar exclusion. ICPAC considered them dangerous for the advance of the accounting profession and ICPAC. These conflicts showed the continuity of colonial residues which led ICPAC to adopt similar membership admission requirements with those of the British bodies.

The findings of this thesis (see Chapter Six) show that ICPAC started to organise and foster the professional environment and opportunities for its members by offering training, educational and professional development. The Institute's choices, actions and perceptions indicate the continuity of British legacies and subsequently, the continuous dominance of British education and training in the professional arena of Cyprus. The EU demands to comply with the EU Directives brought the need to create local professional examinations and an audit monitoring system, giving the opportunity to Cypriots to escape from British legacies. However, Cypriots felt that any local professional examinations would be inferior to their British counterparts and their agreements with ACCA showed continuity in their embrace of British bodies (ACCA,

ICAEW), their services and products. The British-European relations influenced Cypriots' actions, choices and perceptions in relation to the type of professional schemes that Cypriots should implement.

Apart from the accounting profession, the legal profession has always been considered high in demand in Cyprus. The amendment of the Advocates Law of 1984 was the disturbance that brought intra-professional conflict as accountants faced restrictions on some of their professional rights (i.e. to register offshore companies and transfer shares to foreign person(s)). This restriction led accountants to claim their rights with legal actions. Therefore, the intra- and inter-professional conflicts between professional groups led ICPAC to proceed to a regulatory arrangement for the accounting profession, the creation of local exams and to secure its status from other groups. However, the EU demands to comply with the EU Directives brought new challenges for the profession and began turf wars, professional exclusion and inequality between the local qualified and non-qualified accountants. Two attempts took place to regulate the profession with the second one being the successful one as various groups (e.g. EU, MPs, State/ministers, ICAEW, professional groups) interacted during the creation of the 'regulatory space' for the profession, each exerting their influence on this process so as to secure their professional jurisdiction.

The next section provides some reflections on theoretical issues.

7.3 Some Reflections on Theoretical Issues

In this thesis, it was argued that an understanding of the nature of the accounting profession in an emerging economy requires the adoption of an approach which reveals the role of the social actors and considers the structural constraints and power relations

that have shaped accountancy profession in a particular context. The various research approaches used by previous studies on accounting profession in former colonies were considered (in Chapter Three) and it was argued that critical realism provided the suitable framework for considering and understanding the dialectic relationship between the social structures and social agents in the Cypriot society. This framework helped to understand how the interplay between agents and structures may have simultaneously enabled and constrained the emergence and development of the accounting profession and the establishment of ICPAC in Cyprus. The significant power and influence of the colonial legacies in the professional arena of Cyprus and the politics and nature of the local profession that Cypriots followed before and after independence were considered. Based on this context, critical realism helped to examine and identify the dynamics of the power relations and how the historical and socio-economic-political structures shaped and continue to shape and influence the development and operation of local profession and ICPAC in postcolonial period.

Structural changes occurring in the process of professionalising the accounting practice resulted in tensions among key actors (e.g. British qualified accountants, non-qualified accountants, female accountants, Turkish-Cypriot accountants). The power relations of local professional accountants, particularly ICPAC founders and British qualified accountants, with British bodies (ICAEW, ACCA) facilitated the continuity of the British accounting model and the reproduction of accountants based on British standards and legacies. The accountancy as a profession was deemed an important form of ‘communication and developmental tool’, and a rationalised social practice adopted and reproduced by Cypriots and local accounting/audit firms in the context of colonialism at the outset and globalisation in later years (see Bakre, 2008). The change and transformation of the accountancy profession was simultaneously enabled and

constrained in order to adapt to the relevant socio-economic-political context and to reach global and local necessities. This was a result of the pressure and influence exerted by various parties such as supranational institutions (EU), international corporations ('Big Four' firms), former colonisers via British bodies (ICAEW, ACCA) and local professional groups (qualified and non-qualified accountants).

From a critical realist lens, there is the belief that reality can never be a social construction since it pre-exists the transitive, changing social analysis of it (Collier, 1994). The term 'generative mechanism' is used to refer to the real, manipulable, internal mechanisms at the heart of critical realist accounts of why things are as they are (Bhaskar, 1989; Collier, 1994). The explanatory potential of generative mechanisms involves the steps of the postulation of a possible mechanism, the attempt to collect evidence for or against its existence and the elimination of possible alternatives. Although the proliferation of professional accountants in Cyprus has meant that Cypriots sought to establish their local professional status and identity, the accounting profession underlined and faced the pressure and power exerted by former colonial masters and the supranational institutions in the context of contemporary globalisation.

Critical realism was used to highlight the dominant socio-economic-political structures shaping the local accounting profession and to draw particular attention to the conflicts and interplay between various professional groups (e.g. Turkish Cypriots, CPAs, British qualified) in strengthening and dominating their presence and professional jurisdictions in Cyprus. By adopting critical realism, the study showed how the social actors, namely the local inhabitants (e.g. professional accountants, ICPAC Founders and Presidents) interact with global and local structures which both govern, influence and shape the professionalization project of accountancy in Cyprus. The social actors

interact with the historically constructed structures with the knowledge and skills they have about the accountancy. Through this interaction, social actors are encouraged to reproduce the existing structures and their involvement in the development of the accountancy profession locally. Critical realism acknowledges the importance of Cypriots' choices, behaviour and actions (conscious and unconscious) in relation to the local profession. Subsequently, it enabled both the outcomes of Cypriots' actions and choices regarding the advancement of ICPAC and local profession to be considered.

This thesis also considered the structural dimensions of the social system by focusing on the role of capitalism, colonialism, imperialism and globalisation theories in colonial and postcolonial Cyprus, which have simultaneously enabled and constrained the development of local profession and ICPAC. The influence of local structures (e.g. legislations and education) and global structures (e.g. capitalism, globalisation, the EU, former colonial masters) which played significant role in the development of local profession were considered. In this context, the local accounting profession emerged and developed with the help of the existing structures which were produced and reproduced throughout the years under the influence of local (e.g. the State and its ministers, MPs) and global (e.g. the EU, the 'Big Four' firms, British professional bodies) forces. These theoretical approaches helped to examine and identify the relevant influential factors and the pressures that the accounting profession faced as well as the contradictions faced by the Cypriot government in developing and forming a 'regulatory space' for the profession to comply with the EU Directives. It was argued that the institutional structures in Cyprus have been shaped by these local and global pressures. In particular, the desire of the professional elite was to establish a well-deserved accounting profession and relevant professional association, namely ICPAC, excluding various professional groups which were considered 'ineligible' to become

ICPAC members and to exercise the profession locally. In that way, this thesis contributes to the extant work on the accounting profession in emerging economies.

The next section reflects the contributions of this thesis.

7.4 Contributions of the Thesis

The thesis has contributed to the literature by investigating the emergence and development of the accounting profession in Cyprus and the establishment of local professional accountancy body, namely ICPAC, which has received little attention by accounting scholars. It has extended the study of Clarke and Varnava (2013) by focusing on the postcolonial period while their work focused on the pre-independence period. Although there was previous literature on the accounting profession in former British colonies and their respective professional associations, little was known about the accounting profession in Cyprus as a small island with an emerging economy. Cyprus provides a very interesting case as an island that was once a British colony and later became an EU member. This shows how the structures have changed due to various historical events. The case of Cyprus gave the opportunity to explore how various powers (e.g. globalisation, the EU, British bodies, international corporations) took advantage of its size and resources to develop their practices, services and activities. Evidence was provided on how a small island with an emerging economy can change strategies, choices and plans based on colonial and later global influences and how this transformation can have significant impact on the local accounting profession and the local inhabitants' subjectivity and identity.

Previous studies on Cyprus were focused on accounting as a practice and technology tool through various historical periods such as during antiquity and during the time of

Ottoman and British Empires (see Clarke, 2011; Clarke and Varnava, 2013; Varnava and Clarke, 2014). However, there was a lack of focus on accounting as a profession and a social institutional practice, the relationships between individuals and society and the structural factors that shaped the profession in the postcolonial period. Thus, considering these issues, this thesis attempted to fill this research gap. An essential finding of this study, as compared to prior studies of Cyprus, is that Cypriots did not show any resistance to embracing British accountancy model and they experienced self-deception and/or illusion that they were independent in all sectors. For example, Cypriots considered that the local professional examinations, the professional certificate of ICPAC and the professional development courses were their own creation, although they were established after agreements with ACCA. They also perceived that the reputation and the level of the local professionalization project was the Institute's achievement; nevertheless the involvement of British bodies (ICAEW, ACCA) with their products, training and services, was the foundation stone. This shows the impact colonialism has had on structure and agency regarding the formation of the professionalization project of accountancy.

This thesis has also made methodological/theoretical contributions to the literature. Although previous studies (e.g. Annisette, 1999, 2000; Chua and Poullaos, 1998, 2002 etc.) used the theories of Weber, Marx and Foucault based on historical and institutional dimensions, they did not consider or discuss in more depth the dialectical relationship and role of structures and social agents in any of the changes, developments and/or reforms of the accounting profession. By considering a dialectical relationship between structure and social actors, one asserts that while social structure (e.g. colonial, imperialist and global influences and the EU) shapes individuals, individuals or a collection of individuals (e.g. British professional bodies, British qualified accountants

etc.) also shape social structure. This reflects that social change involves a dialectical relation between human agency and the contexts in which those agents find themselves, contexts that include culture and structure (Plant, 2001).

Critical realism enabled this thesis to draw attention to the role of the actors, mainly accountants, the social and power structures that played significant role in the advance of local accounting profession and ICPAC. The key claim of critical realism is that natural (physical and biological) and social (sociological) reality should be understood as an open stratified layered system of objects with causal powers that make things happen. Critical realism has provided a deep understanding of the social situation in Cyprus going beyond what is observable and investigating the mechanism (structures) behind any event.

Moreover, throughout this thesis, inter- and intra- professional conflicts were identified between occupational groups of local accountants and lawyers. Abbott (1988) presented the jurisdictional conflicts between various professions, describing them as “the real, the determining history of professions” (p.2). Based on this assertion, this thesis extends Abbott’s theory by revealing that the ethnicity issue can be added in jurisdictional conflicts between professionals as Turkish-Cypriots and Greek-Cypriots holding non-British qualifications faced professional exclusion from ICPAC membership and from exercising the profession locally. This reflects that there are not only jurisdictional battles between individuals from different professions such as engineers, accountants and lawyers. The issue of ethnicity can also be included as a significant characteristic in the professional disputes between local professionals with same or different nationality or ethnic group.

7.5 Limitations of the Study

As in other research, this study is not without its limitations. Access to primary information and relevant respondents of ICPAC founders has to some extent been a constraint in this study. Unfortunately, the majority of ICPAC founders have passed away or were unable to speak due to age and health issues. The respondents that could share their experiences on accounting profession and ICPAC were the professional accountants, Former Presidents, officers, General Manager and lawyer of the Institute. Nevertheless, secondary sources (e.g. newspapers, Parliamentary reports and minutes, legislations, law cases) were used and helped to strengthen the data. These secondary data were necessary to supplement the material provided by the interviewees.

Furthermore, some historical documents were inaccessible which could have produced significant evidence regarding the emergence and development of the accounting profession and ICPAC (e.g. communication letters with foreign organisations or/and individuals, press clippings). The professional accountants and other individuals connected with the profession had lost such documents. Moreover, ICPAC did not keep in its archives all the correspondence with the British professional bodies (ACCA, ICAEW) and other organisations/individuals, although the ICPAC minutes showed continuous communication with them. However, a wide range of newspaper and parliamentary archives were used in this thesis in order to supplement the information missing.

An additional limitation was that the majority of interviewees who shared their experiences were only from ICPAC and were British qualified accountants. As such, one can argue that this thesis may have not represented the views of all stakeholders such as the group of non-qualified accountants (Graduate and Independent

Accountants) and lawyers. However, the views of these groups were examined by secondary archival sources (e.g. reports, newspaper articles, Parliamentary reports etc.).

The following section provides suggestions for future research.

7.6 Suggested Areas for Further Research

Future studies could explore a variety of research avenues that could enrich the study of accounting and professionalism building upon the work of this thesis while mitigating the limitations identified.

The emergence of the offshore business in Cyprus offers a fruitful ground for additional research so as to examine how Cypriot accountants and lawyers were implicated in the facilitation of illicit financial flows relating to tax avoidance, tax evasion and money laundering after Cyprus received criticism of being a ‘tax haven’¹⁵⁵. Issues that could be investigated involve among others: the key ingredients of such economy, whether it has strengthened or weakened, what the professions offer, how they mobilise the State and align themselves with elite groups and how Cypriots coped with this new economy. Such research would contribute to analysing the history of offshore business; how a small island with an emerging economy was built based on offshore regime and how this has influenced the social environment of ordinary people.

The delayed entry of women to workforce, particularly to the accounting profession as shown in this thesis, brings the need to examine their advance in the profession, their experience during and after employment settlement in the accounting/audit industry.

¹⁵⁵ Tax haven is a jurisdiction that offers favourable tax or other conditions to its taxpayers as relative to other jurisdictions. It is a country or independent area where taxes are levied at a low rate. Cyprus is one of the lowest tax jurisdictions country in the EU, with 10% and later 12.5% corporate tax rate.

The increase in the number of female accountants in senior and partnership positions in Cyprus (see Krambia-Kapardis and Zopiatis, 2009) should be examined further by focusing on the female partners of 'Big Four' accounting firms, the way they embody institutional logistics into their habitus and the barriers they encounter which may hinder female accountants' employment in such positions. This research could address the concerns and present the aspirations of women in relation to the accountancy profession using oral histories and the Bourdieu's notion of habitus.

This thesis raised the issues of professional closure, ethnicity and inequality which could be explored further by focusing on minority groups of accountants in Cyprus. The training opportunities, which were offered to accountants from former Soviet Union countries during the development of offshore business in Cyprus, seem to continue until today. Russian-speaking accountants maintain their presence in the profession, possessing various positions in local accounting/audit firms, particularly the 'Big Four' firms. This opens a new research avenue regarding the Russian influence in local culture and professional arena of Cyprus, the importance of language, particularly Russian and English language in local accounting practice and professional development. The story of the exclusion of non-qualified accountants and their struggles to secure their professional rights from their point of view could also be examined.

After examining the British influence on the local accounting profession and ICPAC, questions are raised regarding the history of medical and teaching professions in Cyprus. A future investigation could provide some insights regarding the emergence and development of these professions and their professional associations; whether their development was also influenced by British or by other local or global forces. This research could contribute to the history of professions during colonialism and

postcolonialism, comparing the Cypriot professions with the British ones based on the training, development and structure of their professional associations and professions themselves.

Another issue that could raise the need for further inquiry is the conflicts and relationships between lawyers and accountants. As this thesis revealed, these two professions had litigation issues on who would dominate the professional arena, take control of and provide professional services to the offshore companies. Therefore, the perceptions that a profession may have for other professions, could be explored further; whether there is any continuity or discontinuity of their conflicts or any attempts to bridge gaps between the two professions.

7.7 Conclusion

Social phenomena are the product of a plurality of influences, and as such an individual is shaped by many influences in society. Cyprus is not an exception regarding the accounting profession and how Cypriots have interacted with societal structures through their relationships, actions and experiences. Although various conquerors (e.g. Ottomans, British etc.) took Cyprus under their control and exploited the local resources and geographical location, British left some residues on local legislation, accounting, business, living and working habits of the local population. The statement of Henry Hopkinson, a Conservative Minister of State at the Colonial Office on 28 July 1954 during the discussions of Constitutional arrangements of Cyprus and other colonies in the House of Commons presents the current situation. He stated that “Cyprus would never be independent”¹⁵⁶. Cyprus still seems to be under British

¹⁵⁶ Hansard, HC Deb 28 July 1954, Vol.531, Col.508

colonialism, perhaps in its new form, neocolonialism, in terms of the development and functioning of the accounting profession.

The examination of the accounting profession in Cyprus illustrates that the British legacies in the form of social structures remain strong and uninfluenced throughout time, maintaining the perception of their superiority and continuity of influence in Cypriots' social practices and their contribution to the development of Cyprus as a small island with an emerging economy. It also shows how the British legacies and relevant social structures may interact, change and transform the professional identity of Cypriots, leading them to particular choices, perceptions and behaviours in order to adapt within a particular context. These British residues are arguably now a part of Cypriots' subjectivity and have subsequently affected or/and changed their identity. Therefore, the notions of identity and social structures and their interplay in the professional arena call for further examination from a psychological dimension.

APPENDICES

Appendix 1: Biographical Notes of the individuals mentioned in the thesis

A.F. BATES

He was C.M.G and Cyprus Government Financial Secretary during the colonial period.

ANDREAS CHRISTOU

He was born in Limassol in 1948 and he studied Mechanical Engineering in Moscow and later he worked as a mechanical engineer and senior manager of a Limassol-based Industrial Corporation. In 1986, he was elected as a Municipal Councilor and later as a MP for Progressive Party of the Working People (AKEL). During his term as an MP, he was Chairman of the Parliamentary Committee on Institutions and Merit, Chairman of the Parliamentary Subcommittee on Temporary Civil Servants and a Member of the Parliamentary Committee on Foreign and European Affairs. From 1991 to 2003, he was a Parliamentary Leader and a Member of the National Council. He was also appointed Minister of the Interior for the period 2003-2006. He was elected as the Mayor of Limassol in 2006.

ANDREAS LOIZIDES

He was member of ICPAC Council from 1961 until 1976 where he was appointed as Minister of Commerce, Industry and Tourism for the period 1970-1972. He established an audit firm in Cyprus in 1957 where he was a founding member, Director, Partner and President of Accounting/auditing firm Metaxas, Loizides, Syrimis and Co (now KPMG Cyprus). In addition, he was member in various Councils such as Cyprus Employers and Industrialists Federation (OEB), Central Bank of Cyprus, Electricity Authority of Cyprus (AHK) and Cyprus Ports Authority.

ATHOS KAKOFEGGITIS

He is Chief Executive Officer of an audit firm and chartered accountant.

CHRISTAKIS (CHRIS) STEPHANI

He was the Governor of the Central Bank for the period October 1965 – April 1982.

CHRISTODOULOS CHRISTODOULOU

He holds a PhD in Law from University of Wales and Bachelor's degrees in Law and Political Sciences from the Universities of Thessaloniki and Athens, respectively, as well as a teaching diploma from the Pedagogical Academy of Cyprus. In November 1994, he was appointed Finance Minister until March 1999 when he was appointed Minister of Interior. On 2 May 2002, he was appointed Governor of the Central Bank of Cyprus.

DEMETRIS ANTONIADES

He was a non-qualified person but he carried out the accounting/auditing profession on the basis of his experience. He opened the first accounting firm in Cyprus in 1942 which later became Member of Grant Thornton International in 1982. He was also an ICPAC Founding Member. Mr. Antoniadis passed away in 1980.

DEMETRIS ELIADES

He studied Law at Athens University, Greece. He served as a Member of the House of Representatives of the Republic of Cyprus from 1985 to 2001 for Movement of Social Democracy (EDEK). In 2010, he served as Minister of Agriculture, Natural Resources and Environment and then until March 2013 he served as Minister of Defense.

DEMETRIS SYLLOURIS

He is Cypriot politician and Former President of European Party (EVROKO). He studied Civil Engineering at North East London Polytechnic, UK. He is the Current President of House of Representatives in Cyprus.

DOROS THEODOROU

He was Minister of Justice and Public Order for the period 2003-2006. He was MP for Movement for Social Democracy (EDEK).

GEORGE STAVRINAKIS

He was Former Judge, Minister of Labour and Social Insurance (1980-1982) and of Justice and Public Order (May 1996) and Law Commissioner (1982-2002).

GEORGE SYRIMIS

He was born in 1921 in Nicosia, Cyprus and he studied Economics at Essex University from 1946 to 1948. After he returned to Cyprus where he obtained the ACCA professional qualification and he established the accounting firm G. Syrimis and Co in 1948. Mr. Syrimis was re-elected member of ICPAC Council from 1961 until 1988 when he was appointed as Minister of Finance for the period 1988-1993. He was ICPAC President for two rounds of two years. He exercised the accounting/auditing profession from 1948 until he became Minister. He was one of the senior partners of Metaxas, Loizides, Syrimis Accounting Firm (now KPMG Cyprus). In March 1993, he returned to KPMG Cyprus offices as consultant for two years until 1995. In addition, he was consultant for various public companies and President of Universal Bank. He passed away early 2010 in the age of 88 years old.

GEORGE VARNAVAS

He is an MP for the Movement of Social Democrats (EDEK). He studied Russian and English Literature and MA in Education in Russia. He is Representative of Famagusta Constituency under the banner of the Social Democratic Movement (KISOS) 2001-2003 and under the banner of the KS EDEK since 2003.

GERRY FOWLER

He was a British Labour Party politician and university academic. He was a former Minister of Education of the UK. He contributed to the establishment of Philips College in Cyprus in 1978.

IOANNIS GREGORIOU

He was born in the village of Phlasou in 1930. After completing his secondary education in Cyprus, he went to the United States where he studied Business Administration. After his return to Cyprus in 1952, he worked as a teacher in various secondary schools in Nicosia. He founded Cyprus College in 1961 in order to provide a well-rounded education of high calibre for students to obtain knowledge in the field of Business Administration.

J.G. (IOANNIS) PAPAKYRIACOU

He started his professional career in 1956 at Inland Revenue Department of Cyprus where he resigned in 1957. He then opened an audit firm and started to exercise the accounting profession until 2016. He was ICPAC founding member and also member of ICPAC Council and President of Committee for Accounting and Auditing Standards and Principles.

LEFTERIS CHRISTOFOROU

He was born in 1963 in Famagusta, Cyprus. He studied Economics and got a Master's Degree in Business Administration at the Aristotle University of Thessaloniki, Greece. He was a Representative of the Democratic Rally (DISY) in the Famagusta Constituency, Cyprus, from 1996-2014. He is currently the Vice-President of the Democratic Rally in Cyprus.

LELLOS DEMETRIADES

He was born in Nicosia, Cyprus, on 3rd February 1933. He was called to the English Bar by the Honorary Society of Gray's Inn, London as a Barrister-at-law in 1955 and was admitted to the Cyprus Bar in the same year. He was the lawyer of ICPAC. He also served as Mayor of Nicosia, the capital city of Cyprus, for the period 1971-2001.

MICHALAKIS ZAMPELAS

He is a Cypriot politician and businessman. He was born in 1942 in Cyprus and he graduated from Neocleous Lyceum. He continued his studies in UK where he became a Chartered Accountant in 1965. In 1970, he established Coopers & Lybrand (now PwC Cyprus), an accounting and consulting firm in Cyprus and Athens. He also served as Mayor of Nicosia, the capital city of Cyprus, for the period 2002-2006. He was the key person that brought the offshore business in Cyprus during 1975-1976. He was ICPAC President for the period 1976-1978.

MUSTAFE GUVEN

He qualified as a Certified Accountant in 1956 and worked in the Treasury Government of Cyprus.

NEVVAR HICKMET

He was born in Cyprus in 1912 and after receiving secondary education at the Turkish Lyceum in Nicosia, Cyprus, he studied accountancy in London. He was the first Cypriot to qualify as a Chartered Accountants, becoming a member of ICAEW in 1937. After qualification, he managed restaurants in Soho (London) and he established a national hotel chain in the UK.

NICOS KATSOURIDES

He is a Cypriot politician and holds PhD in Economics. He has been a Member of Parliament since 1991 for the constituency of Nicosia under the banner of AKEL (Progressive Party of Working People – Left Wing Political party).

PANAGIOTIS DEMETRIOU

He is a Cypriot politician and Member of the European Parliament for the European People's Party. He is a member of the Democratic Rally (DISY).

PAUL GRAHAM

He was member of ICAEW and he was partner of Price Waterhouse firm in Cyprus from 1956 until early 70s where he passed away after its retirement. He also gave lessons for the accounting profession in Cyprus.

PETER LARGE

He is Executive Director of Governance of the Association of Chartered Certified Accountants (ACCA) in London. In this role, he has responsibility for both ACCA's corporate governance arrangements and the governance of ACCA's members and students. He has spent the majority of his career at ACCA and his previous roles include responsibility for professional standards and members' affairs. He holds a BA (Hons) in Politics, an MBA and a postgraduate certificate in behavioural change.

PHIDIAS PILIDES

He is a Fellow of the ICAEW. He started his career with PricewaterhouseCoopers in London in 1974. He was subsequently transferred to the firm in Cyprus and became a partner in 1983. From April 2002 to December 2011, he was the Chief Executive Officer of PricewaterhouseCoopers in Cyprus and also served as President for the period 1999-2001. He has also served on the Board and as the Chairman of the University of Cyprus from December 2003 until May 2008, as the first Chairman of the Board of the Cyprus Investment Promotion Agency (Government sponsored) for 5 years until November 2011 and President of the Cyprus Russia Business Association for eight years, until December 2011. He has also served as a member of the Public Oversight Committee for the Auditing Profession, in accordance with EU Directives, for the period 29 April 2011 to 20 November 2012. Having been elected in November 2011, he is now the President of the Cyprus Chamber of Commerce & Industry.

PHILIPPOS CONSTANTINOU

He studied Business Administration, Accountancy and Finance in UK, Ireland and USA. He is qualified accountant/auditor, member of Institute of Certified Public Accountants of Ireland and member of Montana Society of Certified Public Accountants of USA. He also contributed to the establishment of Philips College in Cyprus in 1978.

RENOS STAVRAKIS

He was former Minister of Communications and Works for the period 1991-1992.

RUSTEM TATAR

He qualified as a Chartered Accountant (ICAEW) in 1955. He had studied Industrial Economics at Nottingham University, UK, graduating with a first class degree and he was trained in Accountancy at Moore & Morell, a Provincial Firm of Chartered Accountants in Nottingham, subsequently becoming Auditor General of the Republic of Cyprus.

SAVVAS SAVVIDES

He was ICPAC President during the period 1987-1989.

SHA ALI KHAN

He was Head of Monitoring and Supervision ACCA.

SOLON TRIANTAFYLIDIS

His professional career started with the management of his family business. He was the first President of ICPAC Council in 1961 and he was member of ICPAC Council for the period 1961-1968. He was appointed as member of Board Directors of Bank of Cyprus in 1963, after as Vice –President and from 1988 until 2005, as President. He was also President of Cyprus Employers and Industrialists Federation (OEB). In addition, he was Consul of Norway. He passed away in 2016.

SYMEON C. SYMEONIDES (Dr.)

He is an international law scholar and professor at the Willamette University College of Law in US.

TAKIS M. KLERIDES

He is a Greek Cypriot accountant, banker and politician. He earned his Business studies degree in UK and then he qualified as a member of ACCA in UK, having completed the examinations in 1974. He worked for few years in UK and Greece and he returned to Cyprus to join Metaxas, Loizides Syrimis & Co (later KPMG Cyprus) where he became a partner in 1981. He left KPMG in March 1999 and he served as a Finance Minister of Cyprus for the period 1999-2003.

TASSOS PAPADOPOULOS

He was a Cypriot politician for Democratic Party (DIKO) and barrister who served as President of Parliamentary Committee of Foreign European Affairs during 2001-2003 and as the 5th President of Republic of Cyprus for the period 2003-2008. He passed away in 2008.

VARVARA LILLIKA

She was born in Nicosia, Cyprus. She studied in Columbia University, New York. She is ACCA Representative in Cyprus.

WILFRID NORMAND

He was member of ICAS and partner in Russell and Co in Cyprus until 1960.

XANTHOS N. SARRIS

He exercised the accounting profession in Famagusta for the period 1946-1963 where he left due to the establishment of ‘Eureka Ltd’ in 1959. He passed away in 1980.

YIANNIS KOUTSAKOS

He was an outstanding thinker and teacher of the Cypriot Hellenism. He studied Greek literature, philosophy and sociology and his PhD thesis was about the Sophist of Greek Philosopher Plato. He was a former Chairman of the Council of the University of Cyprus. He also contributed to the establishment of Philips College in Cyprus in 1978.

Appendix 2: List of Interviewees

Participants	Number
Former ICPAC Presidents	9
ICPAC Founders	1
ICPAC Officers	2
ICPAC General Manager	1
Professional Accountants	6
ICPAC Lawyer	1
Total	20

Appendix 3: Confirmation Email for the access to ICPAC archives



Dear Miss Neokleous

Following our meeting in April at our offices, I am pleased to inform you that our Institute will assist you in your studies. We shall avail all relevant information and other material for your perusal that would help you in your work. You shall also receive access to our website as well as to our Regulations, bylaws, archives and registers, both in electronic and in printed form.

We will be happy to use ICPAC as your case study and shall look forward to obtaining a copy of the outcome of your thesis.

I would like to congratulate you for the excellent result of the evaluation of your proposition and feel free to contact me for any further information you should need.

With kind regards

A handwritten signature in blue ink, appearing to read 'Kyriakos Iordanou', is placed above the printed name.

Kyriakos Iordanou
General Manager

6 June 2014

Appendix 4: Participant Information Sheet



University of Essex

ESSEX
BUSINESS
SCHOOL

Participant Information Sheet for Research Project (PhD Thesis)
"The emergence of accountancy profession in Cyprus: The Case of Institute of Certified Public Accountants of Cyprus (ICPAC) and its aftermath"

Dear _____,

Thank you for your time to read this.

I, Christina Ionela Neokleous (a native of Cyprus), am writing to secure your help in my research project, titled "The emergence of accountancy profession in Cyprus: The Case of Institute of Certified Public Accountants of Cyprus (ICPAC) and its aftermath" supervised by Professor Prem Sikka.

As a prelude to a larger study I am conducting some exploratory work to I very much hope that you will be able to help me. If you agree to participate in this study, I would like to conduct an interview with you. No prior preparation is needed on your part and I would be very grateful to receive your considered replies.

I am currently carrying out research into the emergence and development of accounting profession in Cyprus after its independence. I am focusing on the role of British Empire played in the emergence and development of accounting profession, the legacies that left behind, the influences that British accountancy bodies continue to exert until today and the role of the local professional accountancy body, namely Institute of Certified Public Accountants of Cyprus (ICPAC).

All information collected will be kept securely and will only be accessible by myself and my supervisor. If you are mentioned individually in any publications or reports then a participant number or pseudonym will be used and identifying details will be removed. A list may be kept linking participant numbers or pseudonyms to names, but this will be kept securely and will only be accessible by myself and my supervisor. A copy of the information which we record about you, but not other participants, will be provided, free of charge, on request.

I appreciate that participation in this project is voluntary, but hope that you will be able to give me a few minutes of your valuable time. Without your input the project would be much the poorer. Of course, if you decide to participate in the project you are still free to withdraw at any point, even after the data has been collected. If publications or reports incorporating your views have already been disseminated, these cannot be withdrawn. Such documents will only contain anonymised or aggregated data and your identity will not be revealed, unless you wish otherwise.

We would be very grateful for your participation in this study. If you need to contact us in future, please contact me (cineok@essex.ac.uk) or Professor Prem Sikka (prems@essex.ac.uk).

You are welcome to ask questions at any point.


Yours sincerely,

Christina Ionela Neokleous
PhD Student in Accounting

Appendix 5: Participant Consent Form



University of Essex



Participant Consent form for Research Project (PhD Thesis)
"The emergence of accountancy profession in Cyprus: The Case of Institute of Certified Public Accountants of Cyprus (ICPAC) and its aftermath"

Dear _____,

This research is being carried out by Christina Ionela Neokleous under the supervision of Professor Prem Sikka.

As a prelude to a larger study I am conducting some exploratory work to I very much hope that you will be able to help me. If you agree to participate in this study, I would like to conduct an interview with you. No prior preparation is needed on your part and I would be very grateful to receive your considered replies.

I am investigating the emergence and development of accounting profession in Cyprus after its independence. I am focusing on the role of British Empire played in this particular profession, the legacies that left behind, the influences that British accountancy bodies continue to exert until today and the role of the local professional accountancy body, namely Institute of Certified Public Accountants of Cyprus (ICPAC).

All information collected will be kept securely and will only be accessible by myself and my supervisor. If you are mentioned individually in any publications or reports then a participant number or pseudonym will be used and identifying details will be removed. A list may be kept linking participant numbers or pseudonyms to names, but this will be kept securely and will only be accessible by myself and my supervisor. A copy of the information which we record about you, but not other participants, will be provided, free of charge, on request.

We would be very grateful for your participation in this study. If you need to contact us in future, please contact me (cineok@essex.ac.uk) or Professor Prem Sikka (prems@essex.ac.uk).

Yours sincerely,

Christina Ionela Neokleous
PhD Student in Accounting

Statement of Consent

- I, _____, agree to participate in the research project, "The emergence of accountancy profession in Cyprus: The Case of Institute of Certified Public Accountants of Cyprus (ICPAC) and its aftermath", being carried out by *Christina Ionela Neokleous*. Taking part in the research project, it will include being interviewed and recorded (audio). In the case of being refused or feeling uncomfortable to be recorded, written notes will be taken only.
- This agreement has been given voluntarily and without coercion.
- I have been given full information about the study in the form of a participant information sheet and contact details of the researcher(s).
- I understand that I can withdraw from the study at any time, without giving reasons and without penalty, even after the data have been collected. However, I also understand that, if publications or reports have already been disseminated based on this data, these cannot be withdrawn. (These will only contain anonymised or aggregated data.)
- I understand that all information collected about me will be kept securely and will only be accessible by the researcher and his/her supervisor. I understand that, if I am mentioned individually in any publications or reports then a participant number or pseudonym will be used and identifying details will be removed. I understand that a list may be kept linking participant numbers or pseudonyms to names, but this will be kept securely and will only be accessible by the researcher and his/her supervisor.
- I have had the opportunity to ask questions about the research and my participation in it.

Participant's signature

Date

Appendix 6: Email to confirm the Content of Interview Transcript

Dear Mr/Mrs _____,

RE: PhD Accounting – Interview Transcript

Please find attached the transcript of the interview dated _____ between us.

In order to confirm the originality of the interview discussion, I would like your confirmation.

You have the right to correct or to add or to delete in the transcript.

Thank you for your help and for your participation in my research.

Kind Regards

Christina Ionela Neokleous
PhD Student in Accounting
Essex Business School
University of Essex
Colchester, Essex
CO4 3SQ

Appendix 7: Interview Guide

(1) Background of the participant

- Before I start this interview, I would like to tell me few words about yourself, about the start of your career.
- When did you start your career in accounting profession?
- When did you get involved in the accounting profession?
- Could your throwback when you started your career in accounting profession?
- Which were you first steps as a professional accountant?

(2) Being a qualified accountant in Cyprus and the foreign accounting/auditing firms

- What was the procedure for someone who wanted to become a qualified accountant in Cyprus?
- Which were the first auditing/accounting firms in Cyprus?
- Why these firms chose Cyprus to active and establish branches/offices?
- What was their role?
- What were the advantages/positives and disadvantages/negatives of their action?
- What qualifications/criteria were taken into consideration?
- What were the reasons led someone to become profession accountant?
- What is the role of accountants in the society? How important was the role of accountants in the past and how important today? How important were and are the accountants for the society and economy of Cyprus?

(3) ICPAC: After Cyprus independence, a group of accountants decided to establish a local professional accountancy body.

- Who were the Seven Founding members that signed the Memorandum and Articles of Agreement?
- Who were the remaining 14?
- Are the founding members still alive? If yes, who?
- What are the reasons of the establishment of ICPAC? What were the objectives of ICPAC?
- The procedure of establishment began before or after the independence of Cyprus?
- There was any distinction between professional classes such as qualified with unqualified?
- During the establishment of ICPAC, there were any leaders/individuals with power (e.g. politicians, lawyers, important persons) that helped or supported the Founding members to accomplish their target?

- Why there were not Turkish/Turkish-Cypriots as members or founding members of ICPAC? There were any reactions from the side of Greek-Cypriots?

(4) Recognition of ICPAC

- When did the recognition/regulation of the accounting profession happen?
- Why it was important for ICPAC to take this recognition, to be recognized as the only competent profession body for the accounting profession?
- Why ICPAC did not obtain Royal Charter like ACCA and ICAEW?
- Who gave the licenses to exercise the profession before the recognition? What was the procedure before?
- During the period before and after the recognition of the profession, what other persons were involved (e.g. politicians, financial factors)? If there were, what was their role and their disagreements (if any)?
- There were conflicts/disagreements regarding the recognition? Did you know any events that took place during that period?
- Without legislation, there was atypically the difference and the distinction between professional qualifications?

(5) ICPAC-State

- What is the relationship between State and ICPAC?
- What is the role of ICPAC regarding the issues of the State?
- How important the recognition of ICPAC and local accounting profession is considered by the State?
- The State exerts influence or power towards ICPAC or in reverse? If yes, in which way?

(6) ICPAC-European Union

- What is the relationship of ICPAC with the respective EU professional bodies?
- What is the relationship of ICPAC with EU for the promotion of Cyprus as International Financial Center?
- The period that Cyprus was a base for offshore operations and there was development of offshore business, what was the role of ICPAC and of professional accountants?
- Cyprus has been characterized as tax haven for money laundering. What is your opinion?

(7) ICAEW-ICPAC

- During 1990s, ICAEW gave permission to Cyprus to train chartered accountants locally. Could you tell me more about this event?
- What were the advantages for Cyprus? What Cyprus and ICAEW would gain with this movement? What were the reasons for this movement?
- Why ICAEW chose Cyprus?

(8) ICPAC and its own professional examinations

- During 2002, ICPAC tried to create its own examinations but there were disagreements and for this reason, the attempt failed. What are the reasons for this failure?
- Why ICPAC did not create its own exams?
- Why ICPAC wanted to create its own exams?
- What was the benefit that would receive and would give to the public?

(9) ACCA-ICPAC

- Why ICPAC chose ACCA to create the Joint Examinations Scheme?
- Why ACCA chose Cyprus to accomplish this scheme?
- What are the positives and negatives from this collaboration?
- Why ICPAC did not choose any other professional body? There were offers from other professional bodies?
- What is your opinion for the Joint Examinations Scheme ACCA-ICPAC?
- What is your opinion for the British professional bodies and their examinations?
- What is the image that British bodies have from the accounting profession in Cyprus and for ICPAC?
- Could you describe the relationship of ICPAC with ACCA?
- How you characterize the collaboration ACCA-ICPAC?
- There were pressures/influences from ACCA to ICPAC or the opposite?
- How the ACCA-ICPAC scheme works? What is the procedure?
- What is the relationship of local colleges with British bodies and their exams? What is the procedure? Any foreign officer, outside ICPAC, plays the role of regulator?
- There is frequent and close communication/contact ACCA-ICPAC?
- The powers of ICPAC towards accounting/auditing firms are defined from British bodies (e.g. ACCA) or they follow the 8th EU Directive?

(10) Officer/Associate of ACCA in Cyprus

- Could you tell me how your collaboration with ACCA was started?
- What were your responsibilities for ACCA and what tasks they appoint you?

(11) Other Questions/Conclusion

- How would you characterize the development of the accounting profession in Cyprus?
- How do you characterize the self-regulation of the accounting profession in Cyprus?
- What do you think are the most important achievements of ICPAC and the accounting profession in Cyprus?
- In what ways could ICPAC become known and get an international recognition as the British accountancy bodies, ICAEW and ACCA?
- Could you tell me some events that took place during your presidency in ICPAC?

- Do you have something else to add or some events that you consider important about ICPAC and the accounting profession?
- How do you characterize the self-regulation of the accounting profession in Cyprus?
- What do you think are the most important achievements of ICPAC and the accounting profession in Cyprus?
- In what ways could ICPAC become known and get an international recognition as the British accountancy bodies, ICAEW and ACCA?
- Could you tell me some events that took place during your presidency in ICPAC?
- Do you have something else to add or some events that you consider important about ICPAC and the accounting profession?

Appendix 8: The Cyprus Gazette, 29th November 1956 (p.623)

No. 1355. Government of Cyprus.

OPEN SCHOLARSHIPS.

The Government of Cyprus proposes to offer this year scholarships in subjects which will help the development of the economic and cultural life of the Island. These scholarships will be tenable at Universities or equivalent institutions in the United Kingdom. The normal maximum value of each scholarship will be £300 p.a. In cases of need the maximum value of the scholarship may be increased but shall not exceed a total value of £500 p.a. The duration of any scholarship awarded will be for the normal length of the course concerned, usually 2 to 4 years. It should be understood that these scholarships are not conditional upon service with Government when the holder returns to Cyprus, and that holders of these scholarships, on completion of their courses, will be free to make their own arrangements regarding future employment. There is one condition, namely, that on completion of the course the holder will come back to Cyprus and work here for at least five years. By thus working for the good of the Island he will be expected to repay to some extent to the community the public funds that have been expended on his education.

Subjects: For this year applications will be considered for courses leading to university degrees or equivalent professional qualifications in the following branches of study: Accountancy, Agricultural Engineering, Arts, Geology, Industrial Chemistry, Mechanical Engineering, Mining Engineering, Municipal Engineering, Photo-engraving, Physiotherapy, Radio Servicing, Valuation and Estate Management, Veterinary Science, Water Engineering.

Qualifications: Applicants must be Cypriot British subjects, men or women, born on or after 31st August, 1936. They must possess the minimum entrance qualifications for admission to the university faculty concerned, or in the case of non-university courses, they must possess the necessary entrance qualifications required by the appropriate professional body. Candidates selected will be required to pass the usual medical examination. The scholarships will be confined to applicants in Cyprus.

General: No application will be considered at present for courses other than those named above. It should be noted, however, that scholarships offered in future years may be in other subjects. All scholarships are offered subject to vacancies being obtained in the appropriate institutions. Successful candidates who are in Government service may be required to resign their appointments. Further information may be obtained at the Education Office (Scholarship Section), Nicosia, or from District Education Offices.

Applications: Applications should be sent on Form S. 56A (obtainable from the Education Office, Nicosia, or from District Education Offices) to reach the Director of Education by 13th December, 1956.

Appendix 9: Certificate of Registration of Russell and Co

(Form Business Names 7.)

THE PARTNERSHIP LAW, 1928.


Certificate of Registration of a Business Name by two or more Individuals
carrying on Business in (1) General Partnership.

Number of Certificate of Business Name: 151.

(Business carried on in (1) General partnership.)

I HEREBY CERTIFY that (2) John Charles Sidley, of Cairo, William Gibson Carmichael, of Alexandria, Robert Rainie Brewis, of
at Cairo, Sherley Dale, of Cairo, Oscar Couldrey, of Alexandria,
and Alfred Nicholson Young, of Jerusalem,
having lodged a statement of particulars pursuant to Sections 50 and 52 of the
Partnership Law, 1928, the name (3) Russell and Company
is this day registered as their Business Name.

Given under my hand at Famagusta, Cyprus, this 10th day
of May, 1957.

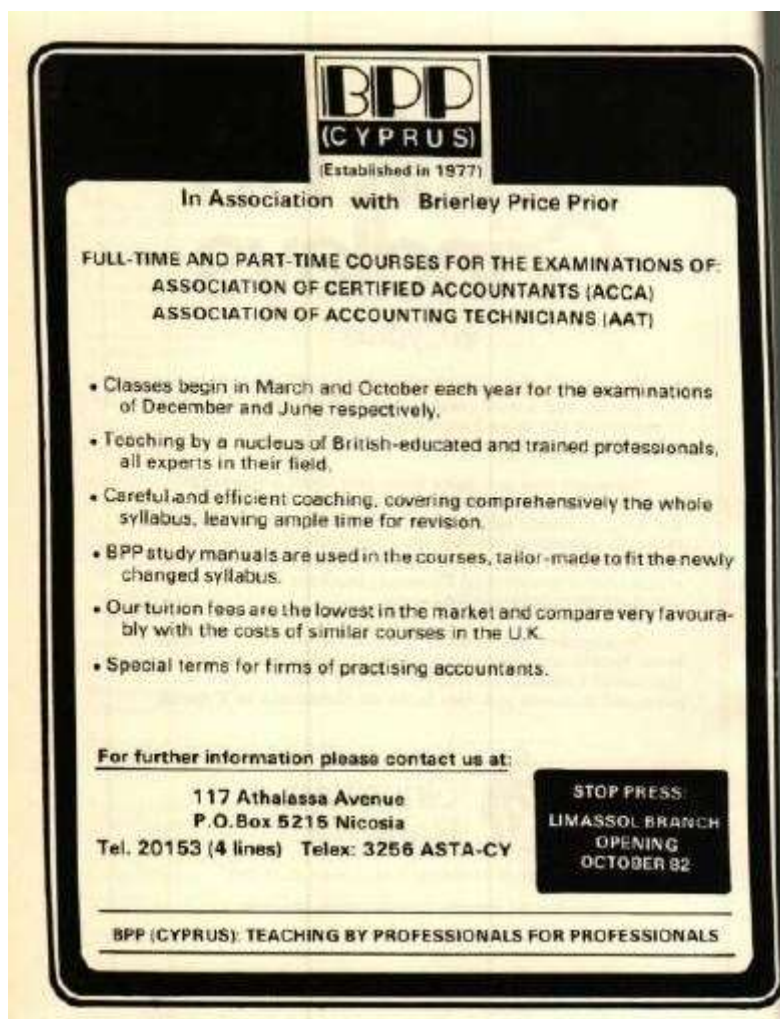


(Signature) J. H. Mackay
Registrar of Partnerships.

(1) Here insert "Limited", as the case may be.
(2) Here insert names of two or more individuals.
(3) Here insert business name.

Source: Personal Archive

Appendix 10: BPP (Cyprus) Advertisement



BPP
(CYPRUS)
(Established in 1977)

In Association with Brierley Price Prior

FULL-TIME AND PART-TIME COURSES FOR THE EXAMINATIONS OF:
ASSOCIATION OF CERTIFIED ACCOUNTANTS (ACCA)
ASSOCIATION OF ACCOUNTING TECHNICIANS (AAT)

- Classes begin in March and October each year for the examinations of December and June respectively.
- Teaching by a nucleus of British-educated and trained professionals, all experts in their field.
- Careful and efficient coaching, covering comprehensively the whole syllabus, leaving ample time for revision.
- BPP study manuals are used in the courses, tailor-made to fit the newly changed syllabus.
- Our tuition fees are the lowest in the market and compare very favourably with the costs of similar courses in the U.K.
- Special terms for firms of practising accountants.

For further information please contact us at:

117 Athalassa Avenue
P.O. Box 5215 Nicosia
Tel. 20153 (4 lines) Telex: 3256 ASTA-CY

STOP PRESS
LIMASSOL BRANCH
OPENING
OCTOBER 82

BPP (CYPRUS): TEACHING BY PROFESSIONALS FOR PROFESSIONALS

Source: 'Accountancy Cyprus', ICPAC Magazine, March 1982, Issue 1

Appendix 11: Local Private Colleges and Universities

College/University Name	Year of Establishment	Programmes offered	Foreign Collaborations
Intercollege	1980	BA (Hons) Accounting and Finance (Foundation Year Optional) BA (Hons) Business Administration (Management/Marketing/Management in Information Systems) (Foundation Year Optional) Diploma in Accounting or Banking and Finance or Business Administration	Middlesex University
University of Nicosia	2007	<u>Distance Learning</u> BSc Accounting BBA Business Administration MBA Business Administration <u>Programmes</u> BSc Accounting BBA Business Administration MBA Business Administration DBA and PhD in Business Administration Diploma in Accounting or Business Administration BB Business Administration Professional Studies: ACCA, ICAEW, Foundations in Accountancy (FIA), Chartered Financial Analyst (CFA)	
Cyprus College	1961	BSc Accounting BBA Business Economics or Finance and Investments or Business Administration or Marketing MBA Business Administration PhD Business Administration	
European University Cyprus	2007	BA (Hons) Business Management with Accounting & Finance BSc Business Administration & Finance Diploma Business Administration & Finance MSc Business Management Level 6 Diploma Accounting and Finance	University of West of England in Bristol Partnership
Alexander College	1991	BA Accounting and Finance Diploma Accounting and Finance BA Business Studies (optional foundation year) MBA Business Administration MSc Corporate Finance and Corporate Governance Diploma in Financial Markets and Security Analysis BSc Corporate Administration	
Philip's College	1978		

Source: Universities' websites

Appendix 12: Intercollege Advertisement (No.1)

INTERCOLLEGE ΒΡΕΤΤΑΝΙΚΗ & ΑΜΕΡΙΚΑΝΙΚΗ
 διεθνώς αναγνωρισμένη εκπαίδευση

ΑΜΕΡΙΚΑΝΙΚΗ

BSc-BA: ΠΤΥΧΙΑ ΠΑΝΕΠΙΣΤΗΜΙΟΥ ΝΕΑΣ ΥΟΡΚΗΣ

- **ΠΛΗΡΩΣ ΑΝΑΓΝΩΡΙΣΜΕΝΑ:** Τα πτυχία του Πανεπιστημίου της Πολιτείας της Νέας Υόρκης είναι πλήρως αναγνωρισμένα ("fully accredited") από το Middle States Association of Colleges and Schools, Commission on Higher Education, και από το Υπουργείο Παιδείας της Κύπρου.
- **ASSOCIATE DEGREE:** Το *Associate Degree* (2 χρόνια φοίτησης) είναι αυτόνομο Πανεπιστημιακό προσόν. Μπορεί επίσης να μετασχηματισθεί από φοιτητές που θέλουν να συνεχίσουν σε οποιαδήποτε άλλα κλάδο μελέτης για BA ή BSc.
- **BACHELOR DEGREES:** Το INTERCOLLEGE δίδει το **BSc in Business** (με δυνατότητα ειδίκευσης σε: Marketing, Accounting, Finance, Operations Management, Personnel Management) καθώς επίσης το **BSc in Computer Science, Economics, Sociology, Psychology, Political Science** και το **BA in Liberal Arts**.
- **ΟΛΟΚΛΗΡΟ** το πτυχίο μπορεί να συμπληρωθεί στο INTERCOLLEGE.
- **ΔΥΝΑΤΟΤΗΤΕΣ ΜΕΤΕΓΓΡΑΦΗΣ:** Αν σπουδάσει ο φοιτητής μπορεί να μετεγγραφεί σε Αμερικανικό Πανεπιστήμιο της εκλογής του στο 3ο, 3ο ή 4ο έτος, ή κεντρικά για μεταπτυχιακές σπουδές μετά τη συμπλήρωση ολοκληρώσει του πτυχίου BSc / BA.
- **ADVANCED PLACEMENT:** Κάτοχοι G.C.E. και σπουδών του A.T.I. της Παιδαγωγικής Ακαδημίας, κ.α., μπορούν να εγγραφούν από σπουδών καθώς "credit" (εως 800 ώρες φοίτησης).

ΒΡΕΤΤΑΝΙΚΗ

PROFESSIONAL QUALIFICATIONS: ΠΤΥΧΙΑ του Association of Certified Accountants (ACCA), Institute of Marketing (IM), CAM Foundation, κ.α.

- **Certified Accounting (ACCA):** δίδονται σε αποκλειστική συνεννόηση με το FINANCIAL TRADING το μεγαλύτερο εκπαιδευτικό και εκδοτικό Βρετανικό όργανο που προετοιμάζει φοιτητές για τις εξετάσεις του ACCA. Οι μεγαλύτερες λογιστικές και άλλες εταιρείες της Κύπρου έχουν αναλάβει την εκπαίδευση των φοιτητών τους στο INTERCOLLEGE. (Δείτε διεύθυνση του IMB ή σελίδα 1, 2, 3 της εφημερίδας "The Cyprus Mail" του A.C.C.A. για G.C.E. & C.I.T.)
- **Business Studies (ABE):** Ο κλάδος αυτός παίζει ως γενική βάση διαμόρφωσης Επιστημονικών οργάνων παίζει τη δυνατότητα εξειδίκευσης σε Marketing, Computer Studies, Export Management και Shipping Management.
- **Hotel Management (TCC, HCIMA)/Reception Studies (AHMA):** Μαζί με τη θεωρητική εκπαίδευση σε φοιτητές αναπτύσσονται σε πρακτικά προγράμματα εξειδίκευσης σε μέρη από τα καλύτερα ξενοδοχεία - όπως το Hilton, New Beach, Europa, κ.α. - προς απόκτηση πρακτικής πείρας.
- **Marketing - Advertising - Public Relations (CAM/IM):** δυνατότητα επιλογής μεταξύ αποκλειστικής εξειδίκευσης στο Marketing (IM) ή συνδυασμού ειδίκευσης σε Marketing - Διαφήμιση - Δημοτικές Σχέσεις (CAM).
- **Computer Studies (ABE/IDPM):** δυνατότητα επιλογής μεταξύ δύο κλάδων. Ο πρώτος του A.B.E. αρχίζει με γενικά θέματα διαμόρφωσης Επιστημονικών και εξειδικεύεται πρόωγα σε Computer Studies. Ο δεύτερος του IDPM είναι εξειδικευμένος από την αρχή.
- **Secretarial Studies (S. Computer Studies/Public Relations) (P/IM/CC/CAM):** Ο κλάδος αυτός παρέχει αυτοτελή φοίτηση στις Εμπορικές και Γραμματειακές Σπουδές μέσα σε ένα Ακαδημαϊκό πτυχίο μαζί με την πιθανότητα συνέχισης και εξειδίκευσης σε Computer Studies, Data & Word Processing ή Δημοτικές Σχέσεις/Marketing/Διαφήμιση, στο δεύτερο έτος.



INTERCOLLEGE
 OF MANAGEMENT AND COMMUNICATION STUDIES
 17, Heroes Ave., Tel. 56892, 56893 P.O. BOX 4005, NICOSIA, CYPRUS

Source: 'Accountancy Cyprus', ICPAC Magazine, March 1984, Issue 6

Appendix 13: Intercollege Advertisement (No.2)

**μια μεγάλη εκπαιδευτική
ευκαιρία**

ΣΥΝΔΥΑΣΜΟΣ ΣΕ ΕΝΑ ΧΡΟΝΟ
Για Απόφοιτους Γυμνασίου με Καλή Απόδοση

 **1. CHARTERED
ASSOCIATION OF
CERTIFIED ACCOUNTANTS**
(Level I)

&

 **2. THAMES
POLYTECHNIC,**
UK - endorsed DIPLOMA

*Μετά την επιτυχή συμπλήρωση του πρώτου έτους οι φοιτητές συνεχίζουν: Είτε
Στο LEVEL II του CHARTERED ASSOCIATION OF CERTIFIED ACCOUNTANTS
(στην Κύπρο ή Αγγλία) Είτε
Στο THAMES POLYTECHNIC στο ΔΕΥΤΕΡΟ ΕΤΟΣ ΣΠΟΥΔΩΝ*

 *Για περισσότερες πληροφορίες:*
INTERCOLLEGE
OF MANAGEMENT AND COMMUNICATION STUDIES
17, Heroes Ave., Tel. 454492 - 454813, P.O. Box 495, NICOSIA, CYPRUS

Source: 'Accountancy Cyprus', ICPAC Magazine, June 1985, Issue 8

Appendix 14: Composition and Structure of Agricultural Output by Main Subsector (at current market prices in thousands of Cyprus pounds)

Year	Gross output by main subsector				Value added in agriculture	Share of agriculture in GDP (%)
	Crop	Livestock	Forestry and fishery ^a	Total		
1960	12 985	6 715	2 776	22 512	14 575	17.8
1961	18 444	7 220	3 228	27 992	19 399	21.4
1962	20 439	7 997	2 436	30 872	21 855	21.3
1963	19 033	8 956	2 497	30 486	20 584	19.2
1964	15 792	8 981	1 929	26 702	17 971	18.0
1965	25 426	11 169	2 988	39 583	28 222	22.5
1966	23 071	12 062	3 404	38 537	26 760	19.8
1967	30 709	13 354	3 418	47 676	34 510	21.9
1968	28 135	16 072	3 811	48 018	32 633	19.3
1969	32 943	18 444	4 160	55 547	39 512	20.2
1970	30 240	19 603	4 429	57 272	35 962	17.2
1971	38 597	22 373	4 802	65 772	46 657	19.3
1972	40 067	25 687	5 475	71 229	49 201	17.9
1973	32 730	28 167	5 614	66 511	41 066	13.2
1974	44 633	25 316	4 919	74 859	50 548	17.7
1975	37 456	20 657	5 014	63 127	40 351	16.9
1976	51 511	26 294	7 611	85 416	53 007	16.1
1977	56 174	28 730	8 413	93 317	55 898	13.6
1978	54 205	30 013	8 625	92 843	55 173	11.3
1979	65 050	34 905	10 992	110 947	64 331	10.7
1980	73 277	39 572	13 474	126 323	72 432	10.0
1981	81 023	46 738	17 305	144 796	80 444	9.5
1982	93 383	54 732	18 602	166 717	94 337	9.6
1983	84 396	61 585	22 400	168 381	89 016	8.3
1984	116 202	63 970	22 740	202 912	119 613	9.4
1985	108 261	64 559	25 140	197 960	110 992	7.9
1986	105 732	70 214	27 912	203 858	117 263	7.8
1987	123 152	72 127	26 315	221 594	132 266	7.8
1988	132 571	77 940	29 389	239 900	143 164	7.7
1989 ^b	138 800	87 751	29 527	256 078	155 616	7.7

a. Includes game, firewood, own construction for agriculture, raisin, *zivania* (spirit), and *halloumi* (home-made cheese).

b. Provisional.

Source: Ministry of Agriculture and Natural Resources, 1986; Ministry of Finance, Department of Statistics and Research, 1983, 1986, 1989

Source: Adapted from Stavrou (1992, p. 185)

Appendix 15: Share of Agriculture Exports in Total Exports from Cyprus (FOB prices in thousands of Cyprus pounds)

Year	Total exports	Exports of agricultural origin ^a	Agricultural exports as % of total exports
1960	16 743	6 844	40.88
1961	15 786	7 144	45.26
1962	18 223	10 267	56.34
1963	19 432	11 781	60.63
1964	17 951	10 643	59.29
1965	23 149	13 656	58.99
1966	27 184	14 546	53.51
1967	27 100	17 419	64.28
1968	34 093	20 547	60.27
1969	36 752	23 375	63.60
1970	39 995	23 562	58.91
1971	42 065	29 268	69.58
1972	44 685	32 304	72.29
1973	51 351	36 513	71.10
1974	46 848	29 321	62.59
1975	49 033	23 858	48.66
1976	85 698	41 638	48.59
1977	111 203	51 130	45.98
1978	106 376	41 990	39.47
1979	135 140	50 158	37.12
1980	157 027	50 798	32.35
1981	200 580	61 619	30.72
1982	204 900	75 589	36.89
1983	189 020	63 137	33.40
1984	224 305	87 005	35.61
1985	210 710	67 263	31.92
1986	181 087	69 039	38.12
1987	225 953	74 216	32.85
1988	235 732	63 610	26.98
1989	246 854	75 681	30.66

a. Includes agricultural products (raw and industrial, of agricultural origin).

Source: Department of Statistics and Research, 1989

Source: Adapted from Stavrou (1992, p. 186)

Appendix 16: Exports of Main Agricultural Products from Cyprus between 1960 and 1989 (in '000 and C£'000)

Year	Orange		Lemon		Grapefruit		Mandarine		Grape (wine and table)		Potato		Carrot		Cereals	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
1960	42.6	1 282	6.0	225	10.6	274	0.6	41	101.6	1 614	72.2	1 620	11.7	230	45.7	699
1961	57.9	2 295	11.1	475	9.5	306	0.9	54	130.8	2 333	81.3	1 792	10.2	200	42.7	704
1962	45.2	2 281	10.1	405	10.1	297	0.7	45	127.0	2 250	116.8	3 864	20.3	560	55.9	849
1963	66.0	2 291	11.1	518	15.2	352	1.0	67	63.0	1 135	106.7	1 680	32.6	435	71.1	1 120
1964	57.9	1 800	10.1	324	18.7	342	0.7	45	95.3	1 703	132.1	2 080	17.3	217	37.6	503
1965	60.9	2 205	13.7	395	30.9	616	0.9	58	127.0	2 290	139.0	2 845	14.2	257	42.7	621
1966	67.5	2 443	15.7	621	27.4	637	1.0	67	142.2	2 568	132.1	3 539	19.3	411	61.0	998
1967	86.8	2 745	20.3	774	38.6	891	1.0	67	147.3	2 661	172.7	5 302	19.8	422	56.9	916
1968	101.6	3 210	28.4	1 275	44.1	1 051	1.4	60	168.7	3 975	175.9	4 429	15.7	334	62.0	951
1969	106.6	3 300	23.3	1 260	44.1	1 053	2.7	175	203.2	4 320	162.6	5 440	23.4	791	55.9	640
1970	98.5	2 880	28.4	1 392	45.7	1 180	3.3	292	182.8	4 212	208.3	6 252	17.8	384	48.8	768
1971	165.6	4 590	33.5	1 402	61.4	1 776	3.1	369	184.9	4 368	177.8	4 322	15.2	334	32.5	558
1972	146.8	4 818	36.5	1 950	57.4	2 012	3.9	358	167.6	3 960	174.8	4 954	16.8	564	38.6	760
1973	193.0	5 415	41.6	2 246	68.0	2 599	4.5	371	96.5	3 971	162.6	4 992	12.2	458	14.2	420
1974	157.4	4 309	18.2	842	57.9	1 829	3.0	312	147.3	5 901	152.4	4 560	14.7	382	6.1	166
1975	32.5	1 187	11.1	827	35.5	1 319	3.3	336	172.7	6 239	111.8	8 036	3.3	294	20.3	619
1976	36.0	1 597	9.6	693	33.5	1 267	3.0	398	167.6	6 890	182.9	18 072	10.0	431	32.5	1 008
1977	40.1	1 927	13.2	847	47.7	1 894	5.5	371	155.4	7 451	203.2	16 740	11.8	742	19.3	1 064
1978	36.8	2 246	11.7	876	40.0	1 644	2.7	576	182.9	9 702	147.3	10 353	6.4	302	18.3	799
1979	36.0	2 541	16.6	1 518	46.9	2 067	3.0	680	230.2	11 840	172.7	12 648	8.6	712	18.5	888
1980	32.5	2 255	15.7	1 554	47.9	2 072	3.2	701	208.3	13 694	191.0	13 291	7.4	530	12.7	610
1981	40.6	2 984	21.0	2 016	51.6	2 499	3.0	769	213.4	15 086	174.8	14 998	8.3	883	27.4	1 320
1982	43.2	3 264	24.9	2 332	56.0	2 909	3.7	867	198.0	15 466	171.7	20 821	9.6	541	12.8	1 038
1983	41.5	3 652	29.0	2 900	51.2	2 662	3.3	1 049	210.0	15 941	188.0	13 160	6.0	688	13.2	1 037
1984	51.0	3 876	26.5	2 544	64.6	3 876	4.5	1 274	198.5	16 187	185.0	27 010	6.2	512	10.4	956
1985	45.5	4 778	28.5	3 420	51.8	4 040	4.0	1 316	210.0	18 667	128.0	10 074	5.7	551	7.6	931
1986	40.0	3 360	32.0	2 912	55.0	3 740	4.5	1 575	151.0	12 657	172.0	16 512	6.3	517	25.0	3 275
1987	51.0	4 437	30.0	2 640	64.2	4 301	5.5	1 760	173.0	14 796	160.0	22 500	6.0	500	7.0	861
1988	40.0	4 520	29.0	2 552	56.0	3 976	7.0	2 170	198.0	16 376	164.0	17 105	4.4	506	15.5	1 767
1989	50.0	4 950	42.0	3 780	66.5	4 589	10.0	2 080	212.0	18 568	190.0	22 258	3.1	391	8.5	672

Sources: Ministry of Agriculture and Natural Resources; Department of Statistics and Research

Source: Adapted from Stavrou (1992, p.190)

Appendix 17: Cyprus Tax Treaty Partners

	State	Date of Signature/Treaty/Protocol/Note	Date of entry into force
1	Armenia	17/01/2011	19/09/2011
2	Austria	20/03/1990 21/05/2012	10/11/1990 01/04/2013
3	Azerbaijan	29/10/1982	26/08/1983
4	Belarus	29/05/1998	12/02/1999
5	Belgium	14/05/1996	08/12/1999
6	Bosnia	29/06/1985	08/09/1986
7	Bulgaria	30/10/2000	03/01/2001
8	Canada	02/05/1984	03/09/1985
9	China	25/10/1990	05/10/1991
10	Czech Republic	15/04/1980 28/04/2009	30/12/1980 26/11/2009
11	Denmark	26/05/1981 11/10/2010	10/04/1982 07/09/2011
12	Egypt	19/12/1993	14/03/1995
13	Estonia	15/10/2012	08/10/2013
14	Ethiopia	30/12/2015	
15	Finland	15/11/2012	27/04/2013
16	France	18/12/1981	01/04/1983
17	Georgia	13/05/2015	04/01/2016
18	Germany	09/05/1974 18/02/2011	11/10/1977 16/12/2011
19	Greece	30/03/1968	16/01/1969
20	Hungary	30/11/1981	24/11/1982
21	Iceland	13/11/2014	22/12/2014
22	India	13/06/1994 18/11/2016	21/12/1994 14/12/2016
23	Iran	04/08/2015	05/03/2017
24	Ireland	24/09/1968	12/07/1970
25	Italy	24/04/1974 04/06/2009	09/06/1983 23/11/2010
26	Jersey	11/07/2016	17/02/2017
27	Kingdom of Bahrain	09/03/2015	26/04/2016
28	Kuwait	15/12/1984 05/10/2010	25/09/1986 30/08/2013
29	Kyrgyzstan	29/10/1982	26/08/1983
30	Latvia	24/05/2016	27/10/2016
31	Lebanon	18/02/2003	14/04/2005
32	Lithuania	21/06/2013	17/04/2014
33	Malta	22/10/1993	11/08/1994
34	Mauritius	21/01/2000	12/06/2000
35	Moldova	28/01/2008	03/09/2008

36	Montenegro	29/06/1985	08/09/1986
37	Norway	02/05/1991	01/01/1995
		24/02/2014	08/07/2014
38	Poland	04/06/1992	07/07/1993
		22/03/2012	09/11/2012
39	Portugal	19/11/2012	01/01/2014
40	Qatar	11/11/2008	20/03/2009
41	Romania	16/11/1981	08/11/1982
42	Russia	05/12/1998	17/08/1999
		07/10/2010	02/04/2012
43	San Marino	27/04/2007	18/07/2007
44	Serbia	29/06/1985	08/09/1986
45	Seychelles	28/06/2006	27/10/2006
46	Singapore	24/11/2000	08/02/2001
47	Slovakia	15/04/1980	30/12/1980
48	Slovenia	29/06/1985	08/09/1986
		12/10/2010	14/09/2011
49	South Africa	01/04/2015	18/09/2015
		26/11/1997	08/12/1998
50	Spain	14/02/2013	28/05/2014
51	Sweden	25/10/1988	14/11/1989
52	Swiss Confederation	25/07/2014	15/10/2015
53	Syria	15/03/1992	22/02/1995
54	Thailand	27/10/1998	04/04/2000
55	The States of Guernsey	15 /07/ 2014 (in Cyprus), 29 /07/2014 (in Guernsey)	04/03/2015
56	Ukraine	29/10/1982	26/08/1983
		08/11/2012	19/08/2013
		11/12/2015	
57	United Arab Emirates	27/02/2011	01/01/2014
58	United Kingdom	20/06/1974	18/03/1975
		02/04/1980	15/12/1980
59	USA	19/03/1984	31/12/1985
60	Uzbekistan	29/10/1982	26/08/1983

Source: Adapted from Ministry of Finance (2017)

Appendix 18: Coopers & Lybrand Advertisement

Coopers & Lybrand

in association with
Ioannou Zampelas & Co
Cyprus

Chartered accountants

John Moore
2 Theodoros Service Street
PO Box 1410
Nicosia Cyprus

Telephone 02-464660
Telex 2048 Zamp-CT
Fax number 02-464666
Telegrams 02-464666

MEMBER FIRM OF
Coopers & Lybrand (International)

**A BUSINESS APPROACH
IN MEETING YOUR BUSINESS NEEDS**

We at Coopers & Lybrand/Ioannou, Zampelas & Co, Accountants and Business Consultants, have committed ourselves to furthering the development of our clients' business activities.

To achieve this, we have developed specialist departments to assist our clients in their business needs.

Our 200 partners and staff all over Cyprus, besides providing the traditional accountancy and auditing services, can advise you on:

* offshore business and insurance	* business finance
* international tax planning	* computer software
* foreign and local investment	* shipping operations
* industrial free zone operations	* captive insurance
* offshore banking	* trust business

Our approach starts with identifying a client's business needs.

If you would like to know more about Cyprus or our firm please feel free to telephone, fax, telex or write to me personally or to any one of my partners listed below.

Our relevant publications can be sent to you upon request.

Yours sincerely

Michael Zampelas

Michael H Zampelas
Managing Partner

Senior partners

Mr. Christos Zampelas
Managing Partner
Mr. Michael Zampelas
Managing Partner

Other senior partners

Mr. Michael Zampelas
Managing Partner
Mr. Michael Zampelas
Managing Partner

Partners

Mr. Michael Zampelas
Managing Partner
Mr. Michael Zampelas
Managing Partner

Partners

Mr. Michael Zampelas
Managing Partner
Mr. Michael Zampelas
Managing Partner

Partners

Mr. Michael Zampelas
Managing Partner
Mr. Michael Zampelas
Managing Partner

Partners

Mr. Michael Zampelas
Managing Partner
Mr. Michael Zampelas
Managing Partner

Source: ICPAC Magazine - Accountancy Cyprus, December 1988 - March 1989,

Appendix 19: Income Tax (Amendment) Law 15 of 1977 (set up offshore regime)

Ε.Ε., Παρ. Ι,
Αρ. 1342, 24.3.77

N. 15/77

Ο περί Φορολογίας του Εισοδήματος (Τροποποιητικός) Νόμος του 1977 εκδίδεται διά δημοσιεύσεως εις την επίσημον εφημερίδα της Κυπριακής Δημοκρατίας συμφώνως τω άρθρω 52 του Συντάγματος.

Αριθμός 15 του 1977

ΝΟΜΟΣ ΤΡΟΠΟΠΟΙΩΝ ΤΟΥΣ ΠΕΡΙ ΦΟΡΟΛΟΓΙΑΣ ΤΟΥ ΕΙΣΟΔΗΜΑΤΟΣ ΝΟΜΟΥΣ ΤΟΥ 1961 ΕΩΣ 1976

- | | |
|--|--|
| <p>Συνοπτικός τίτλος.</p> <p>58 του 1961
4 του 1963
21 του 1966
60 του 1969
47 του 1973
37 του 1975
12 του 1976.</p> | <p>1. Ο παρών Νόμος θα αναφέρεται ως ο περί Φορολογίας του Εισοδήματος (Τροποποιητικός) Νόμος του 1977 και θα αναγιγνώσκηται ομού μετά των περί Φορολογίας του Εισοδήματος Νόμων του 1961 έως 1976 (εν τοις εφεξής αναφερομένων ως «ο βασικός νόμος»), ο δε βασικός νόμος και ο παρών Νόμος θα αναφέρονται ομού ως οι περί Φορολογίας Εισοδήματος Νόμοι του 1961 έως 1977.</p> |
| <p>Τροποποιήσις του άρθρου 5 του βασικού νόμου.</p> | <p>2. Το άρθρον 5 του βασικού νόμου τροποποιείται διά της εν τέλει της παραγράφου (α) του εδαφίου (2) αυτού αντικαταστάσεως της άνω τελείας διά δύο τελειών, και της προσθήκης της ακόλουθου επιφυλάξεως :</p> <p>«Νοείται ότι εις την περίπτωσην εταιρείας συσταθείσης εν τη Δημοκρατία της οποίας αι μετοχαί ανήκουν αμέσως ή εμμέσως κατ' αποκλειστικότητα εις αλλοδαπούς το όλον εισόδημα λογίζεται ως κτώμενον ή προκύπτον εν τη Δημοκρατία ανεξαρτήτως του τόπου εις τον οποίον ασκείται ο έλεγχος και η διεύθυνσις της επιχειρήσεως αυτής.»</p> |
| <p>Τροποποιήσις του άρθρου 8 του βασικού νόμου.</p> | <p>3. Το άρθρον 8 του βασικού νόμου τροποποιείται ως ακολούθως:</p> <p>(α) Διά της εκ της παραγράφου (κα) διαγραφής των λέξεων «προσώπου διαμένοντος εν τη Δημοκρατία ή έχοντος την έδραν αυτού εν τη Δημοκρατία ή παντός τοιούτου προσώπου έχοντος» (3η, 4η, 5η και 6η γραμμαί) και της αντικαταστάσεως αυτών διά των λέξεων «Κυπρίου διαμένοντος εν τη Δημοκρατία ή εταιρείας ελεγχομένης υπό Κυπρίων και εχόντων»</p> <p>(β) διά της απαλείψεως της παραγράφου (κγ) και της αντικαταστάσεως αυτής διά της ακόλουθου νέας παραγράφου:</p> <p>Κεφ.113. «(κγ) τα κέρδη συνεταιρισμού συγκεκριμένου κατ' αποκλειστικότητα εξ αλλοδαπών ή εταιρείας εγγραφείσης, δυνάμει του άρθρου 347 του περί Εταιρειών Νόμου, μη εχούσης τον έλεγχον και διεύθυνσιν της επιχειρήσεως αυτής εν τη Δημοκρατία, και της οποίας αι μετοχαί ανήκουν αμέσως ή εμμέσως κατ' αποκλειστικότητα εις αλλοδαπούς, εξ οιασδήποτε επιχειρήσεως της ασκήσεως ελευθερίου τινός επαγγέλματος το αντικείμενον των οποίων κείται εκτός της Κύπρου:»</p> <p>(γ) διά της εκ της εν αυτό επιφυλάξεως διαγραφής των λέξεων «της περιπτώσεως της παραγράφου (κα).» (6η γραμμή) και της αντικαταστάσεως αυτών διά των λέξεων «μερισμάτων εκ κερδών αναφερομένων εις τας παραγράφους (κα) και (κγ):» και</p> <p>(δ) διά της προσθήκης της ακόλουθου νέας επιφυλάξεως :</p> |

«Νοείται περαιτέρω ότι διά τους σκοπούς της παραγράφου (κα) ο όρος «Κύπριος» έχει την έννοιαν η οποία αποδίδεται εις αυτόν υπό του εδαφίου (3) του άρθρου 5 και περιλαμβάνει πρόσωπον όπερ κατέχει άδειαν μονίμου διαμονής εν τη Δημοκρατία.».

Προσθήκη νέων άρθρων. 4. Διά της ενθέσεως ευθύς μετά το άρθρον 28 των ακολούθων νέων άρθρων :

«Αλλοδαπαί 28Α.—(1) Εις την περίπτωσην εταιρείας, συσταθείσης εν τη
Εταιρείαι Δημοκρατία ως και εις την περίπτωσην εταιρείας εγγραφείσης
έχουσαι δυνάμει του άρθρου 347 του περί Εταιρειών Νόμου και
εισόδημα εκ εχούσης τον έλεγχον και διεύθυνσιν της επιχειρήσεως αυτής εν
πηγών εκτός της τη Δημοκρατία και των οποίων αι μετοχαί ανήκουν αμέσως ή
Δημοκρατίας εμμέσως κατ' αποκλειστικότητα εις αλλοδαπούς, και αι οποίαι
Κεφ. 113. κτώνται εισόδημα εκ πηγών εκτός της Δημοκρατίας,

(α) εκ της διεξαγωγής οιασδήποτε επιχειρήσεως το αντικείμενον της οποίας κείται εκτός της Δημοκρατίας· ή

(β) εκ της επενδύσεως κεφαλαίων εις χρεώγραφα, μετοχάς, ομόλογα ή εις πάσης φύσεως δάνεια· ή

(γ) εξ οιασδήποτε δικαιωμάτων επί της πνευματικής ιδιοκτησίας· ή

(δ) εξ ακινήτου ιδιοκτησίας,

επιβάλλεται φόρος επί του φορολογητέου εισοδήματος, εκπιπώμενου οιασδήποτε φόρου καταβαλλομένου εκτός της Δημοκρατίας, συμφώνως προς φορολογικούς συντελεστές ίσους προς το έν δέκατον των συντελεστών των εκτιθεμένων εν τη παραγράφω 2 του Δευτέρου Παραρτήματος, αι δε διατάξεις των άρθρων 42 και 43 δεν εφαρμόζονται.

	(2) Διά τους σκοπούς της παραγράφου (β) του εδαφίου (1) το εισόδημα εξ επενδύσεως κεφαλαίων θεωρείται ως προερχόμενον εκ πηγών εκτός της Δημοκρατίας εάν ανεξαρτήτως του τόπου επενδύσεως και των μερών της σχετικής συμβάσεως, τα τοιαύτα κεφάλαια χρησιμοποιούνται διά δραστηριότητας εκτός της Δημοκρατίας.
53 του 1963 61 του 1969	(3) Εις την περίπτωσην μερίσματος προελθόντος αμέσως ή εμμέσως εκ του εισοδήματος του αναφερομένου εις το εδάφιον (1) ουδείς φόρος επιβάλλεται πέραν του υπό της εταιρείας δυνάμει του άρθρου 35 παρακρατηθέντος ποσού, και ουδέν ποσόν φόρου επιστρέφεται δυνάμει του άρθρου 30 του περί Καθορισμού του Ποσού και Ανακτήσεως φόρων Νόμου.
	(4) Αι διατάξεις του παρόντος άρθρου ισχύουν διά περίοδον δέκα ετών από της ενάρξεως ισχύος του παρόντος Νόμου :
	Νοείται ότι το Υπουργικόν Συμβούλιον δύναται, μετά την πάροδον των δέκα ετών, δι' αποφάσεως αυτού δημοσιευομένης εις την επίσημον εφημερίδα της Δημοκρατίας, να παρατείνη τας τοιαύτας διατάξεις δι' οιαδήποτε περαιτέρω περίοδον.
Φορολογία αλλοδαπών υπαλλήλων.	28B.—(1) Αι αποδοχαί αλλοδαπού τινος φυσικού προσώπου εκ της παροχής εν τη Δημοκρατία μισθωτών υπηρεσιών προς συνεταιρισμόν ή εταιρείαν της οποίας τα κέρδη απαλλάττονται του φόρου δυνάμει της παραγράφου (κγ) του άρθρου 8 ή προς εταιρείαν της οποίας τα κέρδη υπόκεινται εις φορολογίαν κατά ηλαττωμένον συντελεστήν δυνάμει του άρθρου 28Α υπόκεινται εις φορολογίαν συμφώνως προς φορολογικούς συντελεστές ίσους προς το έν δεύτερον των συντελεστών των εκτιθεμένων εν τη παραγράφω 1 του Δευτέρου Παραρτήματος.
	(2) Αι αποδοχαί αλλοδαπού τινος φυσικού προσώπου εκ της παροχής εκτός της Δημοκρατίας μισθωτών υπηρεσιών καθώς και η σύνταξις οιαδήποτε προσώπου δι' ούτω παρασχεθείσας υπηρεσίας, αι λαμβανόμεναι εντός της Δημοκρατίας, υπόκεινται εις φορολογίαν συμφώνως προς φορολογικούς συντελεστές ίσους προς το έν δέκατον των συντελεστών των εκτιθεμένων εν τη παραγράφω 1 του Δευτέρου Παραρτήματος.»
Τροποποιήσις του Δευτέρου Παραρτήματος.	5. Η παράγραφος 5 του Δευτέρου Παραρτήματος καταργείται.
Εναρξίς ισχύος του παρόντος Νόμου.	6. Ο παρών Νόμος τίθεται εν ισχύϊ από του αρχαιμένου την 1ην Ιανουαρίου, 1977, φορολογικού έτους.

Appendix 20: Announcement, KPMG Peat Marwick – Metaxas Loizides Syrimis

KPMG Peat Marwick Metaxas Loizides Syrimis

ANNOUNCEMENT

Metaxas Loizides Syrimis and KPMG Peat Marwick, Certified Public Accountants (Cyprus), are pleased to announce that they have merged.

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Source: ICPAC Magazine – Accountancy Cyprus, June 1988, Issue 15

Appendix 21: Ernst & Young, Russell Lakoufis & Co – Advertisement



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Source: ICPAC Magazine – Accountancy Cyprus, September 1990, Issue 20

Appendix 22: Pricewaterhouse Announcement

Winston & Strickland
Chartered Accountants
and Auditors

Chartered Accountants

Pricewaterhouse Coopers
30 Agias Paraskevis Street
PO Box 1087
1102 Nicosia, Cyprus

Telephone (02) 270660
Telex (02) 270555

Price Waterhouse

Dear Client/Associate

We are announcing today the name we will use after our new organisation's start date of 1st July and I thought you might appreciate a short explanatory note.

We have chosen the name PricewaterhouseCoopers which will be presented visually through a custom-designed logotype and monogram as follows:

PRICewaterhouseCOOPERS

We expect that our own people and our clients will want an abbreviation for informal use - thus the monogram PwC.

We chose the name after extensive internal and external research by independent advisers. Their advice was that there was substantial value in "Price Waterhouse" and "Coopers", which are the most consistently recognised names around the world. We believe that PricewaterhouseCoopers captures the best of the old organisations and our aspirations for the new firm.

Naturally, we are delighted that we have achieved this significant milestone in the history of the firm and I look forward with great confidence and enthusiasm to continuing to work with you and contributing to your success in the future.

On behalf of Price Waterhouse Cyprus
Theodore Philippou
Managing Partner
June 1998

Αγαπητοί Πελάτες/Συνεργάτες

Αντικοιτώνουμε σήμερα το όνομα που θα χρησιμοποιούμε από την πρώτη μέρα επανένωσης των νέου μας οργανισμού, δηλαδή από την 1η Ιουλίου 1998 και εκστήσαμε ότι μια σύντομη εξηγητική επιστολή από μέρους μας θα ήταν χρήσιμη.

Εχουμε διαλέξει το όνομα PricewaterhouseCoopers το οποίο θα παρουσιάζεται οπτικά με το ειδικό, ειδικά σχεδιασμένο για μας λογότυπο και μονόγραμμα:

PRICewaterhouseCOOPERS

Πιστεύουμε ότι το προσωπικό μας και οι πελάτες μας θα ήθελαν μια σύντομη έκδοση του ονόματος για ανεπίσημη χρήση, γι' αυτό και διαλέξαμε το μονόγραμμα PwC.

Διαλέξαμε το όνομα μετά από εκτενόμενη εσωτερική και εξωτερική έρευνα που έγινε από ανεξάρτητους συμβούλους και μας υπέδειξαν ότι υπάρχει μεγάλη αξία στα ονόματα "Price Waterhouse" και "Coopers", τα οποία έχουν τη μεγαλύτερη αναγνωρισιμότητα στον κόσμο. Πιστεύουμε ότι το όνομα PricewaterhouseCoopers αποδίδει τα καλύτερα στοιχεία των δύο παλαιών οργανισμών, καθώς και τους όραματισμούς μας για το νέο οργανισμό.

Θυμάμαι, μάλιστα πολύ ικανοποιημένοι πως έχουμε πετύχει αυτό το σημαντικό γεγονός στην ιστορία του οίκου μας και προσβλέπω με μεγάλη σιγουριά και αυτοπεποίθηση στη συνέχιση της συνεργασίας μας αλλά και της συνεισφοράς μας στη μελλοντική μας εξέλιξη.

Εκ μέρους των Price Waterhouse στην Κύπρο
Θεόδωρος Φίλιππου
Διαυθύνων Συνεργάτης
Ιούνιος 1998

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Appendix 23: Distribution of Local (LO) and Expatriate Staff (EX) by Main Business Activity

Business Activity ¹	1992		1993		1994		1995		1996		1997		1998		1999		2000		2001		2002		31.5.2003	
	EX	LO	EX	LO	EX	LO	EX	LO	EX	LO	EX	LO	EX	LO	EX	LO	EX	LO	EX	LO	EX	LO	EX	LO
Trade, Marketing & Distribution	998	434	1,207	490	1,756	500	2,094	521	1,427	526	1,270	520	1,233	610	1,306	675	1,657	802	1,701	833	1,804	867	2,461	977
Shipmanagement & Maritime Operations	271	486	345	606	443	704	681	824	535	813	517	888	457	875	501	999	533	1,064	553	1,084	547	1,072	547	1,082
Business & Professional Consultancy	408	216	422	196	583	309	704	317	485	370	288	183	172	76	151	83	150	92	142	79	142	80	161	97
Newsagencies & Other Media	362	82	371	81	342	74	302	56	170	45	151	51	127	37	130	33	128	33	121	30	117	35	117	35
Commercial & Merchant Banking	134	182	148	201	152	214	153	227	163	227	168	270	167	269	166	284	138	277	136	264	147	286	147	286
Engineering & Construction Services	244	113	327	144	196	110	217	104	124	100	81	74	73	31	59	24	54	25	45	20	56	17	50	16
Life, General & Captive Insurance	64	60	77	62	49	63	72	55	46	41	51	65	54	84	56	90	38	70	35	65	25	63	25	63
Third-Party Financial/Trustee Services	50	22	45	15	40	16	47	16	50	18	85	71	78	60	71	54	88	74	85	145	85	145	184	97
Investment, Holding or Royalty Co.	-	-	-	-	-	-	-	-	-	-	12	8	15	7	23	9	21	10	27	19	51	33	58	40
Other	-	-	-	-	-	-	-	-	-	-	95	77	410	296	199	314	304	306	330	333	398	285	290	312
TOTAL NUMBERS	2,531	1,595	2,942	1,795	3,561	1,990	4,270	2,120	3,000	2,140	2,718	2,207	2,786	2,345	2,662	2,565	3,111	2,753	3,175	2,872	3,372	2,883	4,040	3,005

Source: Central Bank of Cyprus

Appendix 24: Distribution of Revenue from Fully Fledged IBCs by Main Business Activity

	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Trade, Marketing & Distribution	43.019	38,7	55.006	38,4	65.163	44,1	70.353	43,7	76.580	39,3	86.019	39,8						
Business & Professional Consultancy	4.019	3,6	5.799	4,1	6.244	4,2	6.990	4,3	7.615	3,9	57.564	26,7						
Shipmanagement & Maritime Operations	34.190	30,7	41.297	28,9	34.269	23,2	41.583	25,8	51.653	26,5	19.478	9,0						
Third-Party Financial Services	1.571	1,4	3.762	2,6	3.393	2,3	3.978	2,5	7.564	3,9	26.299	12,2						
Commercial & Merchant Banking	15.793	14,2	18.762	13,1	20.000	13,5	17.909	11,1	19.478	10,0	8.520	3,9						
Newsagencies & Other Media	1.795	1,6	1.724	1,2	2.424	1,6	1.973	1,2	2.104	1,1	7.564	3,5						
Life, General & Captive Insurance	2.252	2,0	3.139	2,2	1.323	0,9	1.265	0,8	1.276	0,7	1.870	0,9						
Investment, Holding or Royalty Co.	68	0,1	663	0,5	1.081	0,7	1.441	0,9	4.114	2,1	2.267	1,0						
Engineering & Construction Services	1.141	1,0	1.666	1,2	2.239	1,5	2.312	1,4	1.732	0,9	4.991	2,3						
Other	7.409	6,7	11.242	7,9	11.728	7,9	13.134	8,2	22.811	11,7	1.398	0,6						
Grand Total	111.257	100	143.060	100	147.864	100	160.938	100	194.927	100	215.970	100						

Source: Central Bank of Cyprus

Appendix 25: Average Payments to Cypriot Residents by the Average Fully Fledged International Business Company

Payments Category	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Wages & Salaries ¹	12,464	13,222	14,746	13,438	13,701	15,342	18,255	17,150	22,329	20,666	24,072	34,145	39,396	46,815	37,901
Telecom. & Postages	8,812	9,639	10,114	9,868	8,972	10,242	9,793	10,305	11,122	10,284	12,474	15,317	14,986	17,281	14,072
Fixed Assets	5,680	5,458	7,941	9,093	7,051	8,397	9,462	8,855	9,094	8,203	10,494	10,195	10,385	10,199	12,359
Overseas Travel	4,471	5,023	5,754	6,016	7,405	9,591	10,607	9,140	11,417	10,362	16,518	22,374	22,254	20,810	20,628
Rents	3,546	3,541	3,720	3,596	3,594	4,432	5,209	5,473	9,382	5,890	7,534	7,639	8,365	8,734	8,013
Income & Other Taxes ²	2,496	3,068	2,014	2,919	3,104	6,586	4,548	4,521	6,592	6,159	7,765	12,601	18,569	20,252	18,098
Freight & Courier	1,835	2,958	2,517	2,807	2,748	2,863	3,770	3,435	5,288	4,704	6,333	4,911	4,807	5,238	5,373
Printing & Stationery	2,143	2,162	2,182	1,845	1,557	1,720	1,707	1,807	1,987	1,803	2,179	2,951	2,712	3,002	2,494
Legal & Audit	1,437	1,526	1,737	1,764	1,982	2,980	2,520	2,456	2,818	2,593	3,367	4,820	4,675	5,039	5,153
Banking & Insurance	1,202	1,459	1,349	1,564	2,004	2,196	2,529	2,510	2,838	2,632	3,890	3,312	2,993	3,367	3,557
Inland Travel	1,061	1,166	1,233	1,194	1,301	1,678	2,073	2,100	2,282	2,111	3,488	3,119	2,730	3,041	3,319
Entertainment	1,059	1,165	1,309	1,191	1,908	2,154	2,439	2,483	2,723	2,496	3,651	3,720	3,548	3,818	3,401
Cleaning & Maintenance	878	879	927	924	972	1,177	1,537	1,584	1,861	1,745	3,929	2,949	3,259	3,646	3,576
Electricity & Water	539	585	603	636	661	776	831	819	946	877	1,235	1,513	1,791	2,078	1,944
Donations & Subscriptions	297	343	421	433	406	576	608	517	736	675	3,504	1,151	1,093	1,147	1,155
Other Expenses	8,779	10,785	12,730	11,967	12,149	12,762	13,475	14,863	16,716	15,200	19,209	23,750	18,980	31,293	42,320
Total Average Payments	56,699	62,977	69,298	69,254	69,515	83,474	89,363	88,018	108,131	96,400	129,642	154,467	160,543	185,760	183,363
No. of Fully Fledged OEs															
which submitted CAR	575	662	708	763	823	863	941	989	841	953	827	765	741	666	826

Source: Central Bank of Cyprus

Appendix 26: Distribution of Total Payments to Cypriot Residents by Fully Fledged IBCs

Payments Category	1991		1992		1993		1994		1995		1996		1997		1998		1999 ³		2000 ⁴		2001 ⁵		2002 ⁶	
	£' 000	%	£' 000	%	£' 000	%	£' 000	%	£' 000	%	£' 000	%	£' 000	%	£' 000	%	£' 000	%	£' 000	%	£' 000	%	£' 000	%
Wages & Salaries ¹	10,253	19,40	11,276	19,71	13,240	18,38	17,178	20,43	16,961	19,27	18,779	21,24	19,695	21,44	18,870	18,57	19,751	22,10	22,196	24,54	23,997	25,20	24,021	20,67
Telecom. & Postages	7,529	14,25	7,384	12,91	8,839	12,27	9,215	10,96	10,192	11,58	9,354	10,58	9,801	10,67	9,778	9,62	8,860	9,92	8,443	9,33	8,858	9,30	8,912	7,67
Fixed Assets	6,938	13,13	5,803	10,14	7,247	10,06	8,904	10,59	8,758	9,95	7,648	8,65	7,817	8,51	8,226	8,09	5,897	6,60	5,851	6,47	5,228	5,49	7,833	6,74
Overseas Travel	4,590	8,69	6,094	10,65	8,277	11,49	9,981	11,87	9,039	10,27	9,602	10,86	9,875	10,75	12,948	12,74	12,942	14,48	12,538	13,86	10,667	11,20	13,080	11,25
Rents	2,744	5,19	2,958	5,17	3,825	5,31	4,902	5,83	5,413	6,15	5,367	6,07	5,613	6,11	5,906	5,81	4,419	4,95	4,713	5,21	4,477	4,70	5,085	4,37
Income & Other Taxes ²	2,227	4,21	2,555	4,47	5,684	7,89	4,280	5,09	4,471	5,08	5,544	6,27	5,870	6,39	6,087	5,99	7,289	8,16	10,462	11,57	10,381	10,90	11,477	9,87
Freight & Courier	2,142	4,05	2,262	3,95	2,471	3,43	3,548	4,22	3,397	3,86	4,447	5,03	4,483	4,88	4,964	4,88	2,841	3,18	2,708	2,99	2,685	2,82	3,408	2,93
Printing & Stationery	1,408	2,66	1,281	2,24	1,484	2,06	1,606	1,91	1,787	2,03	1,671	1,89	1,718	1,87	1,708	1,68	1,707	1,91	1,528	1,69	1,539	1,62	1,581	1,36
Legal & Audit	1,346	2,55	1,631	2,85	2,572	3,57	2,371	2,82	2,429	2,76	2,370	2,68	2,471	2,69	2,639	2,60	2,788	3,12	2,634	2,91	2,583	2,71	3,270	2,81
Banking & Insurance	1,193	2,26	1,649	2,88	1,895	2,63	2,380	2,83	2,482	2,82	2,387	2,70	2,508	2,73	3,049	3,00	1,916	2,14	1,686	1,86	1,726	1,81	2,253	1,94
Inland Travel	911	1,72	1,071	1,87	1,448	2,01	1,951	2,32	2,077	2,36	1,919	2,17	2,012	2,19	2,734	2,69	1,804	2,02	1,538	1,70	1,559	1,64	2,105	1,81
Entertainment	909	1,72	1,570	2,74	1,859	2,58	2,295	2,73	2,456	2,79	2,290	2,59	2,379	2,59	2,862	2,82	2,152	2,41	1,999	2,21	1,957	2,06	2,160	1,86
Cleaning & Maintenance	705	1,33	800	1,40	1,016	1,41	1,446	1,72	1,567	1,78	1,565	1,77	1,663	1,81	3,080	3,03	1,706	1,91	1,836	2,03	1,869	1,96	2,261	1,95
Electricity & Water	485	0,92	544	0,95	670	0,93	782	0,93	810	0,92	796	0,90	836	0,91	968	0,95	875	0,98	1,009	1,12	1,065	1,12	1,234	1,06
Donations & Subscriptions	330	0,62	334	0,58	497	0,69	572	0,68	511	0,58	619	0,70	643	0,70	2,747	2,70	666	0,75	616	0,68	588	0,62	728	0,63
Other Expenses	9,131	17,28	9,999	17,48	11,014	15,29	12,680	15,08	15,667	17,80	14,058	15,90	14,486	15,77	15,058	14,82	13,738	15,38	10,693	11,82	16,041	16,85	26,829	23,08
Grand Total	52,841	100	57,211	100	72,035	100	84,083	100	88,018	100	88,415	100	91,860	100	101,624	100	89,351	100	90,450	100	95,220	100	116,237	100
No. of Fully Fledged IBCs which submitted CAR	763		823		863		941		989		841		953		827		765		741		666		826	

Source: Central Bank of Cyprus

Appendix 27: Distribution of Fully Fledged IBCs by Main Business Activity

Business Activity ¹	1991		1992		1993		1994		1995		1996		1997		1998		1999		2000		2001		2002		31.05.2003	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Trade, Marketing & Distribution	417	47,2	469	47,5	586	54,5	657	59,9	715	61,2	650	60,8	651	62,1	598	56,7	637	58,9	621	57,5	610	55,6	617	55,3	618	54,6
Shipmanagement & Maritime Operations	76	8,6	91	9,2	95	8,8	95	8,7	108	9,2	104	9,7	103	9,8	96	9,1	101	9,3	107	9,9	112	10,2	103	9,2	103	9,1
Business & Professional Consultancy	152	17,2	181	18,3	155	14,4	167	15,2	167	14,3	159	14,9	92	8,8	78	7,4	77	7,1	78	7,2	80	7,3	79	7,1	81	7,2
Newsagencies & Other Media	87	9,8	87	8,8	75	7,0	56	5,1	50	4,3	36	3,4	33	3,1	33	3,1	28	2,6	28	2,6	26	2,4	24	2,2	25	2,2
Commercial & Merchant Banking	18	2,0	20	2,0	20	1,9	24	2,2	25	2,1	32	3,0	33	3,1	32	3,0	36	3,3	31	2,9	29	2,6	30	2,7	30	2,7
Engineering & Construction Services	87	9,8	91	9,2	96	8,9	54	4,9	51	4,4	47	4,4	34	3,2	33	3,1	28	2,6	26	2,4	28	2,6	29	2,6	28	2,5
Life, General & Captive Insurance	26	2,9	28	2,8	26	2,4	23	2,1	28	2,4	16	1,5	14	1,3	17	1,6	17	1,6	15	1,4	15	1,4	13	1,2	13	1,1
Third-Party Financial / Trustee Services	21	2,4	21	2,1	22	2,0	20	1,8	24	2,1	25	2,3	37	3,5	38	3,6	45	4,2	45	4,2	54	4,9	75	6,7	53	4,7
Investment, Holding or Royalty Co.	-	-	-	-	-	-	-	-	-	-	-	-	9	0,9	9	0,9	14	1,3	21	1,9	27	2,5	35	3,1	42	3,7
Other	-	-	-	-	-	-	-	-	-	-	-	-	43	4,1	121	11,5	99	9,1	108	10,0	117	10,7	111	9,9	138	12,2
Grand Total	884	100	988	100	1.075	100	1.096	100	1.168	100	1.069	100	1.049	100	1.055	100	1.082	100	1.080	100	1.098	100	1.116	100	1.131	100

Source: Central Bank of Cyprus

Appendix 28: Process towards Accession – Limitations & Recommendations

YEAR 1998

- Cypriot Company Law of 1951 amended to align with *acquis* but further approximation is required concerning the rules of disclosure on capital rules of public limited liabilities companies (2nd Company Law Directive) and on rules on setting up single member companies (12th Company Law Directive). Some provisions on the 1st, 3rd and 6th Company Law Directives remain to be aligned.
- Cyprus follows international accounting standards but it needs to implement Directives' provisions on balance sheets and profit/loss accounts. The approximation of the EU accounting rule for "private exempt companies" and for the offshore sector is matter of concern.
- Although proper public internal financial control systems existed (where the legislation and the accounting system incorporate control systems) and its structures seem to correspond to EU structures, the accounting internal control and auditing procedures need to be strengthened.

YEAR 1999

- Many of the EU Directives have already been transposed but divergences still persist. Further approximation is needed with regard to the rules of disclosure (2nd Company Law Directive) and the rules setting up single member companies (12th Company Law Directive). Legislation bringing the requirements on the approval of the statutory auditor in line with the 8th Directive is yet to be enacted.
- The Department of Registrar of Companies and Official Receiver is taking various measures to exercise effective implementation of the legislation (1st Company Law Directive).

YEAR 2000

- Cyprus enacted in early 2000 a new Company Law amending the existing one in order to cover the provisions of the 12th Council Company Law Directive on single-member private limited-liability companies.
- The Department of the Registrar of Companies and the Official Receiver is continuing to take various measures to exercise effective implementation of the legislation. New computer hardware and software were installed in order to facilitate the publication of company documents. In this respect, the Council of Ministers approved in July 2000 new legislation, which is in line with the 1st Company Law Directive and now has to be endorsed by the House of Representatives. In addition, 15 additional staff has been recruited to strengthen the enforcement efforts.
- Cypriot accounting law is already to a large extent in line with *acquis*. As regards the 8th Council Directive on the Approval of Persons Responsible for Carrying out the Statutory Audits of Accounting Documents the legal vetting has been completed but still needs to be enacted.

YEAR 2001

- The 1st Company Law Directive on registration of companies was aligned through an amendment to the Cyprus Companies Law that entered into force in November 2000.
- Another amendment, that came into force in October 2001, incorporates provisions of the 2nd Council Directive on the restriction of the acquisition of own shares by a public limited company.
- As regards the 8th Company Law Directive on the approval of persons responsible for carrying out the statutory audits of accounting documents, the Cyprus Companies (Amending) Law of 2001 came into force as from May 2001.

<ul style="list-style-type: none"> Regarding the Company Law, 2nd, 3rd, 6th and 7th Directives need still to be transposed.
<p><u>YEAR 2002</u></p> <ul style="list-style-type: none"> In order to intensify the computerization process of the Companies Registrar, 4 clerical and auxiliary staff joined the Department of the Registrar of Companies and Official Receiver in June 2002. With regard to accounting, the Council of Ministers approved in February 2002 the Institute of Certified Public Accountants as the competent regulatory body of the profession, which is responsible for granting approval to qualified persons for carrying out the statutory audits of accounting documents. In accordance with the Companies (Amendment) Law, which provides for the self-regulation of the profession, only members of this certified public accounting body are entitled to perform audits of annual accounts of companies or consolidated accounts of companies. Furthermore, this arrangement covers various aspects of the accounting profession and includes for example disciplinary control, the carrying out of examinations to assess professional competence, and setting the standards for required experience and professional ethics. In order to intensify the computerization process of the Companies Registrar, 4 clerical and auxiliary staff joined the Department of the Registrar of Companies and Official Receiver in June 2002. With regard to accounting, the Council of Ministers approved in February 2002 the Institute of Certified Public Accountants as the competent regulatory body of the profession, which is responsible for granting approval to qualified persons for carrying out the statutory audits of accounting documents. In accordance with the Companies (Amendment) Law, which provides for the self-regulation of the profession, only members of this certified public accounting body are entitled to perform audits of annual accounts of companies or consolidated accounts of companies. Furthermore, this arrangement covers various aspects of the accounting profession and includes for example disciplinary control, the carrying out of examinations to assess professional competence, and setting the standards for required experience and professional ethics.
<p><u>YEAR 2003</u></p> <ul style="list-style-type: none"> With the adoption of the amendment to the Companies Law of June 2003 to fulfil the requirements of 2nd (coordination of safeguards), 3rd (mergers), 6th (division of public limited companies) and 7th (disclosure requirements) Directives, legislation action has been taken in order to complete the alignment to Cyprus commercial law with the company law acquis. A draft law incorporating the outstanding alignment with the relevant accounting directives (4th, 7th and partly 11th) has been adopted in September 2003 by the House of Representatives. However, there are concerns about the amendment to the Company Law adopted in October, which would infringe upon the acquis by allowing non-qualified auditors to practice and even to audit the accounts of publicly listed companies.

Source: Adapted from Commission of the European Communities (1998, 1999, 2000, 2001, 2002, 2003a, 2003b)

Appendix 29: Letter dated 7 December 1955

John G. Papakyriacou, A.A.C.C.A.,
Assessor,
Income Tax Office,
Nicosia - Cyprus.

7th December, 1955.

The Secretary,
Association of Certified and
Corporate Accountants,
22, Bedford Square,
London, W.C.1.

Dear Sir,

I have been approached by a great number of members and registered students of the Association who have requested me to take the necessary steps for the formation and registration in Nicosia of a District Society and a Students' Society similar to those existing in the United Kingdom.

2. I believe that it is the Association's policy to assist in the establishment of such Societies wherever practicable. In the circumstances I shall be much obliged if you will kindly furnish me with a copy of the Rules of a District Society and a Students' Society in United Kingdom so that we may be enabled to adjust them to the requirements of the Cyprus Laws and obtain registration in due course. Any other advice on this matter will be greatly appreciated.

Thanking you in anticipation,

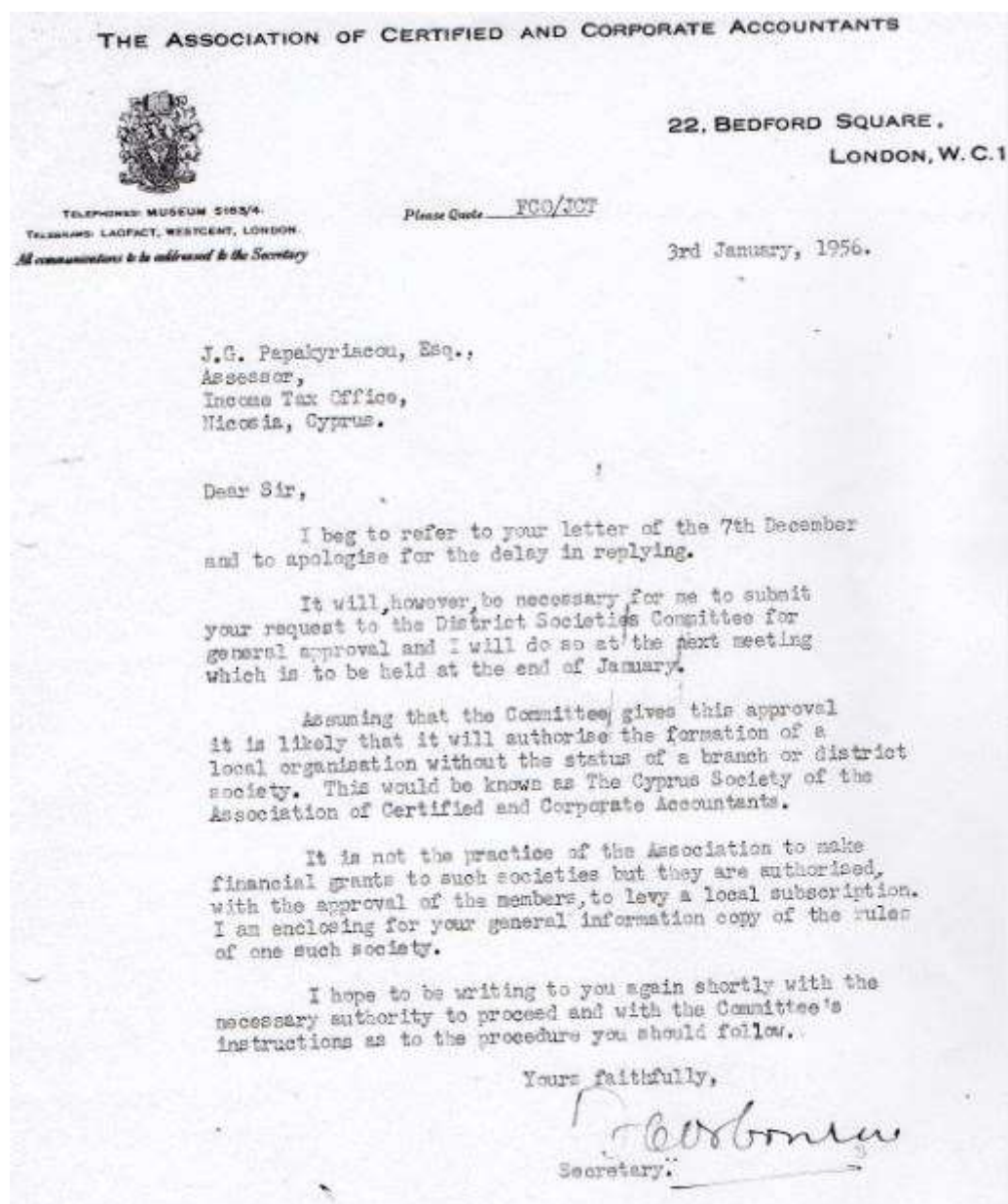
I remain,

Yours faithfully,



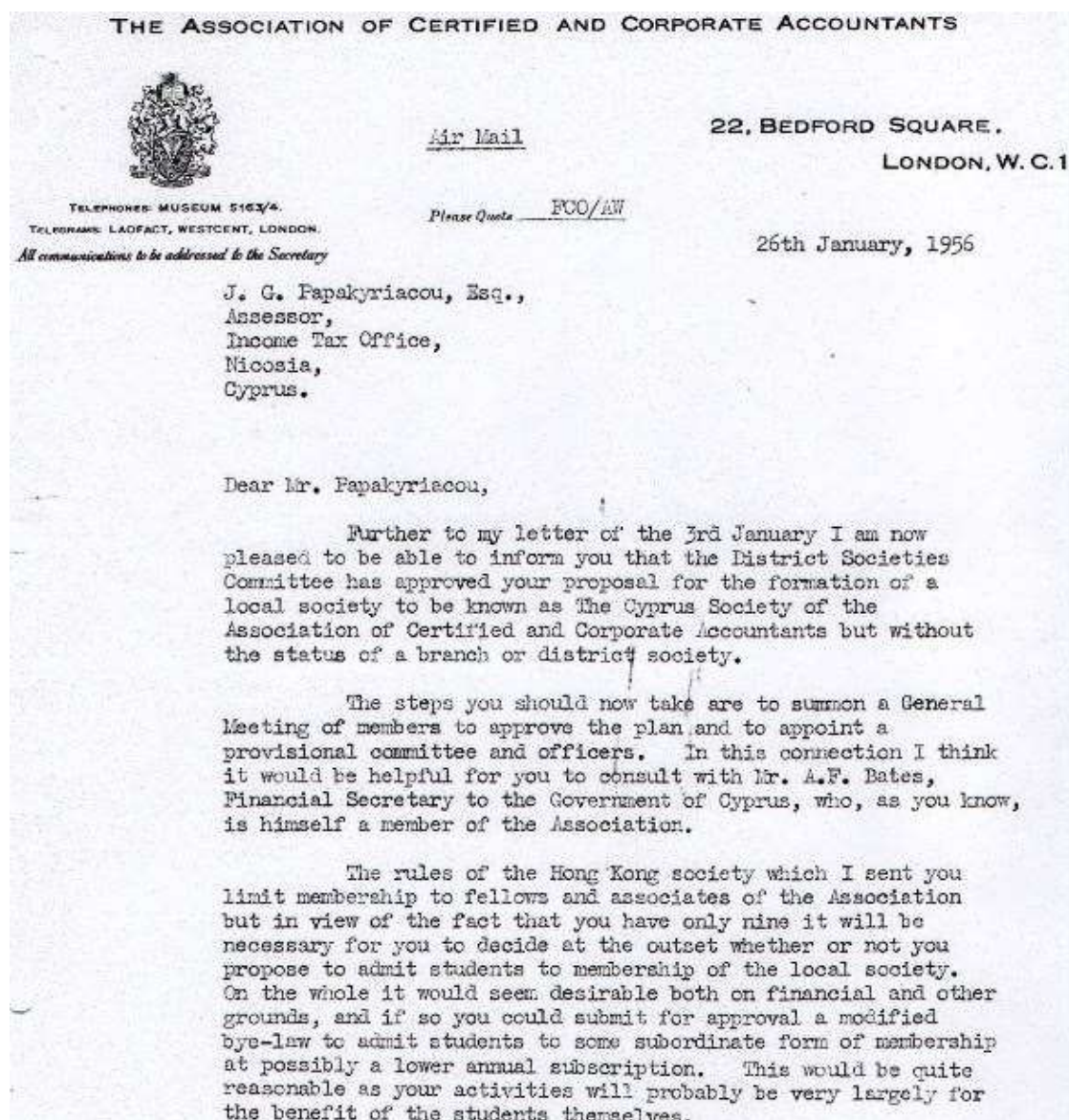
Source: Personal Archive

Appendix 30: Letter dated 3 January 1956



Source: Personal Archive

Appendix 31: Letter dated 26 January 1956



Source: Personal Archive

Appendix 32: Permit for a Meeting Form

(Form Comm. 71.)

**THE ASSEMBLIES, MEETINGS AND PROCESSIONS LAW, CAP. 44.
AND EMERGENCY POWERS (PUBLIC SAFETY AND ORDER) REGULATIONS, 1955.**

PERMIT FOR A MEETING

SECTIONS 3 AND 4.
AND REGULATION 37.

Permit is hereby granted to the persons whose names are set out in the Schedule hereto for the holding of a meeting at.....Nicosia.....(town or place) solely for the purpose of
.....forming "The Cyprus Society of the Association of Certified
and Corporate Accountants"......

2. The meeting shall be held at.....the premises of the Cyprus Civil
Service Association......(place)
on.....4th March, 1956,.....(date) at.....11 A.M......(time).
Police Officers may attend.

3. The permit is granted subject to the following other conditions :—

.....N I L.....

.....
.....
.....
.....

—————
SCHEDULE

Names of persons to whom the permit is issued :—

John G. Papakyriacou..... of.....Nicosia.....
..... of.....
..... of.....
..... of.....
and others.

Issued this.....24th..... day of.....February....., 1956.

.....
.....
f Commissioner of.....Nicosia-Kyrenia

Notes.—Particular attention is directed to the following :—

(1) The persons whose names appear above are responsible for the due observance of all the conditions of this permit.

Source: Personal Archive

Appendix 33: Letter dated 22 February 1956

ASSESSOR, INCOME TAX Office,
Rologis Buildings, Hounan Avenue
Nicosia.

22nd February, 1956.

The Commissioner,
Nicosia.

Sir,

I have the honour to apply herewith for your kind permission to hold a general meeting of the members of the Association of Certified and Corporate Accountants residing in Cyprus at the premises of the Cyprus Civil Service Association, Nicosia, on the 4th March, 1956, at 11.00 a.m. or in the case of adjournment on ^{the} 11th March, 1956, at the same time and place.

The object of the meeting is the formation of "the Cyprus Society of the Association of Certified and Corporate Accountants"

I have the honour to be,

Sir,

Your obedient Servant,



Source: Personal Archive

Appendix 34: Letter dated 15 March 1956

The Cyprus Society of the
Association of Certified and
Corporate Accountants,
Nicosia.

15th March, 1956.

The President of the Cyprus
Civil Service Association ,
Nicosia Branch,
Nicosia.

Dear Sir,

The Cyprus Society of the Association of
Certified and Corporate Accountants has been formed
recently with the object of providing a local organi-
sation for members and registered students of the
Association and of promoting their interests. I
enclose a copy of our draft Rules for your information.

The great majority of our prospective
members are students and, therefore, the financial
resources of the Society will be limited; as many
of them are civil servants my committee have requested
me to ascertain whether your Association would be
willing to assist us by allowing us the use of a room
as an office and library and accommodation for lectures.
Our specific requirements are:-

- (a) the exclusive use of a suitable room in
your premises, and
- (b) the use of the main hall for lectures
and similar activities. It is not expected
that this would be needed more frequently than once
a month and would of course be subject to the
dates being arranged with you or your Secretary.

My Committee are confident that you will give
this request your sympathetic consideration and have
instructed me to provide you with any information about
our Society you may require.

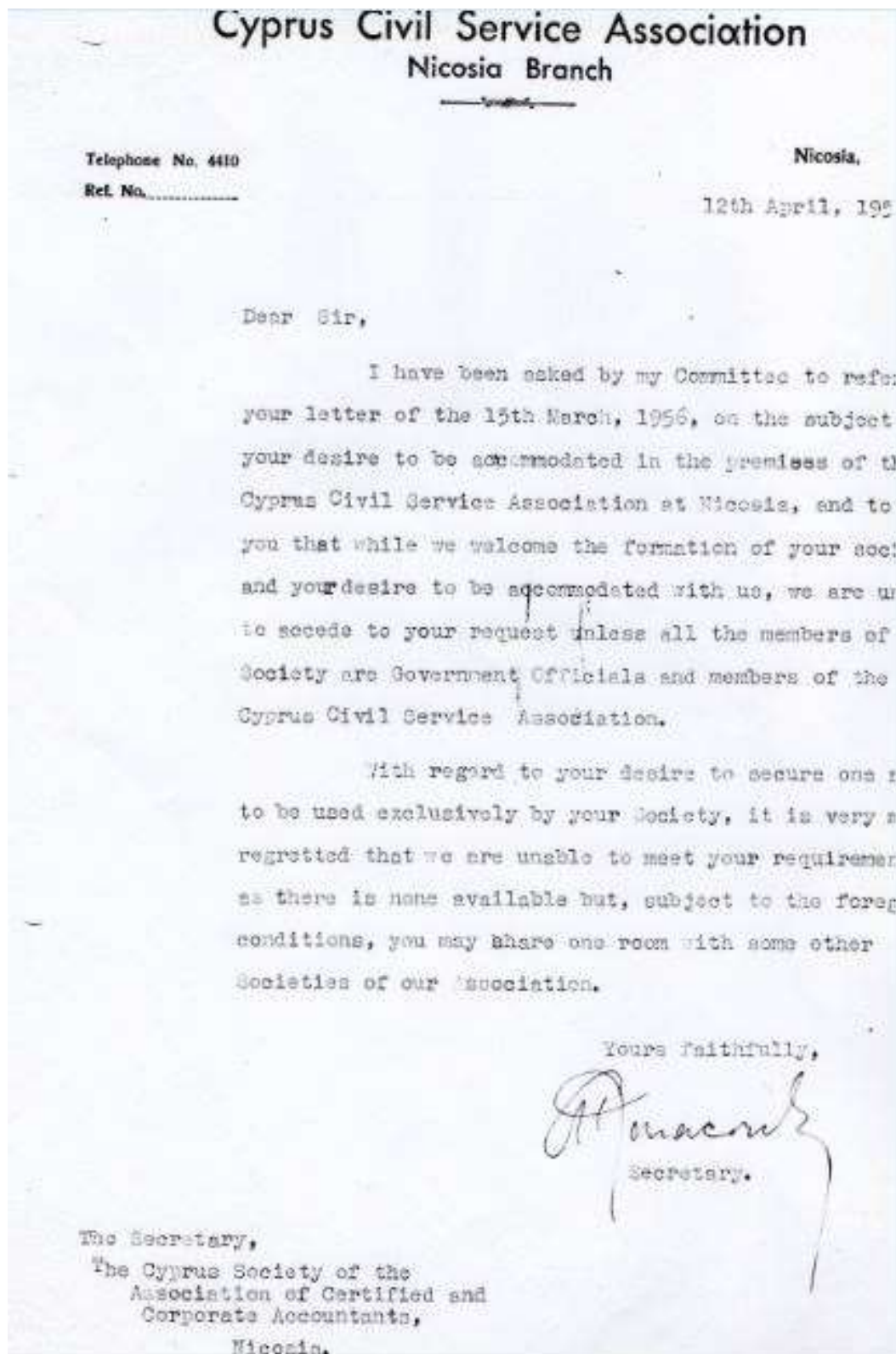
Yours faithfully,



Secretary.

Source: Personal Archive

Appendix 35: Letter dated 12 April 1956



Source: Personal Archive

Appendix 36: Letter dated 24 April 1957

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTS

Air Mail 22, BEDFORD SQUARE,
LONDON, W.C.1

Please Quote FCO/AW 24th April, 1957.

Allan F. Bates, Esq.,
Financial Secretary's Office,
Nicosia,
Cyprus.

Dear Mr. Bates,

Thank you for your letter of the 18th April. I think that on the whole it must be the right decision to defer any attempt to organise district society activities for the time being, and I agree that a meeting of members about once a quarter is perhaps as much as we can reasonably expect until things improve.

I hope that life is not too uncomfortable and that there will be a speedy return to something approaching normality.

With kind regards.

Yours sincerely,

(Sgd.) F.C. Osbourn,
Secretary.

Source: Personal Archive

Appendix 37: Founding Members and their Background

1. DEMETRIS ANTONIADES

He was a non-qualified person but he carried out the accounting/auditing profession on the basis of his experience. He opened the first accounting firm in Cyprus in 1942 which later became Member of Grant Thornton International in 1982.

2. SOLON TRIANTAFYLLIDES

With ICPAC establishment, he was appointed as President and member of ICPAC Council. His professional career started with the management of his family business. He was appointed as member of Board Directors of Bank of Cyprus in 1963, after as Vice –President and from 1988 until 2005, as President. He was also President of Cyprus Employers and Industrialists Federation (OEB). In addition, he is Consul of Norway.

3. ANDREAS LOIZIDES

He was member of ICPAC council from 1961 until 1976 where he was appointed as Minister of Commerce, Industry and Tourism for the period 1970-1972. He established an audit firm in Cyprus in 1957 where he was a founding member, Director, Partner and President of Accounting/auditing firm Metaxas, Loizides, Syrimis and Co (now KPMG Cyprus). In addition, he was member in various councils such as Cyprus Employers and Industrialists Federation (OEB), Central Bank of Cyprus, Electricity Authority of Cyprus (AHK) and Cyprus Ports Authority.

4. NICOS MILTIADOU

He worked firstly in Bank of Cyprus and later in Hellenic Copper Mines Ltd (EME) as General Manager until 1969 where he established his own audit firm. He was also President of Board of Directors of Electricity Authority of Cyprus (AHK). He passed away in 1975.

5. LOIZOS DEMETRIOU

He was Chief Financial Officer of Electricity Authority of Cyprus where he retired on 1981. After his retirement, he established a small accounting office and a company providing advisory services in matters of electricity.

6. NICOS IONIDES

He obtained many distinctions from High School, Government examinations and tax examinations of British Government. He appointed in Government in 1935 and worked in various governmental departments until 1947 where he started to work in Inland Revenue Department. He was Commissioner of Taxation from 1964 until 1969 where he retired. After his retirement, he exercised the profession of tax consultant. He was appointed by Archbishop Makarios as Chief Executive Office of Cyprus Hotels and kept this position for 18 years. He was also President of Tax Committee of ICPAC for 10 years.

7. GEORGE SYRIMIS

He was born in 1921 in Nicosia, Cyprus and he studied Economics at Essex University from 1946 to 1948. After he returned to Cyprus where he obtained the ACCA professional qualification and established the accounting firm G. Syrimis and Co in 1948. Mr. Syrimis was re-elected member of ICPAC council from 1961 until 1988 where he was appointed as Minister of Finance for the period 1988-1993. He was President of ICPAC for two rounds of two years. He exercised the accounting/auditing profession from 1948 until he became Minister and he was one of the senior partners of Metaxas, Loizides, Syrimis Accounting Firm (now KPMG Cyprus). In March 1993, he returned to KPMG Cyprus offices as consultant for two years until 1995. In addition, he was consultant for various public companies and President of Universal Bank. He passed away early 2010 in the age of 88 years old.

8. XANTHOS SARRIS

He exercised the accounting profession in Famagusta for the period 1946-1963 where he left due to the establishment of 'Eureka Ltd' in 1959. He passed away in 1980.

9. THISEAS METAXAS

He started his professional career with Russell and Co firm in Cairo and in Cyprus. In 1957, he established with Mr. Andrea Loizides an audit firm with business in Cyprus and Greece. In 1975, he established office in Athens and worked there until his retirement. He passed away in 2001.

10. COSTAKIS CHRISTOFIDES

He started his professional career in 1950 working at Russell and Co in Larnaca. In 1960, he became partner of Metaxas, Loizides and Syrimis and he was responsible for Larnaca Office until 1995 who took the position of Consultant of D & T firm. From 1999, he has its own auditing firm.

11. IOANNIS PAPAKYRIAKOU

He started his professional career in 1956 at Inland Revenue Department of Cyprus where he resigned in 1957. He then opened an audit firm and started to exercise the accounting profession until 2016. He was ICPAC founding member and also member of ICPAC council and President of Committee for Accounting and Auditing Standards and Principles.

12. ANDREAS APOSTOLIDES

He started his professional career at Inland Revenue Department and with continuous promotions; he reached the position of Commissioner of Taxation in 1969 where he retired in 1987. He continued to work as consultant for tax issues. He helped with the reforms of tax legislation.

13. MICHAEL TIMENIDES

He exercised the accounting profession in Russell and Co and Metaxas, Loizides, Syrimis and Co until 1965 where he established his own audit firm.

14. ANGELOS NICOLAOU

He exercised the accounting profession in Cyprus and in Greece. He was partner in Russell and Co firm which was later become Ernst & Young.

15. PAUL GRAHAM

He was member of ICAEW and he was partner of Price Waterhouse firm in Cyprus from 1956 until early 70s where he passed away after its retirement. He also gave lessons for the accounting profession in Cyprus.

16. TAKIS CHRISTOFIDES

He started his professional career in 1955 working at Xanthos Sarris firm in Famagusta. After the retirement of Mr. Sarris, he undertook the firm which has become the exclusive auditing firm in Famagusta. In 1974, due to Turkish invasion, he lost everything but he was reactivated with success with headquarters in Limassol. His office was merged with Price Waterhouse firm in 1987 and he retired in 1995. In addition, he was appointed as Minister of Labour, Welfare and Social Insurance for the period 1988-1990.

17. ANDREAS IACOVIDES

He worked in Cyprus and abroad as head staff of accounting departments of various companies such as American Express in Greece and Coca Cola in London.

18. GAVRIEL GAVRIELIDES

He worked in Russell and Co of Larnaca until 1954 where he changed over to commerce and industry sector. He passed away in 1962.

19. WIFRID NORMAND

He was member of ICAS and partner of Russell and Co in Cyprus until 1960.

20. NICOS LAKOUFIS

He was member of ICPAC council for 17 years where he was elected as President of ICPAC for two periods of two years. He exercised the accounting profession from 1961 until 1999 in Ernst & Young audit firm. He was also Vice-President of Board of Directors of Cyprus Broadcasting Corporation (RIK) and Cyprus Electricity Authority (AHK). He also provides advisory and other services to public companies.

21. ANGELOS PIKIS

He was a chartered and accountant and worked as Chief Accountant. He was member of ICPAC council for 9 years where he was elected as President for one

period of two years. He worked as head staff of various businesses, mainly banking sector.

Source: ICPAC Archives

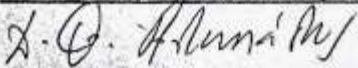
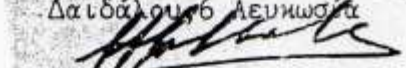
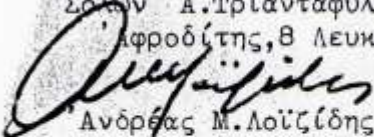
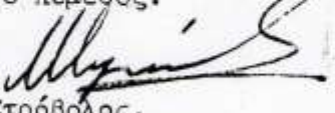
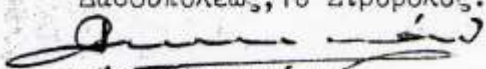
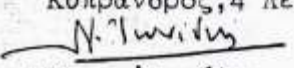

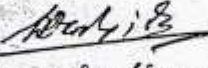
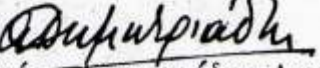
Appendix 38: Establishing Document with signatures by Seven Founding Members

Σύνδεσμος Εγκεκριμένων Λογιστών Κύπρου

**Ιδρυτικά Μέλη που υπέγραψαν
το Ιδρυτικό Έγγραφο και το Καταστατικό του Συνδέσμου**

ΗΜΕΙΣ, τά χωριστά πρόσωπα τῶν ὁποίων τά ὀνόματα καί αἱ
διευθύνσεις ὑποφαίνονται, ἐπιθυμοῦμεν ὅπως καταρτισθῶ-
μεν εἰς Ἑταιρείαν κατ' ἐφαρμογήν τοῦ Καταστατικοῦ τού-
του.

Ονόματα, διευθύνσεις καί περιγραφαί προσυπογραφόντων Μελῶν.

 Δημήτριος Θ. Ἀντωνιάδης Λαϊδάου, 6 Λευκωσία.	Ἐγκριμένος Λογιστής
 Σόλων Ἀ. Τριανταφυλλίδης Ἀφροδίτης, 8 Λευκωσία.	" "
 Ἀνδρέας Μ. Λοῦζίδης Σίμου Μενάρδου, 18 Λεμεσός.	" "
 Νίκος Μιλτιάδου Δασουπόλεως, 16 Στρόβολος.	" "
 Λοῦκος Δημητρίου Κυπράνορος, 4 Λευκωσία.	" "
 Νίκος Ἰωνίδης Λεωφ. Ὀλυμπίας, 9 Λευκωσία.	" "
 Γεώργιος Ν. Εὐρύιμης Βασ. Τεύκρου, 5 Ἀγ. Δομέτιος.	" "
ΜΑΡΤΥΡΕΣ διὰ τὰς ἄνω ὑπογραφάς	
 Δημ. Θεοδωρίδης-Λογιστής Τρικούπη, 85 Λευκωσία.	
 Ἀνδρέας Δημητριάδης-Λογιστής Τρικούπη, 85 Λευκωσία.	
Τῇ 27.3.1961	

Appendix 39: Letter dated 30 January 1964 from Ministry of Finance

-2-

M.F. 133/42

30th January 1964

Sir/Gentlemen.

Under the Income Tax (Foreign Personal) Law, 1961, the Minister of Finance is given power to authorise independent practising accountants to prepare accounts and computations for income tax purposes. He is further empowered to withdraw the authorisation from any practising accountant if the latter's competence or conduct in the preparation of accounts and computations of chargeable income justifies such an action.

2. Although he hopes that he will very rarely have to make use of the powers conferred upon him by the Law, he will not hesitate to do so if the competence or conduct of an authorised accountant warrants such action. It will be appreciated that any action which may be taken by the Minister will be in the interests of the country in general and of the profession of practising accountants in particular.

3. With this aim in view, the Minister has drafted rules which should govern the profession of practising accountants in the Republic of Cyprus. A copy of these rules which has been sent for guidance to all accountants in Cyprus who have been authorised by the Minister to practise is enclosed.

4. The rules in question have no statutory power. They are however the foundation on which the Minister wishes to rely in the exercise of the power conferred upon him by Law.

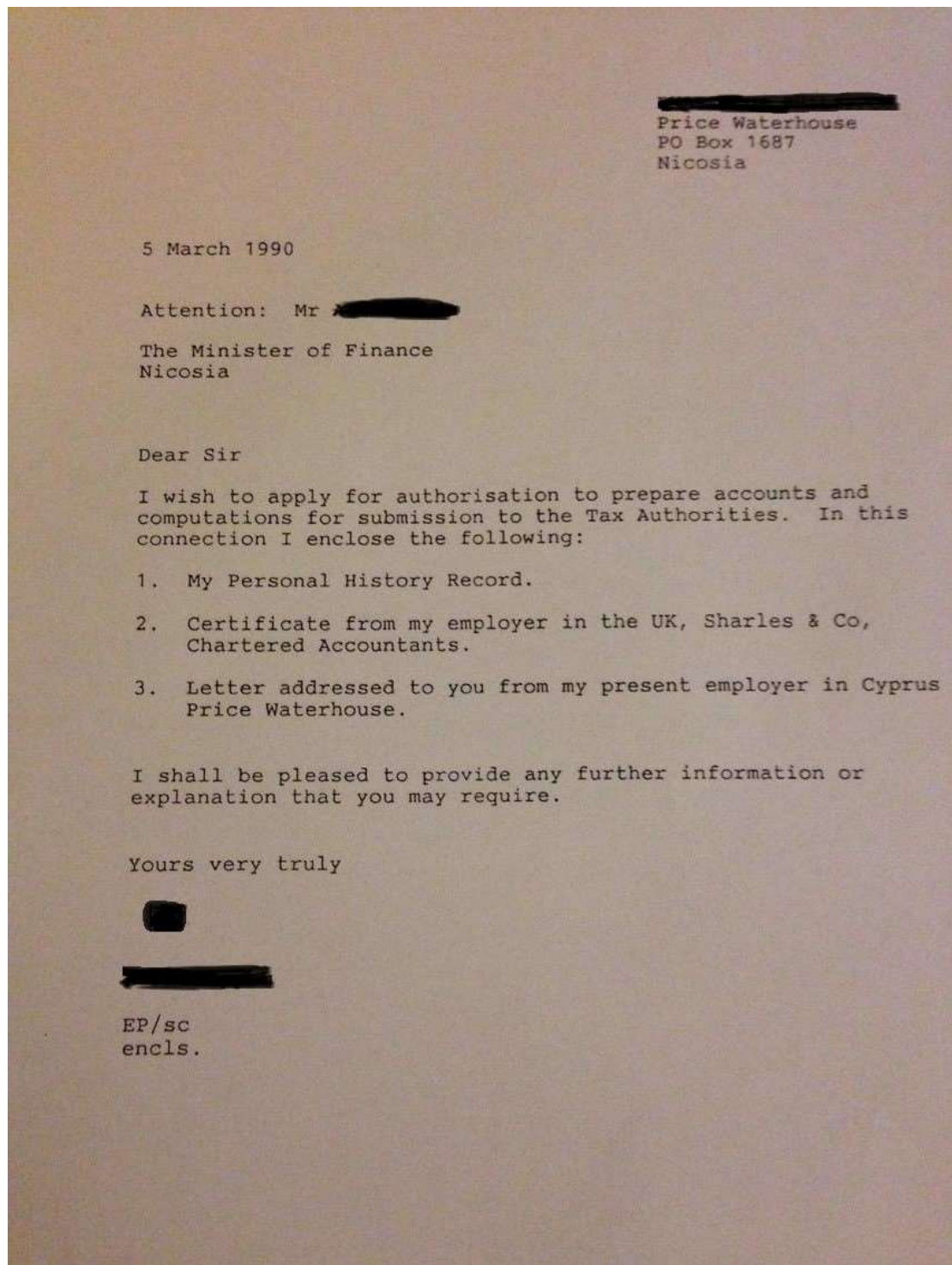
5. All authorised practising accountants are expected to abide by those rules any breach of which may automatically involve the withdrawal of the authorisation given by the Minister.

Yours faithfully,

Director-General
Ministry of Finance

Source: Personal Archive

Appendix 40: Letter dated 5 March 1990 – Application to obtain license to exercise the profession for tax purposes only



Source: Personal Archive

Appendix 41: Professional Certificates issued by ICPAC



The Institute of Certified Public Accountants of Cyprus

Practising Certificate

This is to certify that

having complied with the Regulations of the Institute, is entitled to
practise as a Certified Public Accountant in Cyprus

Certificate number:

Issued on:

Secretary

General Manager

This certificate remains the property of ICAPAC and must not under any circumstances be copied, altered or otherwise
detached. ICAPAC retains the right to demand the return of this certificate at any time and without giving any reason.



The Institute of Certified Public Accountants of Cyprus

Practising Certificate and Audit Qualification

This is to certify that

having complied with the Regulations of the Institute, is authorised
to practise as a Certified Public Accountant and Registered Auditor
in Cyprus

This certificate has been issued under the terms of the Law
providing for the Statutory Audits of Annual and Consolidated
Accounts by Statutory Auditors and Statutory Audit Firms of 2009

Certificate number:

issued on:

Secretary

General Manager

This certificate remains the property of ICPAC and must not under any circumstances be copied, altered or otherwise
misused. ICPAC reserves the right to demand the return of this certificate at any time and without giving any reason.



The Institute of Certified Public Accountants of Cyprus

Certificate for the Provision of Administrative Services

This is to certify that

having complied with the Regulations of the Institute,
is entitled to provide administrative services in Cyprus under the
terms of the Law Regulating Companies Providing Administrative
Services and Related Matters of 2012

Certificate number:

Issued on:

Secretary

General Manager

This certificate remains the property of ICPCAC and must not under any circumstances be copied, altered or otherwise
misused. ICPCAC retains the right to demand the return of this certificate at any time and without giving any reason.



The Institute of Certified Public Accountants of Cyprus

Practising Certificate

This is to certify that the company

having complied with the Regulations of the Institute, is entitled to
practise as an accounting firm in Cyprus

Certificate number:

issued on:

Secretary

General Manager

This certificate remains the property of ICPAC and must not under any circumstances be copied, altered or otherwise
misused. ICPAC retains the right to demand the return of this certificate at any time and without giving any reason.



The Institute of Certified Public Accountants of Cyprus

Auditing Certificate

This is to certify that the company

having complied with the Regulations of the Institute, is authorised
to practise as a Statutory Audit Firm under the terms of the Law
providing for the Statutory Audits of Annual and Consolidated
Accounts by Statutory Auditors and Statutory Audit Firms of 2009

Certificate number:

Issued on:

Secretary

General Manager

This certificate remains the property of ICPCAC and must not under any circumstances be copied, altered or otherwise
misused. ICPCAC reserves the right to demand the return of this certificate at any time and without giving any reason.



The Institute of Certified Public Accountants of Cyprus

**Certificate for the Provision of
Administrative Services**

This is to certify that the company

having complied with the Regulations of the Institute,
is authorised to provide administrative services in Cyprus under
the terms of the Law Regulating Companies Providing
Administrative Services and Related Matters of 2012

Certificate number:

Issued on:

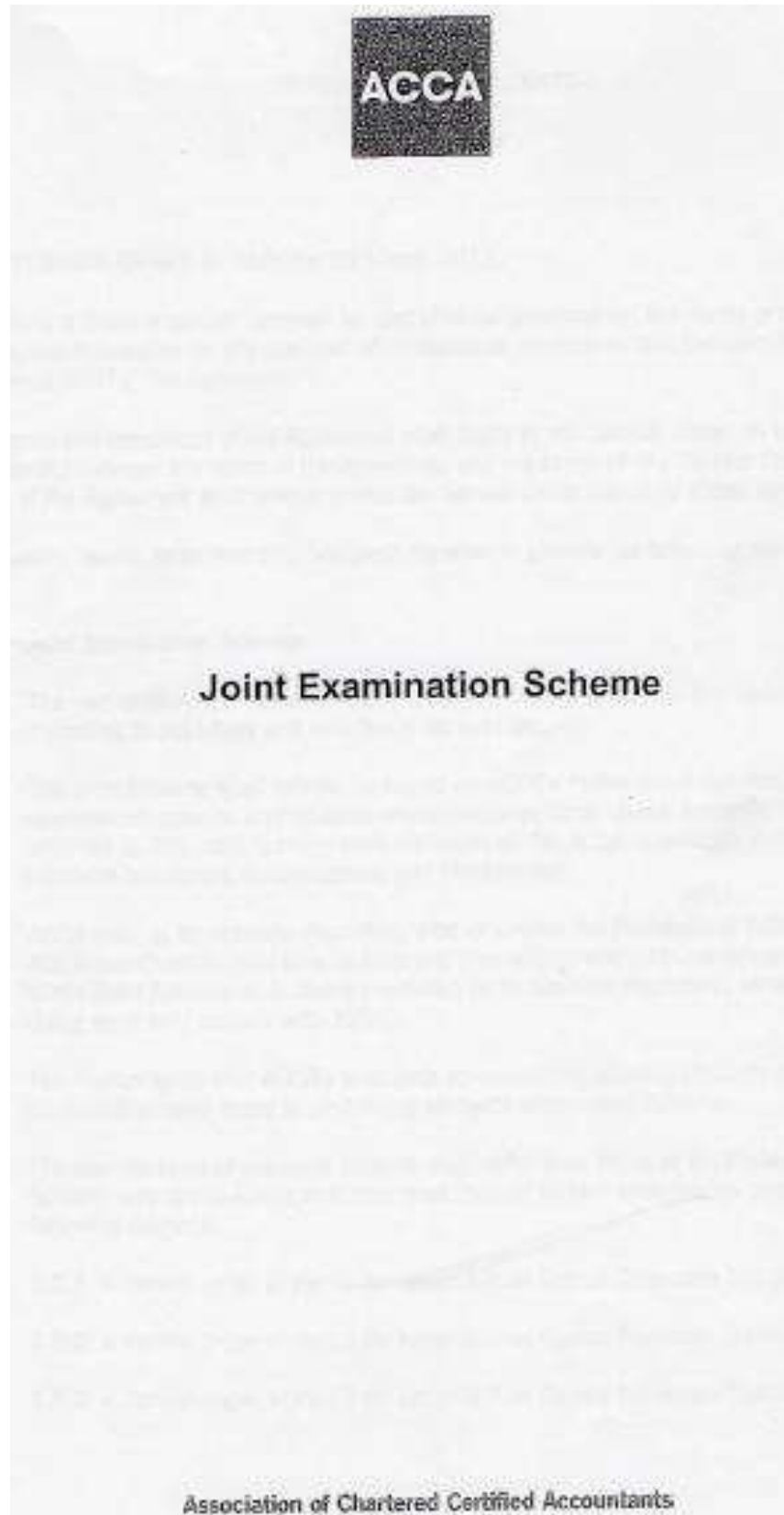
Secretary

General Manager

This certificate remains the property of ICPAC and must not under any circumstances be copied, altered or otherwise defaced. ICPAC retains the right to demand the return of this certificate at any time and without giving any reason.

Source: ICPAC Archives

Appendix 42: Agreement with ACCA for Joint Examinations Scheme between ICPAC and ACCA



PRIVATE AND CONFIDENTIAL

Service Order

THIS SERVICE ORDER is made the 29 March 2012.

This Service Order is placed pursuant to, and shall be governed by, the terms of the Framework Agreement for the provision of professional services agreed between the parties on 29 March 2007 ("The Agreement").

The terms and conditions of the Agreement shall apply to this Service Order. In the event of any conflict between the terms of the Agreement and the terms of any Service Order, the terms of the Agreement shall prevail unless the Service Order expressly states otherwise.

The parties hereby agree that they will work together to provide the following services.

1. Joint Examination Scheme

- 1.1 The parties shall operate a Joint Examination Scheme known as the "Joint Scheme" according to the terms and conditions set out here.
- 1.2 The Joint Scheme shall initially be based on ACCA's Professional Scheme, the examination scheme and syllabus which comprise three stages currently Part 1, Part 2 and Part 3. The Joint Scheme shall be based on the ACCA Qualification which will comprise two levels, Fundamentals and Professional.
- 1.3 ACCA may, at its absolute discretion, alter or amend the Professional Scheme and the ACCA Qualification from time to time and thereafter make such consequential changes to the Joint Scheme as it deems necessary in its absolute discretion, although prior to doing so, it may consult with ICPAC.
- 1.4 The Parties agree that ACCA's proposals for converting existing students to the ACCA Qualification shall apply to all existing students of the Joint Scheme.
- 1.5 The examinations of the Joint Scheme shall differ from those of the Professional Scheme only to the extent that they shall include variant examination papers in the following subjects:
 - 1.5.1 a Variant paper at Part 2 for paper 2.2 on Cyprus Corporate and Business Law
 - 1.5.2 a Variant paper at Part 2 for paper 2.3 on Cyprus Business Taxation
 - 1.5.3 a Variant paper at Part 3 for paper 3.2 on Cyprus Advanced Taxation

- 1.6 Under the ACCA Qualification, the Variant papers will be:
 - 1.6.1 a Variant paper at Fundamentals for paper F4 on Cyprus Corporate and Business Law;
 - 1.6.2 a Variant paper at Fundamentals for paper F6 on Cyprus Taxation;
 - 1.6.3 a Variant paper at Professional for paper P6 on Cyprus Advanced Taxation.
- 1.7 The examinations of the Joint Scheme shall only be presented at examination centres mutually selected and approved by ACCA and ICPAC.
- 1.8 The examinations of the Joint Scheme shall only be administered by ACCA or by agents appointed solely by ACCA for that purpose.
- 1.9 All students who successfully complete the examinations of the Joint Scheme shall be deemed to have satisfied the examination requirements of both ICPAC and ACCA and shall be eligible to apply for membership of both bodies subject to the satisfaction of such other conditions as may be imposed by the parties from time to time.
- 1.10 The performance of the Joint Scheme will be reviewed annually or at such other time as the Parties agree to ensure that it meets objectives which will be mutually agreed from time to time.

2. Duration and Termination

- 2.1 This Service Order shall commence on 29 March 2012 and continue in force for a period of five years unless and until otherwise terminated in accordance with the Agreement or clause 2.2 below.
- 2.2 In addition to the provisions set out in the Agreement, the Service Order may be terminated in any of the following circumstances:
 - 2.2.1 forthwith on written notice by ACCA where ICPAC commits any breach of the Service Order provided that if the breach is capable of remedy, it has not been remedied within 30 days of the receipt of ACCA's written notification requiring its remedy. For the avoidance of doubt and without prejudice to the generality of this clause, a breach of confidentiality shall be incapable of being remedied and shall result in the Service Order being terminated forthwith on written notice; or
 - 2.2.2 forthwith on written notice by either Party where the other Party has without good reason failed to meet the objectives referred to in 1.11 above.
- 2.3 In the event of termination of the Service Order, ACCA shall provide ICPAC with copies of documents and information relating to students registered under the Joint Scheme.
- 2.4 On termination of this Service Order, for whatever reason, each and every student registered under the Joint Scheme, shall decide whether to remain registered with ICPAC and/or ACCA or whether to cease to be registered with both parties.

3. Registration

- 3.1 Subject to the remainder of clause 3 below, ACCA shall, in consultation with ICPAC, determine the registration procedures and general policy in respect of academic and other requirements which an applicant must satisfy in order to be accepted as a registered student under the Joint Scheme.
- 3.2 Only Cypriot nationals or persons ordinarily resident in Cyprus shall be eligible to register under the Joint Scheme save where both parties are satisfied that this requirement should be waived.
- 3.3 All students who register with ICPAC in Cyprus must also register with ACCA and vice versa under the Joint Scheme save where both parties are satisfied that this requirement should be waived.
- 3.4 Each student who registers under the Joint Scheme, and while he remains so registered, shall be required to observe the bye-laws, regulations and rules of professional conduct ("Rules") for the time being in force of both ICPAC and ACCA. Where the rules of both parties conflict, ACCA's rules shall take precedence.
- 3.5 On registration under the Joint Scheme, all students shall be required to elect to sit either the standard Law and Taxation papers or the variant papers referred to in clause 1.6 and 1.7 above.

4. Exemptions

- 4.1 ACCA shall, in its absolute discretion, determine the policies under which exemptions from examinations within the Joint Scheme may be awarded by ACCA.
- 4.2 ACCA shall determine, after consultation with ICPAC, the exemptions to be awarded to holders of qualifications which are awarded by institutions within Cyprus.

5. Syllabi

- 5.1 ACCA shall be responsible for the compilation, production and distribution of all syllabus material for the Joint Scheme examinations and shall make such changes to the syllabus as are considered necessary, by ACCA, from time to time. ACCA shall be the sole judge of what changes are necessary.

6. Appointment of Examiners

- 6.1 ACCA shall appoint all members of the Panel of Examiners required for the operation of the Joint Scheme.
- 6.2 ICPAC shall nominate and ACCA shall appoint all members of the Panel of Examiners required to prepare the variant examination papers referred to in 1.6 and 1.7 above.

- 6.3 The members of the Panel of Examiners appointed under the terms of the Joint Scheme shall be bound by the terms and conditions in their agreements with ACCA.
- 6.4 The Examiners of the Variant Papers appointed by ACCA shall be required to have had substantial experience in the setting and marking of examination papers of a similar standard to the examination papers of ACCA's Professional Scheme and the ACCA Qualification.
- 6.5 Under their agreements with ACCA, Examiners are not permitted to divulge or communicate the contents of the examination papers, the scripts, the pass mark or the marks awarded to any student or to any person or persons whomsoever (other than those officials of ACCA or their appointees with responsibility for this knowledge), nor are they permitted to teach students sitting the Joint Scheme examinations.
- 6.6 ACCA shall be responsible for providing the Examiners, other relevant Panel members and computer-based examination system Writers with copies of legislation, textbooks, manuals and guidelines etc. necessary for them to undertake their duties and shall prepare technical guidance notes, in conjunction with the Examiners and computer-based examination Writers, for the use of students sitting the Joint Scheme's examination papers and computer-based examinations.

7. Preparation of Examination Papers

- 7.1 The examination papers for the Joint Scheme shall be prepared by the Examiners appointed by ACCA.
- 7.2 All Joint Scheme examination papers shall be subject to the same assessment procedures as are applied from time to time to the Professional Scheme and the ACCA Qualification thereby ensuring that the Joint Scheme examinations consistently achieve the same high standards as those of the ACCA Qualification.
- 7.3 The Examiners for all the Joint Scheme examination papers shall ensure to the best of their ability that the examination papers do not in any way disadvantage the students registered under the Joint Scheme.
- 7.4 ACCA shall provide overprinted examination papers for use in the Joint Scheme at all examination sessions. Each paper shall bear the names and logos of both ICPAC and ACCA.
- 7.5 ACCA shall ensure that the Examiners and Markers for the Joint Scheme examinations comply with ACCA's timetable for the preparation and marking of the Joint Scheme examination papers.

8. Preparation of Computer-Based Examinations

- 8.1 The questions presented to Joint Scheme students through ACCA's computer-based examination system shall be prepared by Writers appointed by the ACCA.

- 8.2 All examinations presented to Joint Scheme students through ACCA's computer-based examination system shall be subject to the same assessment procedures as for ACCA's Professional Scheme and the ACCA Qualification to ensure that the standard of all of the computer-based examinations within the Joint Scheme is comparable with those of the Professional Scheme and the ACCA Qualification.
- 8.3 The Writers for all the Joint Scheme's computer-based examinations prepared by the ACCA shall ensure, to the best of their ability, that the examination papers do not in any way disadvantage the students registered under the Joint Scheme.
- 8.4 ACCA shall design and operate all of the systems used to deliver the computer-based examinations to Joint Scheme students.
- 8.5 ACCA shall ensure that the Writers for the computer-based examinations comply with ACCA's timetable for the compilation of batches of questions.
- 8.6 ACCA shall ensure that only those third parties who meet the criteria for administering ACCA's computer-based examinations shall be permitted to operate as testing centres.
- 8.7 ACCA shall ensure that all operational aspects of the production and delivery of ACCA's computer-based examination systems are effectively maintained.

9. Marking of Exam Scripts

- 9.1 ACCA shall appoint all markers for the Joint Scheme who shall conform to ACCA's timetable for the marking of scripts. The markers shall be subject to the conditions of appointment and regulations made by ACCA from time to time.
- 9.2 ACCA shall be responsible for the administration of the marking of all examination papers within the Joint Scheme.
- 9.3 All examination question papers, suggested answers, marking schemes and worked scripts produced under the terms of the Joint Scheme shall remain the property of ACCA.
- 9.4 Those appointed by ACCA to mark the Joint Scheme examination papers shall normally be required to have had experience of marking examination papers of a similar standard to the examination papers of ACCA's Professional Scheme and the ACCA Qualification.
- 9.5 The Markers shall forward the marks relating to each and every examination paper directly to the relevant Examiner who, after the necessary scrutiny thereof, shall forward them directly to ACCA. This shall be done in accordance with the ACCA timetable.

- 9.6 The Markers shall not communicate or divulge the contents of the marking scheme, the scripts, the pass mark or the marks awarded to any student, to any person or persons whomsoever (other than those officials of ACCA or their appointees with responsibility for this knowledge).

10. Publication of Results

- 10.1 ACCA shall publish the Joint Scheme examination results in the same manner as the results of ACCA's examinations are published.
- 10.2 ACCA shall be responsible for informing all students, under the Joint Scheme, of their results after each session of examinations.
- 10.3 Following each examination session, ACCA shall issue to ICPAC confidential registers of the examination results for students sitting under the Joint Scheme.
- 10.4 The arrangements made in clauses 10.2 and 10.3 above shall be reviewed jointly by ICPAC and ACCA from time to time.

11. Finance

- 11.1 Students shall pay such fees to ICPAC and ACCA as laid down by regulations made by both parties jointly from time to time.
- 11.2 Initial registration fees, payable to ACCA by students under the Joint Scheme shall be remitted together with the appropriate applications, by the said students, to ICPAC. ICPAC shall then remit such fees and applications directly to ACCA.
- 11.3 Students registered under the Joint Scheme shall pay their annual subscriptions due to ICPAC, directly to ICPAC. Students' annual subscription fees payable to ACCA shall be remitted to ICPAC who shall then remit such fees directly to ACCA.
- 11.4 ACCA shall pay to ICPAC, in recognition of the work undertaken by it for the Joint Scheme, as specified in 11.2 and 11.3 above, such sum for each registered Joint Scheme student, annually following the suspension of students for non-payment of fees, as ICPAC and ACCA shall agree from time to time.
- 11.5 The agreed fee from the commencement of this Service Order shall be as set out in the scale below, but is subject to amendment as stated in clause 11.4 above.

Band	Number of Students	Fee per student in £GB
A	1-250	7.00
B	251-500	6.00
C	501-1,000	5.00
D	1,001-2,500	4.00
E	2501+	3.00

- 11.6 In addition to the provisions of clauses 11.3 and 11.4 above, the costs of the Joint Scheme shall be borne by ICPAC and ACCA as shall be mutually agreed by both bodies from time to time.

12. Confidentiality

- 12.1 This clause shall have effect in addition to the confidentiality clause in the Agreement.
- 12.2 The parties agree to maintain and keep confidential and not to divulge or communicate to any person(s) whatsoever, other than those officers of the parties or their appointees whose province it is to know the same, the following:
- 12.2.1 the contents of the examination question papers (unless and until ACCA waives confidentiality)
 - 12.2.2 the pass mark, pass rate, and marks awarded to all students and/or any individual student in all and any of ACCA's examinations of which the parties have knowledge
 - 12.2.3 details of ACCA's examination and marking procedures.

13. Disciplinary Procedures

- 13.1 Any student registered under the Joint Scheme, who is removed from ACCA's student register, for any reason whatsoever, shall automatically cease to be a registered student of the Joint Scheme.
- 13.2 Any complaint of misconduct made to ICPAC against a student registered under the Joint Scheme shall be investigated under ICPAC's disciplinary procedures and shall be notified to ACCA. ACCA shall retain any right to investigate the matter under its disciplinary procedures and may at its sole discretion allow the student to remain on its student register.
- 13.3 Any complaint of misconduct made to ACCA against a student registered under the Joint Scheme shall be investigated under ACCA's disciplinary procedures and shall be notified to ICPAC. ICPAC shall retain the right to investigate the matter under its disciplinary procedures and may at its sole discretion allow the student to remain on its register.

14. Administration

- 14.1 ACCA shall provide ICPAC, on a regular basis, with such labels, stationery, application and exemption forms as shall be required for the administration of the Joint Scheme.

14.2 ACCA shall process all initial applications for students wishing to join the Joint Scheme and thereafter shall issue each student, whose application has been accepted, with the appropriate registration card, exemptions notification, examination entry documentation as required.

15. Roles and Responsibilities


Additional roles and responsibilities of the Parties under the Joint Scheme may be agreed separately from time to time.

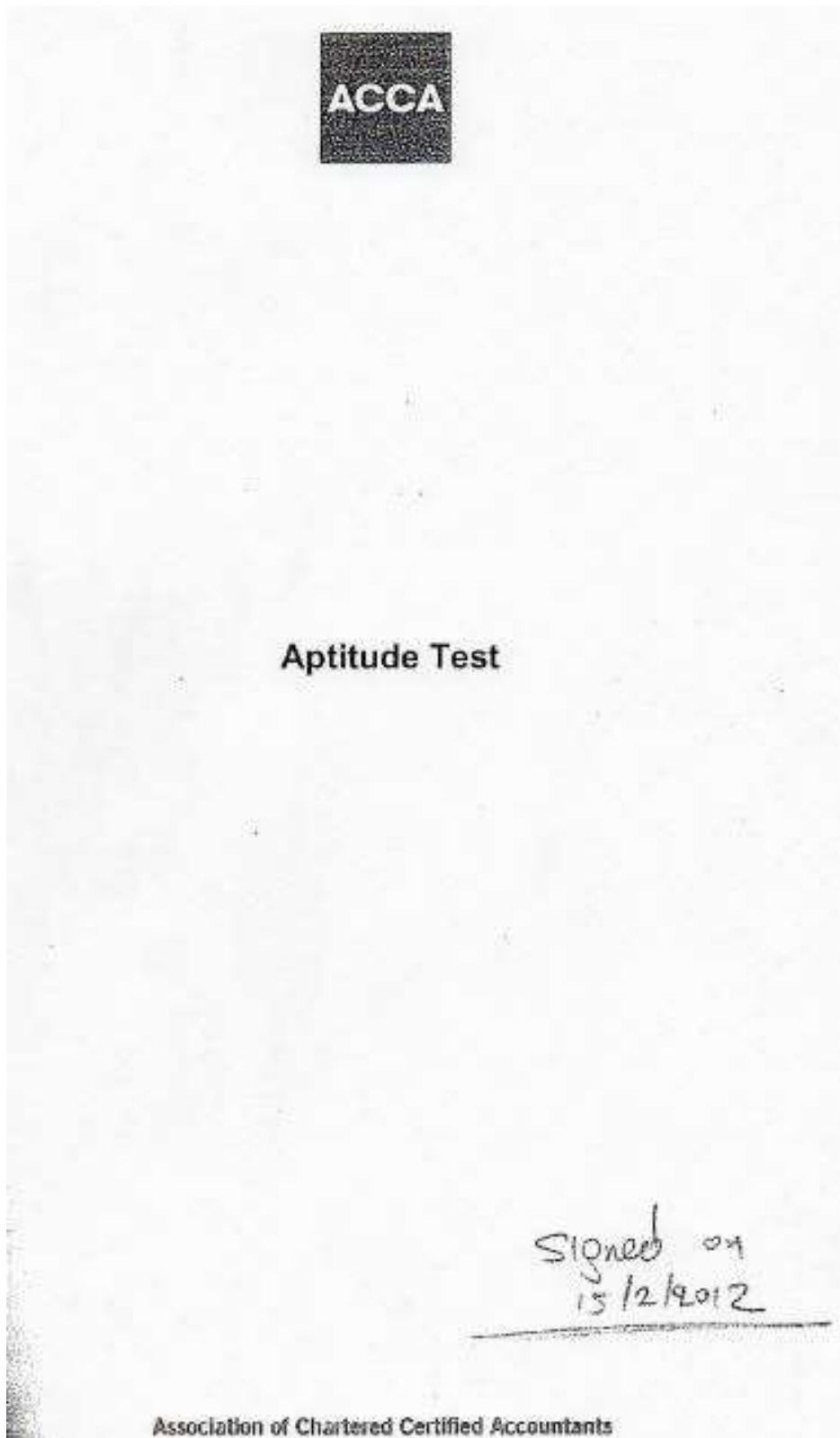
READ AND AGREED

THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS

Signature: 
 Name: PETER LARGE
 Title: EXECUTIVE DIRECTOR GOVERNANCE
 Date: 15 FEBRUARY 2012

THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF CYPRUS

Signature: 
 Name: THEO PAPPAS
 Title: PRESIDENT
 Date: 15 FEBRUARY 2012

Appendix 43: Agreement with ACCA for Aptitude Tests

PRIVATE AND CONFIDENTIAL**Service Order**

THIS SERVICE ORDER is made the 29 March 2012

This Service Order is placed pursuant to, and shall be governed by, the terms of the Framework Agreement for the provision of professional services agreed between the parties on 29 March 2007 ("The Agreement").

It is a condition precedent of this Service Order that the parties enter into a Service Order for the Joint Examination Scheme on the same day as and immediately before the signature of this Service Order.

The terms and conditions of the Agreement shall apply to this Service Order. In the event of any conflict between the terms of the Agreement and the terms of any Service Order, the terms of the Agreement shall prevail unless the Service Order expressly states otherwise.

The parties hereby agree that they will work together to provide the following services.

1. Aptitude Test

- 1.1 The parties shall operate an aptitude test that meets the criteria and requirements of the Mutual Recognition Directive for ICPAC's members ("the Aptitude Test").
- 1.2 The Aptitude Test shall be based on ACCA's aptitude test and as set out below, with ACCA responsible for the written examination at Part 1 of the Aptitude Test and ICPAC responsible for the oral examination at Part 2 of the Aptitude Test.
- 1.3 The examination for Part 1 of the Aptitude test will be made up of two separate papers, each lasting 2 hours. One paper will cover Cyprus Taxation and the other will cover Cyprus Corporate and Business Law.

2. Registration

- 2.1 ICPAC shall be solely responsible for the registration process of all candidates for the Aptitude Test.
- 2.2 The registration document issued by the Institute for each and every candidate registered for a paper of the Aptitude Test shall bear an individual registration number and include a photograph and signature of the candidate in order to provide proof of identity at the examination centre.
- 2.3 ICPAC shall be solely responsible for awarding exemptions from the individual papers at Part 1 of the Aptitude Test.
- 2.4 ICPAC shall inform ACCA not later than 1 April for the June examination session and 1 October for the December examination session of the names of all candidates that have been accepted for registration for Part 1 of the Aptitude Test.
- 2.5 Students may register for either or both papers of Part 1 of the Aptitude Test.

3. Fees

- 3.1 ACCA shall charge ICPAC the fee of £50 per paper for each candidate that registers to sit Part 1 of the Aptitude Test.
- 3.2 The fee in clause 3.1 for Part 1 of the Aptitude Test shall be increased as agreed separately by the parties from time to time.

4. Part 1 - Written Examination of the Aptitude Test

- 4.1 Following notification by ICPAC of the candidates for the June and December examination sessions for the Part 1 Examination, ACCA shall enter the candidates for the appropriate papers.
 - 4.2 ACCA shall send to ICPAC all examination information, documentation and notifications who shall forward these on to individual candidates.
-

- 4.3 ACCA shall set and provide the appropriate examination papers according to ACCA's published syllabus, as amended from time to time. The questions for the two papers will be drawn from ACCA Paper 2.2 Corporate and Business Law CYP and Paper 2.3 Business Taxation CYP. Following the introduction of the ACCA Qualification from December 2007, the questions will be drawn from ACCA Paper F4 Corporate and Business Law CYP and Paper F6 Taxation CYP.
- 4.4 All examination papers shall bear the logos of ICPAC and the European Accountants Admission Examination. For the avoidance of doubt, ACCA's logo shall not feature on the examination papers and related documentation and shall not be used in any way.
- 4.5 The Part 1 – Written Examination of the Aptitude test shall only be held at (an) examination centre(s) under the control of ACCA. Candidates sitting the examination(s) shall be subject to the global examination regulations of ACCA as set out in the examination attendance docket.
- 4.6 A candidate found guilty of contravening an examination regulation may be deemed to have failed any examinations for which results have not yet been issued. A candidate found guilty of breaching the examination regulations will not be permitted to register for the Aptitude Test, for the duration of the Service Order.
- 5. Syllabi**
- 5.1 ACCA shall be responsible for the compilation, production and distribution of all syllabus material for Part 1 of the Aptitude Test and shall make such changes to the syllabus as are considered necessary, by ACCA, from time to time. ACCA shall be the sole judge of what changes are necessary.
- 6. Appointment of Examiners**
- 6.1 ACCA shall appoint all members of the Panel of Examiners required for the operation of Part 1 of the Aptitude Test.

7. Marking

- 7.1 All examination papers for the Part 1 examinations of the Aptitude Test shall be returned to ACCA for marking.
- 7.2 ACCA shall mark the examination papers in accordance with its usual cycle of ACCA examinations and according to its usual standards.
- 7.3 When the examination marks have been finalised, ACCA shall issue the results to ICPAC. ICPAC shall forward these examination results to candidates.

8. Part 2 – Oral Examination

- 8.1 On successful completion of Part 1 of the Aptitude Test, candidates are eligible to take Part 2 of the Aptitude Test, the Oral Examination.
- 8.2 ICPAC shall be solely responsible for the administration and management of the Oral Examination for Part 2.

9. Costs

- 9.1 Unless otherwise specified in this Service Order, the parties shall be responsible for the costs of their own obligations under the Service Order.

10. Duration and Termination

- 10.1 This Service Order shall commence on 29 March 2012 and continue in force for a period of five years unless and until otherwise terminated in accordance with the Agreement or clause 10.2 below.
 - 10.2 In addition to the provisions set out in the Agreement, the Service Order may be terminated in any of the following circumstances:
 - 10.2.1 Immediately upon the termination or expiry of the Service Order between the parties for the Joint Examination Scheme for whatever reason.
-

10.2.2 on either Party giving the other Party six months' notice in writing to terminate this Service Order.

10.3 In the event of termination of the Service Order, ACCA shall provide ICPAC with copies of documents and information relating to candidates registered under the Aptitude Test.

11. Confidentiality

11.1 This clause shall have effect in addition to the confidentiality clause in the Agreement

11.2 The parties agree to maintain and keep confidential and not to divulge or communicate to any person(s) whatsoever, other than those officers of the parties or their appointees whose province it is to know the same, the following;

11.2.1 the contents of the examination question papers (unless and until ACCA waives confidentiality)

11.2.2 the pass mark, pass rate, and marks awarded to all candidates and/or any individual candidate in all and any of ACCA's examinations of which the parties have knowledge

11.2.3 details of ACCA's examination and marking procedures.

READ AND AGREED

THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS

Signature:.....

Name:.....PETER LARGE

Title:.....EXECUTIVE DIRECTOR - GOVERNANCE

Date:.....15 FEBRUARY 2012

THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF CYPRUS

Signature:.....

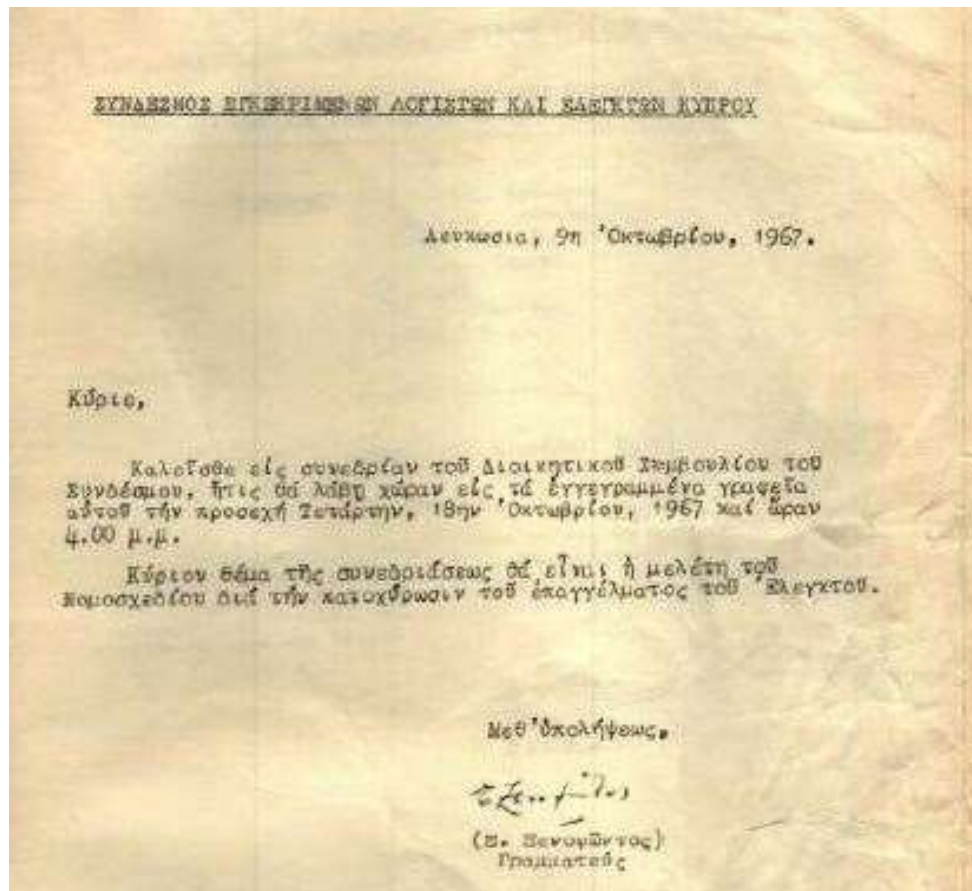
Name:.....THEO PARPERIS

Title:.....PRESIDENT

Date:.....15 FEBRUARY 2012

Source: ICPAC Archives

**Appendix 44: Invitation by ICPAC to Members of ICPAC Council
dated 9 October 1967**



Source: ICPAC Archives


Appendix 45: ACCA Payments for the Services provided to ICPAC (2003-2014)

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>Quality Control Payment</i>	£0	£15,485	£56,900	£68,103	£55,195	£44,040	£123,556	£133,251	£116,046	£256,752	£409,804	£450,499
<i>Subvention Fees from ACCA</i>	£3,838	£5,864	£6,088	£5,534	£6,011	£11,642	£11,965	£13,113	£12,540	£15,764	£14,250	£15,019
<i>ACCA Student Accountants Subscription Fees</i>	£30,720	£36,240	£36,860	£39,700	£41,960	£74,634	£94,555	£104,960	£117,665	£124,060	£123,620	£120,060
<i>ACCA Graduate Accountants Subscription Fees</i>	£0	£0	£3,530	£5,570	£7,620	£17,461	£19,640	£14,960	£17,800	£18,080	£19,120	£25,680
<i>Total ACCA Subscription Fees</i>	£30,720	£36,240	£40,390	£45,270	£49,580	£92,095	£114,195	£119,920	£135,465	£142,140	£142,740	£145,740
<i>Subscription Fee per ACCA Student Accountant</i>	£20	£20	£20	£20	£20	£34,17	£40	£40	£40	£40	£40	£40
<i>Subscription Fee per ACCA Graduate Accountant</i>	£0	£0	£40	£40	£40	£68,34	£80	£80	£80	£80	£80	£80

Source: ICPAC Annual Reports and Financial Statements for the years 2003-2014

Note: When Cyprus entered to Eurozone and started to use Euro Currency, the exchange rate was €1 = £0,585274.

Appendix 46: Recognition of ICPAC by the State – Letter dated 28 February 2002 from Ministry of Commerce, Industry and Tourism and Extract from Minutes of Council of Ministers’ Meeting dated 5th February 2002

ΚΥΠΡΙΑΚΗ		ΔΗΜΟΚΡΑΤΙΑ
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Αρ. Πρωτ.: 13.13.01/5 Τηλέφωνο 867100 Τηλ. Διεύθυνση "MINCOMMIND" Λευκωσία Αρ. Τέλεξ MINCOMIN Λευκωσία Αρ. Τέλεφαξ 375120 Λευκωσία	ΥΠΟΥΡΓΕΙΟ ΕΜΠΟΡΙΟΥ, ΒΙΟΜΗΧΑΝΙΑ ΚΑΙ ΤΟΥΡΙΣΜΟΥ 1421, ΛΕΥΚΩΣΙΑ 28 Φεβρουαρίου, 2002
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Κυρία Ρέα Γεωργίου
 Πρόεδρος
 Συνδέσμου Εγκεκριμένων Λογιστών Κύπρου

Κυρία,

**Αναγνώριση του Συνδέσμου Εγκεκριμένων Λογιστών
 Κύπρου σύμφωνα με το άρθρο 155Γ και 155Δ του περί
 Εταιρειών (Τροποποιητικού) Νόμου του 2001**

Έχω οδηγίες ν' αναφερθώ στις επιστολές σας προς το Γραμματέα του Υπουργικού Συμβουλίου ημερομηνίας 22 Οκτωβρίου, 2001 και 9 Ιανουαρίου 2001 και στην επιστολή σας προς την Έφορο Εταιρειών και Επίσημο Παραλήπτη ημερομηνίας 23 Ιανουαρίου 2002 σχετικά με το πιο πάνω θέμα και σας πληροφορήσω ότι το Υπουργικό Συμβούλιο με την Απόφαση του με αρ. 55.066 και ημερομηνία 5 Φεβρουαρίου, 2002 αποφάσισε, σύμφωνα με το άρθρο 155 του περί Εταιρειών (Τροποποιητικού) Νόμου του 2001 (Νόμος με αρ. 76(1)2001) και μέσα στα πλαίσια της Απόφασης με αρ. 54.639 και ημερομηνία 28.11.2001, να εγκρίνει την αναγνώριση του Συνδέσμου Εγκεκριμένων Λογιστών Κύπρου.

Με τιμή,



(κα Σ. Ματθαιοπούλου)
για Γενικό Διευθυντή

Κοιν.: Έφορο Εταιρειών και
 Επίσημο Παραλήπτη

MX

Απόσπασμα από τα Πρακτικά της Συνεδρίας του Υπουργικού
Συμβουλίου Ημερομηνίας 5/2/2002.

Αναγνώριση του Συνδέσμου Εγκεκριμένων Λογιστών
Κύπρου σύμφωνα με τα άρθρα 155Γ και 155Δ του περί
Εταιρειών (Τροποποιητικού) Νόμου του 2001.

(Αρ. Πρότασης 248/2002).

Αρ. Απόφασης
55.066


13.13.01/4
189

14. Το Συμβούλιο αποφάσισε, σύμφωνα με τα άρθρα 155 του περί Εταιρειών (Τροποποιητικού) Νόμου του 2001 (Νόμος με αρ. 76(Ι) 2001) και μέσα στα πλαίσια της Απόφασης με αρ. 54.639 και ημερ. 28.11.2001, να εγκρίνει την αναγνώριση του Συνδέσμου Εγκεκριμένων Λογιστών Κύπρου.

=====

Γενικό Διευθυντή,
Υπουργείο Εμπορίου, Βιομ. και Τουρισμού.

Η πιο πάνω Απόφαση διαβιβάζεται για ενημέρωση και για τις απαραίτητες ενέργειες.


(Χρυσόστομος Σοφιανός)
Γραμματέας
Υπουργικού Συμβουλίου.

21.2.2002.

Κοιν.: Γ.Δ., Υπουργείο Εξωτερικών,
Γ.Δ., Υπουργείο Οικονομικών,
Γ.Δ., Γραφείο Προγραμματισμού,
Γενικό Λογιστή.

Appendix 47: Legislations regarding the qualifications for the appointment of company auditor

21.07.1951 - The Companies Law

The Companies Act, Chapter 113, of Cyprus was based on the Companies Act of the United Kingdom of 1948. The basic law of Cyprus entered into force on 21/07/1951. The relevant article for the auditor qualification was as follows:

Article 155 – Disqualifications for appointment as auditor

(1) A person shall not be qualified for appointment as auditor of a company unless either –

- (a) he is a member of a body of accountants established in the United Kingdom and for the time being recognized for the purposes of this provision by the Governor; or
- (b) he is for the time being authorized by the Governor to be so appointed either as having similar qualifications obtained outside the United Kingdom or as having obtained adequate knowledge and experience wither in the course of his employment by a member of a body of accountants recognized for the purposes of paragraph (a) of this subsection or by having before the commencement of this Law, practiced in the Colony as an accountant:

Provided that this subsection shall not apply in the case of a private company which at the time of the auditor's appointment is an exempt private company.

According to Article 123(2), an exempt private company means a company which meets the following basic terms:

1. (a) No legal person does not own any of the shares or debt securities or
(b) No person other than the holder does not have any interest in any of the shares or debentures.
2. The total number of persons holding shares or debentures of the company is not more than 50.
3. No legal entity is not consultant of the company.

04.05.2001 - The Companies Law

According to Article 155(1) of the Companies Act, Chapter 113, as amended on 4.5.2001, states that no person shall be deemed to have the qualifications to be appointed as company auditor, unless s/he is member of the professional accountancy body established and operated in the Republic of Cyprus and is recognized by the Council of Ministers. Therefore, only ICPAC members are qualified.

But, this article is not applicable in case of a private company which in the auditor's appointment time is exempt private company.

Therefore, people who have permission from the Finance Minister to control exempt private companies. Their right was safeguarded in the transitional provisions in Article 3(4) of the Companies (Amendment) Law N. 76(I)/2001, published on 4.5.2001. The relevant transitional provision reads as follows:

“3(4) Any person who at the date of this Law* was duly authorized by the Finance Minister, pursuant to Article 46** of the Income Tax Law, to act as an independent accountant for the purposes of this Law, will continue to have the same rights as provided by this law”.

*The entry of the force of the law was on 4.5.2001, date of official publication in the Official Gazette.

**This was the number of the article that was upgraded/changed to 38 to the Income Tax Law N.118 (I)/2002 (see below).

15.07.2002 - Income Tax Law

It has been safeguarded in Article 38 of the Income Tax Law N. 118(I)/2002, published on 15.7.2002 except that the Finance Minister will no longer give licenses because only persons who possess the qualifications for appointment as company auditors in accordance with the Companies Act can be appointed as from 1.1.2003. The relevant Article 38 reads as follows:

“Accounts and determinations of the taxable income who presented to the Commissioner or accompanying tax returns submitted to the Registrar may be disregarded, unless prepared by a person who possesses the qualifications to be appointed as company auditor in accordance with the provisions of the Companies Act.

Provided that any person duly authorized by the Finance Minister, acting as an independent accountant for the purposes of the Income Tax Laws and in fact acting in this way on the date of this law*, will continue to have the right to prepare and certify accounts and determinations for income tax purposes.”

The starting date of the law in force was on 1.1.2003.

31.10.2003 - The Companies Law

On 31st October 2003, the Companies Law, Chapter 113, was substantially amended by the Law N.167(I)/2003 for the purpose of harmonization with the Directives 4, 7 and 11 of the European Community mentioned in the annual company accounts, the consolidated accounts and branches of companies of other Member state respectively.

Among the changes were the following:

(a) **The term “Small Sized Company/Group” was introduced** with specific numerical criteria. Private limited liability companies which are small and are not required to prepare consolidated financial statements, are exempted from the obligation to submit their financial statements for control by auditor.

“Small Sized Company” means a company of which at least two of the following three sizes do not exceed, during the entire course of the financial year, the following values:

- (i) The total of the assets appearing in the balance sheet (and without deducting the liabilities) does not exceed the amount of £2.000.000
- (ii) The net level of the turnover does not exceed the amount of £4.100.000
- (iii) The average number of employees at the relevant period does not exceed fifty.

The control in any event is required by the Director of the Inland Revenue Department and in some cases by the Central Bank.

(b) **The “Excluded Private Company”** has been removed and each company is required to submit its financial statements to the Registrar of Companies.

The exemption, previously given to private companies for not submitting to the Registrar of Companies their financial statements in accordance with Article 123, does not exist since Article 123 is repealed.

Transitional Provisions

The transitional provisions, contained in the Companies (Amendment) Law of 2001, N.76 (I)/2001, have been amended in order to safeguard individuals who had the permission of the Finance Minister to act as independent accountants for purposes of the Income Tax Law and they practiced as independent auditors as self-employed during the May 4th, 2001. These individuals are considered to have the qualifications for appointment as company auditors including public companies. The relevant transitional provision reads as follows:

“(2) Every person, who on May 4th, 2001 was duly authorized by Finance Minister to act as an independent accountant for the purposes of the Income Tax Laws and proven s/he practiced as independent accountant as self-employed during the May 4th 2001, upon application to the Minister of Commerce, Industry and Tourism and despite the provisions of Article 155 of the Basic Law, is entitled license which is considered to hold the qualifications to be appointed as company auditor for the purposes of the Basic Law:

Provided that the request is made within one year of the entry into force of the Companies (Amendment) (No.2) Act of 2003.”

05.02.2002 - Recognition of ICPAC

On 5th February 2002, the Council of Ministers decided, in accordance with Articles 155(C) and 155(D) of the Companies (Amendment) Act of 2001 (Law No. 76(I)/2001) to approve the recognition of the Institute of Certified Public Accountants of Cyprus (ICPAC).

30.04.2009 - Law providing for Statutory Audits of Annual and Consolidated Accounts by Statutory Auditors and Statutory Firms

On 30 April 2009, it has been adopted the Law providing for statutory audit of annual and consolidated accounts by statutory auditors and statutory audit firms (Law No. 42(I) /2009) in which the provisions of the Eighth Community Directive 2006/43/EC were transferred to the Cypriot legislation.

1. The Directive 2006/43/EC has the following objectives:

(a) Substantial, if not complete, harmonization of Member States' requirements for the statutory audit of annual and consolidated accounts. The Directive specifies that the statutory audit carries out only by persons authorized for this purpose and it regulates the terms and conditions under which such authorization may be granted, in accordance with the principles of mutual recognition of qualifications at Community level and conditions of reciprocity and equivalence in relation to third world countries.

(b) Ensuring a quality level of the statutory audit, by imposing obligations concerning the professional ethics of auditors, independence, objectivity, confidentiality, professional secrecy and the implementation of control standards. Any person, who carries out statutory audits of accounts, subject to a quality assurance system, to a system of investigation and sanctions and in public oversight system. The Directive also requires cooperation between the systems proposed to the Member States.

2. The scope of the law extends, so as to cover not only the meaning of "statutory audit" as attributed to the definition of this term in the Directive but also any kind of auditing required by law in force in the Republic. This ensures a high level of quality of the audit profession and an equivalent level of control for all the controlled entities in the Republic, regardless of their legal form, i.e. whether these are companies or cooperatives or cooperative societies etc.

3. Since the scope of the application of the Law excludes the statutory audit of accounts of legal person of public law, insofar as it is conducted by the Auditor General. Also, it is provided that the Audit Office of Cooperative Societies may carry out the statutory audit of the accounts of cooperative societies, as long as it complies with the law, excluding license collateral obligation.

4. The law, according to what provides this Directive for public oversight, provides for the appointment by the Council of Ministers of Public Oversight Commission, which has ultimate responsibility for the oversight of the audit profession and statutory audit.

5. Further, in the Law, it is introduced the liability of auditors limitation system based on the Recommendation [C (2008) 2274 final] of European Commission dated 5th June 2008, in accordance with Article 31 of Directive 2006/43/EC.

6. In the transitional provisions of the Law, they are remained in force, subject to certain conditions, those applied to date under the provisions of the Companies Act regarding the identification of persons as qualified to be appointed company auditors, the compliance of auditors registry by the Registrar of Companies, the recognition of the accountancy body and the adoption of regulations by a recognized accountancy body.

The force of the Law will start from the date when the Minister of Commerce, Industry and Tourism will set a notification to be published in the Gazette.

Source: Personal Archive

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