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The accounting profession in Egypt: Its origin and development

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Abstract

The purpose of this paper is to present a historical review of the evolution of accounting and the accounting profession in Egypt. Such a review aims at providing the perspectives necessary to understand and evaluate the contemporary scene. The origin of accounting practices in Egypt can be traced to ancient Egyptian civilization, and the temples exhibit paintings of early accounting records and activities. Modern accounting practices can be dated from November 1883, when Egypt adopted the Commerce ACT. In the ensuing 125 years (1883–2008), Egyptian accounting practice can be divided into three stages: record keeping (1883–1939); financial reporting under changing economic regimes (1939–1975); and the move to adopt international accounting standards in an attempt to liberalize and integrate the Egyptian economy into the global economy (1975–). Each one of these stages reflects the impact of the socioeconomic conditions prevailing at the time. The evolution of accounting in Egypt demonstrates its ability to adapt in response to changing conditions. While there are several lessons to be drawn, and their relevance is noted, it is especially important for the accounting profession to anticipate changes in order to be responsive, in a timely manner, to the changing needs of the society.

Keywords: Evolution; Accounting practices; Stages of development; Changing conditions; Responsiveness; Timely manner

1. Introduction

Accounting has played a large role in business throughout the world over time, and over space, and it bids fair to continue to give increasing service. The committee on Accounting History of the American Accounting Association has described accounting history as "... the

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study of the evolution in accounting thought, practices, and institutions in response to changes in the environment and societal needs" (1970. p. 53). This description indicates that the following relationships exist between accounting and its environment. First, since accounting serves the needs of society, accounting practices and development are shaped by the environment within which it operates. Second, as society progresses and adapts to new challenges accounting will do likewise (The Accounting Review, 1972).

Accounting writers have identified a wide range of environmental variables which can have significant influences on accounting: these include political, economic, social, cultural, and other factors (Radebaugh and Grey, 1997). Difficulties however, are often encountered, when attempts are made to observe and trace the relationship between accounting and its environment. For example, in any specific period of the accounting history of a nation, only certain environmental factors are relevant, and some are more influential than others. Further, a particular environmental factor might have an impact on accounting in one period. Since a given environmental factor may not remain continually relevant as society changes, examining the relationship between the environment and accounting becomes a more difficult task (King, 2006).

This paper investigates the evolution of accounting and the accounting profession in Egypt throughout the country's long history. A large number of significant political and economic events have been concentrated in the past 60 years, which is a relatively short period of time compared to Egypt's known history. Of special note is the fact that Egypt has been under foreign occupation of various kinds from the end of the era of its ancient civilization to 1954. Despite the eras of alien rule, the native Egyptian has recognized the existence of a fixed and unchanging territory that is Egypt, which has fixed natural boundaries, and which is a separate territory even when at the center of an empire or amalgamated into an empire as a province. Even before the age of national affinities Egyptians have had a clear sense of their country as a place with defined borders and a homogenous population (Al-Sayyid Marsot, 2007). The evolution of the accounting profession has been shaped largely by political and economic forces with little or no effect of factors such as changing of boundaries and a heterogeneous mix of population and cultures. Understanding the past is useful; it provides the needed perspective to influence the direction and future trend of the profession.

2. Political developments

2.1. The period B.C. to 639 A.D.

Up to about 4400 B.C. the evidence indicates that the Egyptian population lived in egalitarian, tribal arrangements. The main economic activities were hunting, fishing, and gathering. This tribal society was a nonexchange, nonpropertied society that followed the rule of hospitality — everyone had a right to subsistence produced collectively by its members. Such a society was nonpolitical in that no authority existed independent of the population as a whole.

By the period 3200 B.C.–3000 B.C. this tribal society had been transformed into an agricultural society. As agriculture continued to develop and the unification of Upper and Lower Egypt was completed (around 3000 B.C.), it becomes clear that the whole Nile Valley would have to be brought under some supra-tribal control so that local villages spread along the river could utilize the flow of the Nile on which they all were dependent.

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Pharaonic Egypt was organized around a system of phyles. These social units were based on the clan structure of the previous tribal society and which continued to form the foundation of class society in the post-3000 B.C. period. Initially, the administrators of the economy were all related (kin) to the king. As the bureaucracy grew, nonclan individuals were brought in to serve in the administration of the economic and political arrangements of the kingdom. The phyles developed into bureaucratic mechanisms that organized large numbers of people for tasks as varied as building pyramids and washing and dressing the statue of a dead king (Tompkins, 1971).

Under the new social organization, tribal obligations were converted into levies or taxes. The economic unit taxed was not the individual but the village. The tax level on the village was not arbitrarily assigned by the king and priests. Rather tax assessors and collectors (scribes) met with the village chief, who would assemble the village council, to negotiate the tax. Supervising all the local or regional scribes, and assuring both competence and honesty in this process, was a vizier who exercised central authority in the name of the king (Bruval and Hancock, 1996).

The economic surplus collected in the form of taxes was directed toward the priests who then redistributed some portion through the various levels of the bureaucracy, the temple artisans, and the workers who labored on the various religious and hydraulic projects. The priests, of course, would claim the lion's share. In addition to the portion of the surplus collected as taxes, the king also collected royal gifts as a form of tribute from foreign populations. As the goods that formed this income could be in the same form as the income that flowed from the internal population, but was the property of the king proper, it had to be kept apart from the internally generated income. This required the development of an elaborate accounting system that recorded both assessments and payments and kept royal gifts separate from taxes (Littleton and Yamey, 1956).

This Pharonic period ended when Alexander the Great conquered Egypt in 332 BC. Egypt remained part of the Greek Empire and later the Ptolemais until 30 BC at which time it became a part of the Roman Empire. Egypt served as a major producer of grain for both the Greek and Roman Empires and its wealth was harnessed for the imperial wars. In the fourth century A.D. the Roman Empire was divided in two. Egypt was part of the Eastern Empire (Byzantine), with Constantinople as its capitol. The fall of the Western Empire in the fifth century A.D. further isolated the Egyptian Romans from Rome's culture and hastened the growth of Christianity. One consequence of the triumph of Christianity was the final suppression and demise of the Egyptian indigenous culture: with the disappearance of the Egyptian priests and priestesses who officiated at the temples, no one could read the hieroglyphics of Pharaonic Egypt, and its temples were converted to churches or abandoned to the desert.

2.2. The 639–1952 era

Moslem Arab armies invaded and conquered Egypt in 639 AD. Egypt was then a province of the Byzantine Empire, ruled by a governor residing in Alexandria, the capital city. The inhabitants of Egypt, who were Monophysite Christians known as Copts, differed from the Mel kite Christian Byzantines, who regarded Monophysite sects as heretical and treated them accordingly. The Egyptians resented the Byzantine domination of their country, the burden of heresy that was laid upon them, and the heavy taxation. Alienation of the population from their rulers was the hallmark of that period, as it was to be during successive periods due to differences in language, religion or ethnicity between rulers and ruled.

The Byzantine attempts to recapture Egypt failed and by 641 the whole of Egypt was incorporated within the expanding Moslem Arab Empire. A new form of government and administration was gradually imposed. While conversion to Islam was voluntary, the Arabic language gradually replaced the Coptic language which became a liturgical language known only to priests and monks. The application of Islamic laws gave a special focus to the concepts of wealth and the increase in wealth as these were the basis for the calculation of Zakaa (taxes on capital and income), and for the application of the Islamic inheritance code.

The various Arab regimes which ruled Egypt ended with the Mamluks age which started in 1250 and ended in 1516. Throughout the period, wars, in-fights, and plagues affected Egypt's economic condition and trade despite some periods of prosperity. The Ottomans defeated the Mamluks and entered the city of Cairo on January 23, 1517. Egypt was to become an Ottoman province and remain vassal to the Ottomans until 1914. Once more Egypt was relegated to the status of a mere province within a larger empire, an empire that was similar in religion but different in language and ethnicity. The Ottomans did not subdivide Egypt into separate provinces; they maintained it as one entity.

During the Ottoman era, the French occupation of Egypt at the hands of Napoleon Bonaparte took place in 1798 with the intention of setting up a French colony. However, the French never managed to establish control over the whole country and ended by controlling little more than the capital and parts of the delta. Their situation in Egypt was generally precarious. The French fleet was sunk by Lord Nelson in the Bay of Abu Qir, the campaign of Acre was a disaster, and plague devastated the army in Palestine. The Ottomans, in conjunction with the British, organized an expedition to oust the French in 1801. The Anglo-Ottoman forces managed to force the French to evacuate the country and left the Ottomans in nominal control. Mohamed Ali, an obscure Turk from the city of Kavala, and the commander-in-chief of the Albanian wing of the Ottoman forces, became governor of Egypt in 1805. He kept that position until 1848. He founded a dynasty that was to rule Egypt until the Nasser Revolution of 1952. He is credited with great success in starting a process of modernization and developing all aspects of Egyptian society, the economy, and the public administration system.

The Ottomans during the reign of Ishmael (1863–79) recognized the governor of Egypt as khedive, a Persian word meaning ruler. This new title was meant to differentiate between his position and that of the Ottoman governors of provinces who did not possess the same degree of autonomy. The successor of Ishmael, khedive Tawfiq, invited the British army to occupy Egypt in order to restore his authority and quell the emerging revolt that was demanding a constitutional form of government. He expected the British forces to withdraw from the country after quelling the rebellion. Instead, the British occupation of Egypt lasted until 1954, despite the nominal independence status which was declared in 1922. According to the Egyptians, the two major ills of the British occupation were: keeping the populous uneducated to justify a continued occupation and killing-off Egyptian industry in favor of lop-sided agricultural development needed for British industries.

2.3. The period 1952 to present

The Nasser Revolution of 1952 marked the first time in over two thousand years, since the days of the Pharaohs, that Egypt was ruled by Egyptians. The new regime was one with which the majority of native Egyptians could identify in terms of religion, language, and ethnicity. Since 1952 and despite the wars of 1956, 1967, and 1973, Egypt had gone through more major political, economic, and social transformation than during any corresponding period in its modern history. These include:

- The establishment of a Republican system in place of the Royal one;
- The nationalization of the Suez Canal, the construction of the High Dam; and the emphasis on growth coupled with equity;
- The adoption of state socialism to replace the feudal/capitalist system and the subsequent return to a free market-based economy;
- The fast growth of population and a change in attitude about leaving Egypt to work abroad;
- The conclusion of a peace treaty with Israel.

3. Economic developments

3.1. The agrarian/private sector economy

Since the beginning of its history, the agriculture sector has been the most important economic sector in Egypt, providing food for consumption, commodities for exports, and employment for the population. While contemporary Egypt is an overpopulated country, this was not always the case. Mohamed Ali was constantly struggling with a shortage of men to work his fields, maintain the irrigation works and industrial establishments, and fight in his army. As late as the 1860s, large-scale immigration of Italians, Chinese, and other labor was seriously considered. By the turn of the century population growth resumed, and, by 1907, 70% of total employment in the economy was concentrated in the agricultural sector which accounted for 50% of the national income (Mead, 1967, 5).

Agriculture continued to play a consistent and predominant role in terms of income and employment during the first three decades of the twentieth century. Since the 1930s, the basic characteristic of the growth in economy has been one of structural transformation. In absolute terms, agriculture has retained a primary role in the economy, but the major impetus for growth has come from the manufacturing and services sector (Mead, 1967, 16–17). However, about 60% of all industry and trade was owned by foreigners at the time of the 1952 revolution.

3.2. The planned/socialist economy

As a consequence of the 1956 Suez war, a large number of aliens were deported from Egypt, especially British and French, nationals and their properties were nationalized. A majority of the Greek and Italian communities, who had been residents of Egypt for a long time, also left in the wake of the British and French as they felt their economic position in the country was threatened by the rising wave of nationalist feeling. In 1961, a new set of economic regulations changed the economic course of the country, redirecting it along a socialist path. While the nationalization of all banks, insurance companies, and almost all manufacturing companies created a large public sector, which proved difficult to manage efficiently, it also created a new welfare state that raised the living standard of the population, particularly the working classes.

To supervise the 438 public enterprises that existed in 1961, the government formed 39 general organizations, which were, in turn, supervised by the sectoral ministries. Production quotas, financial allocations, and senior appointments were controlled by the ministries, and public enterprises were evaluated on the basis of their ability to meet strategic needs, such as reducing imports, providing employment, meeting production targets, and promoting regional development. Profits, returns on investment, efficiency, and cost competitiveness became matters of secondary concern.

After more than a decade of mixed economic performance by the public enterprises, and in response to a worsening balance of payments problem, a new open-door policy to liberalize the economy was initiated in 1974, following the end of the 1973 war with Israel. The most important laws that followed the open-door policy were law 43 of 1974 and law 32 of 1979. Law 43 encouraged private investment, particularly by foreign investors. It also emphasized the revitalization of the public sector through competition with foreign-owned projects or through joint ventures with them. Any project under law 43 was automatically considered to be in the private sector, even if a public enterprise had a majority share in its equity. The existing laws for labor, profit-sharing, salary ceilings, and labor representation on management boards applicable to public enterprises would not apply. Law 32 liberalized the foreign-exchange controls in law 43 and thus improved the private sector investment climate significantly.

3.3. The return to a market-based economy

Egypt achieved unprecedented economic growth during the period 1975–85, following the adoption of open-door policies and boosted by sizable increases in foreign assistance, workers remittances, and foreign direct investment. The rapid growth came to an end in 1986 as a result of the limitation of a still inward-looking growth strategy, and a regional slowdown following the decline in oil prices. Stagnation and severe macroeconomic imbalances emerged. Both poverty and unemployment increased (The World Bank, 1997). The Government of Egypt responded by adopting, since 1991, adjustment policies to stabilize the economy and restore growth. The objective has been to move away from a public-sector-led and inward-looking development strategy to one based on exports and the private sector. The IMF, the World Bank, and the international community extended support to these policies including debt-relief arrangements (The World Bank, 2007).

The stabilizations and reform policies, pursued since 1991, have been successful and by mid-2004, the reform process picked up speed and intensity. The target growth rate for GDP in 2008 is set at 7%. However, the growth of output over the last decade, though significantly improved, remains below the level required to absorb labor-force growth. Egypt is still lagging in the area of employment creation, resulting in continued concern over rising unemployment. Despite problems, the Egyptian economy is emerging as a fully

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fledged market economy that in integrated, not isolated, from the global economy (Kheir-El-Din, 2008).

4. Accounting developments

4.1. The period B.C to 1883

There is evidence that the art of record keeping and accounting was practiced in ancient Egypt. As noted earlier, Egyptian scribes performed the essential accounting functions of their day. By our standards those functions were relatively simple but they were truly essential. The tithes or tributes extracted by the ruling, theocratic class were faithfully recorded in regard to both quantity (quality) and value. Temples, such as KARNAK, have paintings and pictographics, that provide an accurate and detailed accounting of gifts received in kind or in monetary units, whether for taxes or for religious tribute. These serve as detailed records for that time (Littleton and Zimmerman, 1962).

A study of the "Heroninos archive," the name given by papyrologists to a huge collection of documents, mostly letters, but also including a fair number of accounts, which comes from the Fayoum area of Egypt and dates to the third Century A.D., was published in 1991 by Rathbone. The bulk of the documents relates to the running of a large, private estate. While recognizing that definitive proof is as yet lacking, Rathbone believes that the system of accounting used to manage the estate and measure the monetary profitability of each of its units is the most sophisticated presently known from the Graeco–Roman world. Such conclusions run counter to the conventional picture of accounting in the ancient world as being exceedingly rudimentary, limited to a listing of receipts and expenditures (Holzer et al., 1984).

Most accounting historians agree that ancient civilizations, such as Egypt developed bookkeeping as a sort of "stores accounting" which merely provides an inventory of what property was available. These civilizations were based on an agricultural economy that relied on a large slave or serf class which had no purchasing power; barter was the usual method of exchange, and traders were hardly more than "peddlers." The wealth of the ancient civilizations was static, taking the form of palaces rather than productive capital (Littleton, 1961).

The limited use of recordkeeping continued through the first Millennium A.D., as long as agriculture was the main sector of the economy and the need for information was limited. However, the antecedents of double-entry bookkeeping – those factors, identified by Littleton in 1927 which in time became so interwoven as to render double entry inevitable – were all there in the first half of the second Millennium. These included the art of writing, since bookkeeping is before all else a record; arithmetic, since bookkeeping is a sequence of simple computations, even though they are cast into certain forms; private property, since bookkeeping is concerned only with recording the facts about property and property rights; money (i.e., a money economy), since bookkeeping is useless except as it reduces all transactions in properties or property rights to a common denominator; credit, since there would be little impulse to make any record if all transactions were completed and closed on the spot; commerce, since a merely local trade would never have created enough pressure (volume of business) to stimulate men to coordinate various ideas into a system; capital, since without capital, commerce would be trivial and credit would be inconceivable (Littleton, 1953).

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The use of the Arabic numerals and methods of computation, which were introduced into Europe in book form by Leonardo of Pisa, must have been used in Egypt much earlier. In addition, the double-entry bookkeeping which is credited to Paciolo's text of 1494 seem to have been preceded by a comprehensive accounting text which used a form of double entry by Abdallah El Mazindari in 1363. This book, which was not commercially published as Paciolo's book, is among the book collection at Sultan Sulaiman the Lawgiver's library in Istanbul (Zaid, 1995). Double-entry bookkeeping, therefore, must had been adopted in Egypt around the same time it was found in the Italian cities.

4.2. The period 1883–1961

The first landmark in the development of the "modern" accounting profession in Egypt occurred in November 1883 when the commerce act was issued. This act required the maintenance of the following books:

- The General Journal;
- An Inventory Book;
- A Record of Business Correspondence.

As a result of this act, a category of bookkeepers (clerks) emerged but no formal qualifications were required. The Income Tax Act (Act 14 for 1939) requested all firms to submit financial statements supporting income tax returns to avoid ad-hoc assessments. Subsequent legislation in 1953 and 1954 streamlined the accounting information needed to be maintained and required that the auditor state his opinion about the adequacy of the accounting system followed in the entity being audited. The demand for accounting and auditing services started in 1939 and has intensified since, but the supply of qualified professionals was limited since there were few graduates from the universities. The gap has been filled by the foreign community living in Egypt. Since most of the productive assets during this period were owned by non-Egyptians, the accounting practices followed were generally those of the country of origin of the owner — e.g., Greek, Italians, French, British, etc. The involvement of Egyptians in the provision of public accounting services was very limited, indeed.

The Egyptian Royal Society for accountants and auditors, established in 1946, along the lines of its counterpart in the United Kingdom, was the first and only organization for professional accountants in Egypt. To become a member one had to pass comprehensive exams in accounting and auditing. In 1951 the first act organizing accounting and auditing practices in Egypt was issued. Under this act, a registry was set and a committee was formed in the Ministry of Finance to review applications and grant licenses to practice accounting and auditing. The adoption of this act and the rise of the national feelings after the 1952 revolution increased the number of professional accountants and led to the passage of Act 394 in 1955, which established the Syndicate for Accountants and Auditors. This was another landmark in the development of the profession since it granted accountants a needed sense of pride and the incentive to develop their profession. This act coincided with the economic measures to nationalize foreign assets following the Suez war of 1956. In 1958 the syndicate issued the code of professional conduct and ethics for practicing accountants and auditors. This was a major achievement in the development of the profession.

4.3. The period 1961–1973

The comprehensive nationalization measures of 1961, and the creation of the public sector as the dominant and leading sector in the economy, necessitated information which was not available from the accounting systems then in use. The need for a standardized accounting system was recognized and work to develop such a system was started in 1961 and completed in 1966. The system was to be adopted by all public-sector units by the fiscal year starting in July 1967 (The Central Accounting Office, 1976). The Central Accounting Office, which was the leading agency in the preparation of the system, was responsible for its implementation and monitoring.

The standardized accounting system unified the following for all public-sector companies:

- The Fiscal Year or the Accounting Period
- The Chart of Accounts
- The Accounting Terms, Definitions, Rules, and Principles
- The Accounts and the Statements
- The Budget.

The system was designed to provide flexibility to accommodate the diverse nature of the operations of the public enterprises. The information generated by the system was deemed useful for the management, monitoring, and control of the operating units, economic sectors, and the economy at large. It represented a major innovation at the time by making operating units provide the following reports at the end of each accounting period:

- The Balance Sheet
- The Sources and Uses Statements
- Current Operations Account
- Production and Trading Account
- Profit and Loss Account
- Cash Flow Account by Type of Currency.

The design of these annual reports was consistent with the design of the annual budgets of the entities to permit the evaluation of their performance.

Since the audit function was performed by the Central Accounting Office for all the public-sector companies, the scope for work for accountants outside the public sector became quite limited. The Egyptian Royal Society for Accountants and Auditors was dissolved in 1964 and the syndicate of accountants and auditors was merged as a unit into the Syndicate for the Graduates of Commerce Schools.

4.4. The period 1973–present

The process of transforming the Egyptian economy to a market economy, which started after the 1973 war implied a sustained decline in the role of the public sector vis-à-vis the private sector. There were no GAAP or GAAS to follow and the profession followed whatever each auditor believed to be the fair and acceptable standard. It was almost a return to the period preceding the nationalization measures of 1961. As the structural adjustments of the economy accelerated, foreign capital inflows increased, and the Capital Market Authority (CMA) act was passed in 1992, it became necessary to adopt a set of accounting and auditing standards. Egypt adopted international accounting standards, after translation to Arabic, and in 1997 Ministerial Decree No. 503 was issued as a binding obligation on the profession. Subsequent revisions were also made by Ministerial Decrees, and the current standards, totaling 39, were issued in 2006. The public-sector companies were asked to follow the same standards and, as of July 1, 2007, the Egyptian standardized accounting system came to an end.

The acceptability and applicability of the Egyptian Accounting Standards, EAS, were enhanced by the new tax code — No. 91 of 2005. This code made accounting income calculated according to EAS the basis for determining taxable income. Moreover, the Capital Market Authority monitors adherence to the EAS by the 700 listed public companies on the exchange. The 2002 Annual Report of the CMA lists a significant number of accounting and auditing malpractices in the financial reports of listed companies. It was noted that these malpractices reflected either the desire to manipulate the results or a lack of understanding of accounting standards (PP.47–53). As accounting and auditing malpractices continued, the CMA established in July 2008 a unit to review the quality of audit work and the professional conduct of auditors. The unit is expected to reduce or eliminate malpractice and enhance compliance with accounting and auditing standards (The Capital Market Authority, 1976).

The Egyptian Society for Accountants and Auditors (ESAA) emerged again in 1977 and continued the mission of the former Royal Society. At the end of 2007, the total membership of ESAA reached 1372 of which 482 are nonpracticing. The ESAA is drafting a new code of conduct to be issued by the Ministry of Finance. Egypt adopted the International Auditing Standards, after translation, as of September 1, 2008. Training programs in international accounting and auditing standards are being conducted by ESAA for its members and non-members. ESAA is the only representative of Egypt in IFAC (The Egyptian Society for Accountants and Auditors, 2007).

International accounting firms formed partnerships with the small number of leading Egyptian firms making this a difficult market for new, small, domestic firms to enter or survive. In an effort to increase the supply of qualified accountants, ESAA and ACCA have agreed to facilitate the process for ESAA members to become members of ACCA after passing the required exams. The British ACCA and the American CPA are the two foreign qualifications some Egyptian accountants try to obtain. There is a general belief that such qualifications are more valuable than the domestic one as it opens career possibilities abroad and with international accounting firms.

There are around 25,000 accountants who have registered at the Ministry of Finance. No exams are required for registration but it is necessary to have a relevant academic degree. The Syndicate of Accountants and Auditors did not make a comeback and a draft code organizing the practice of accounting has been in the making for the past ten years, leaving the 1951 code as the only applicable code. In November 1983, and with support from the USAID, the Egyptian Institute for Accountants and Auditors was established (EIAA) to

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promote the profession and the skills of its members. After a good start – providing computer skills and conducting seminars in contemporary accounting issues – the impact of the EIAA has been quite limited.

In summary, the major economic changes which have occurred in Egypt since the mid-1970s have had three major impacts on accounting. First, the objective of accounting has changed from serving the needs of a centrally planned and controlled economy to serving the needs of a market-oriented economy. Second, the accounting system applied in most operating enterprise has changed from an Egyptian standardized accounting system to one based on international accounting standards. Third, the users of accounting information have expanded from the government as the sole user to multiple and diverse user groups. The accounting profession, defined in a broad sense to include all organizations, firms, academic institutions, and scholars, did not seem to anticipate the changes and coped with their effects in an ad-hoc rather than a comprehensive manner. A full assessment of the cumulative effect of developments in the economy on the accounting profession has not yet been made.

5. Conclusions and recommendations

The review of the evolution of the accounting profession reveals that its response to the changing conditions in Egyptian society has always been slow, incomplete, and fragmented. Aside from the two decades of the 1950s and 1960s, the profession has not led the way or acted in a timely fashion to meet the challenges demanded by a changing environment, as demonstrated by the developments since the mid 1970s.

In order for the profession to be in a position to manage change rather than react to it, an independent institution devoted to long-range planning and accounting policy research needs to be established. The institution should bring together diverse disciplines such as law, economics, information and computer sciences, statistics, policy analysis, psychology, and political science to analyze and shape the profession's problems and prospects. A long-term plan to meet the expanding needs of a private economy as it interconnects with the global economy is needed. The plan should focus on the key ingredients of any profession, namely:

- Education requirements and curriculum development;
- Training needs of new graduates;
- Professional exams and the licensing process;
- Continuous education programs for practitioners;
- Professional associations and their roles;
- Code of ethics and conduct to be followed and enforced;
- Responsibility for the interpretations and maintenance of the accounting and auditing standards.

Such a plan, if and when developed, should not be in the domain of the government or any of its ministries. In an economy based on the private sector, it is preferable that the government not manage the accounting profession. Moreover, the profession needs to establish links with its counterparts in neighboring countries to encourage joint activities

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such as training; development of material, and case studies; joint audits; and peer reviews, which will enhance the performance of all.

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