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Accounting meets politics: theoretical interpretation of key events (1940 to 2003) of the accounting profession in Australia

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Abstract

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ACCOUNTING MEETS POLITICS: THEORETICAL INTERPRETATION OF KEY EVENTS (1940–2003) OF THE ACCOUNTING PROFESSION IN AUSTRALIA

[abstract]
This paper examines some key developments in the Australian accounting profession and the changing nature of the authoritative influence of that profession on accounting and auditing activities. The purpose of this investigation is to demonstrate the shift in power between the political constituent (the government) and the accounting profession. The paper attempts to demonstrate how the corporatist view can help us understand the social nature of accounting and how the accounting profession can gain a greater awareness of this reality. Finally, the paper questions whether the accounting profession in Australia has entered an episode of liberal ideals imposed by the government.

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Two major factors provided the impetus for this paper's analysis of the current power structure in the Australian accounting profession. First, corporate collapses in Australia have called into question the credibility of the profession. Second, increasing government intervention aimed at further regulating the financial affairs of corporations warrants an examination of the existing structures in the accounting profession to determine what would compel such intervention.

The aim of this paper is to analyse the restructuring of power relationship between the accounting profession and the government from 1940 to the present. Robson and Cooper (1989) argue that the notion of power is problematic. They point out that there are a number of ways to approach this notion, with each approach emphasising a particular aspect of power. For the purposes of this study, the definition adopted is provided by Benfari *et al* (1995, p. 75), who define power as "the capacity to influence the behaviour of others". Observing the context of social relationships, and the outcomes of attempts to exert influence, is one way of assessing the effectiveness of the use of power. In using this approach, this paper seeks to understand how the power relationship between the government and the accounting profession has been influenced by major events in society such as corporate collapses.

THEORETICAL FRAMEWORK

Jackson (1982, p. 74) defines political economy theory as "the study of the interplay of power, the goals of power wielders and the productive exchange systems within an economy". In the political economy model, the social order consists of four types of institutional constituents. The social constituent is the general community, which is in a mutually dependent relationship with the other three institutional constituents (Emerson 1962). According to the model used by Streeck and Schmitter (1985), in addition to the community, market and government (or bureaucracy), there is a fourth constituent in industrialised developed nations that influences the direction of a society, the "corporative association".

Schmitter (1979, p. 13) defines corporatism as "a system of interest representation in which the units of a constituent are organised into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories". These categories, represented by corporative associations, are recognised or licensed (if not created) by the government and are granted a representational monopoly in their respective categories. In return, the corporative associations agree to observe certain rules concerning their selection of leaders, and to articulate government demands and support government policy decisions.

Corporatism represents an attempt to understand the reciprocal relationships that have developed between the government and major organised interest groups, such as corporative associations. It is the name used to describe the process of negotiating policy arrangements between government agencies and interest groups. These policy agreements are implemented by collaborating with organised interest groups (Grant 1985). The corporatist approach stands in contrast to the pluralist view, which views influence over government decision-making as being widely dispersed due to the wide range of organisational interests. In the pluralist model, influence rests in the hands of many, whereas in the corporatist model influence necessarily rests with the few (Williamson 1989).

Corporative associations must be willing and able to secure the compliance of their respective members to deliver the desired outcomes for their benefiting constituency (Chubb 1983). Both the government and corporative associations take the lead in these arrangements, with both parties seeking each other out at different times (Schmitter 1979). This is because corporatist arrangements are an unintended yet necessary outcome of different conflicts and policy crises where neither the government nor interest groups are capable of imposing their own solution upon the other (Grant 1985).

Schmitter (1985) states that four reasons explain the difficulty of imposing preferred solutions by corporatist associations on other institutional constituents. First, interest groups cannot attain the status of monopoly constituents, or form comprehensive hierarchies of sectors, without some degree of official recognition or encouragement. Second, public officials need to tacitly agree with, or actively promote, interest groups in order for them to become regular, integral participants in the policy-making process, or to acquire direct responsibilities in policy implementation. Third, an affected group (interest groups or the government) may refuse to organise appropriately, or may even refuse to participate, if it finds that the cost of collaboration is too high. Fourth, government officials are on the whole unenthusiastic about sharing the power of decision-making with interest groups. Therefore, to understand the changing nature and relative power of corporative associations, it is necessary to comprehend the relationships between the political forces shaping the behaviour of these associations, and the influence that corporative associations have on political constituents interacting with them (Grant 1985).

Several characteristics of the accounting profession in Australia make it consistent with the definition of a corporative association. First, the profession is defined and held together by the goal of defending and promoting its functionally defined interests. Functionally defined interests are the group norms of a collective actor that works in coalition to negotiate with political constituents or to resist pressure exerted on it by government. Group norms are specifications of behaviour that all group members expect of each other (Emerson 1962). The accounting profession secures its existence by negotiating between a limited set of interest organisations that mutually recognise each other's status and interests (Kirkham 1992). As will be outlined later in this paper, the two accountancy bodies, CPA Australia (CPAA) and the Institute of Chartered Accountants in Australia (ICAA), negotiate with the government as a singular corporative association representing singular and non-competitive interests, rather than as a fractured corporative association.

The second characteristic that defines the Australian accounting profession as a corporative association is that it reaches and implements relatively stable compromises as a means of negotiating its power with the government and, in doing so, of pursuing its interests. Stable compromises are actions taken by the corporative association to develop inter-organisational trust backed by devolved public authority (Schmitter 1985). The push for stable compromises is primarily motivated by the needs of the Australian accounting profession to receive resources and approval for its existence from political constituents (Chubb 1983).

Third, as is normally the case with members of corporative associations, the motives of individual members of the accounting profession are less visible to the public, since members have to surrender their individual interests in exchange for accepting compromised, longer-term and more negotiated obligations imposed by the professional associations (Noguchi 2002, Streeck and Schmitter 1985). Fourth, the accounting profession enjoys a monopolistic position. Members of the accounting profession are licensed by relevant government-sponsored professional associations to exercise their skills based on specialist knowledge. Finally, the profession acts in an altruistic manner and with sensitivity to public demands (such as requiring members to follow a code of ethics) in exchange for the right to maintain its monopolistic position (Noguchi 2002).

Nevertheless, according to Streeck and Schmitter (1985), selectively giving advantage to some interest groups over others through the formation of corporative associations (such as the accounting profession) leads to arbitrary standards, lack of public accountability and disproportional equality. The accounting techniques used by the accounting profession, it is argued, owe more to the patronage of their interests groups rather than to any independent scholarly criteria. Therefore, there will come a time these rules can be dismantled by government officials, who are wary of the excessive authority of the association, by simply outlawing these techniques through mechanisms of the law. The government is a powerful entity, able to pursue its own autonomous interests by virtue of its size, complexity and bureaucratic power (Noguchi 2002). Further, the mechanisms of law can help attain economic growth within a socially acceptable framework while restructuring the inevitable inequalities created by the activities of corporative associations (Hopwood 1983, Isaak 1991).

Instances of shifts in the balance of power between the accounting profession and the government, as a result of the corporatist ideals and aspirations of the profession, have been observed in the UK (Noguchi 2002, Walker and Shackleton 1995), Greece (Caramanis 2005) and Portugal (Rodrigues *et al* 2003). These studies, which highlight the embedded social nature of accounting, will be discussed later in this paper.

CHANGES IN THE POWER OF THE PROFESSION (1940s–2000)

A discussion of the historical development of the accounting profession in Australia from the 1940s to the year 2000 points to a series of events that strengthened the profession's authoritative position, and another series of events that weakened that position.

Table 1 shows the relative forces of the political and corporative association constituents from the 1940s to the year 2000. The configuration of forces can be divided into four distinct periods and the shift in forces can be attributed to actions undertaken by the accounting profession. In the period between the 1940s and the 1970s, the profession reinforced its functionally defined interests in order to increase its own position of power. However, the subsequent three periods were characterised by the diminishing power of the profession. During the 1980s, the political constituent (the government) demanded that the accounting profession restructure the inevitable inequalities created by the implementation of its arbitrary standards. In the early 1990s, the profession offered stable compromises to the government in order to ensure its own continued existence. Finally, in the late 1990s, the government began to openly question the legitimacy of accounting techniques.

[TABLE 1 ABOUT HERE]

1940s to 1970s: Reinforcement of functionally defined interests

According to Birkett and Walker (1962), in the period between 1946 and the late 1970s the accounting bodies in Australia confirmed their common purpose to defend and promote their functionally defined interests in order to consolidate their power. The three means to be used for this purpose were:

- mobilising the collaborative influence of the Institute of Chartered Accountants in England and Wales (ICAEW) along with the ICAA;
- the CPAA and ICAA combining forces to form the Australian Accounting Research Foundation (AARF); and
- the creation of the Australian Accounting Standards Committee (AASC), jointly by the CPAA and ICAA, and under the auspices of AARF.

Based on recommendations made by the ICAEW in 1942, the ICAA issued a series of five "recommendations on accounting principles" in 1946. These recommendations were later incorporated into the Victorian Companies Act 1938, which provided guidelines for the preparation of company income statements and balance sheets (Heazlewood 2002). This act helped reinforce the functionally defined interests of the accounting profession by seeking technical knowledge from ICAEW to influence the Victorian state government.

The spectacular crashes in the early 1960s of Australian firms that had declared profits on the basis of unqualified audit reports raised concerns about the integrity of financial reporting (Birkett and Walker 1971, Chua and Sinclair 1994). According to Birkett and Walker, ever since the creation of the joint stock companies that had flourished from the seventeenth century, countries such as the UK had from time to time experienced major corporate collapses. In contrast, the Australian crashes in the 1960s were the first of their kind and raised concern in the Australian accounting profession. Until these crashes, the two Australian accounting bodies, the CPAA and ICAA, had operated separate accounting principles committees. However, in 1973, the CPAA and ICAA agreed to form one committee called the AASC, to operate under the auspices of the AARF, with a view to defending and promoting their functionally defined interests. The accounting standards board of the AARF became responsible for the preparation of accounting standards. In the late 1970s, these accounting standards were given statutory support (Heazlewood 2002), a move that increased the power of the accounting profession.

Early 1980s: The re-structuring of inevitable inequalities

The next period, covering the early 1980s, was characterised by three major events. First, the government created the Accounting Standards Review Board (ASRB) to review accounting standards set for the private sector. Second, the government-backed ASRB refused to offer accountants a majority of positions on its board. Third was the creation of the Public Sector Accounting Standards Board (PSASB), whose task would be to set accounting standards for non-private-sector reporting entities.

This rise in the authority of the accounting profession experienced its first major reversal in 1984, when the ASRB was established under the auspices of a statutory regulatory body called the National Companies and Securities Commission (NCSC, now ASIC, the Australian Companies and Investments Commission). The main function of this board was to enforce compliance by firms with accounting standards, and to adapt accounting standards to private-sector needs (Collett *et al* 2000). The preferred position of the accounting profession, which was to fill the ASRB with a majority of accountants nominated by the accounting profession, was rejected, creating the situation where the government would ultimately be recognising the standards developed by a body not controlled by the accounting profession (Heazlewood 2002). As Streek and Schmitter (1985) suggest, in this period the government began to question the legitimacy of the techniques and the exclusive power of the profession in establishing and shaping accounting standards.

The accounting profession countered the decrease in its power, to some extent, by extending its accounting standard-setting function to the public sector through the formation of the PSASB under the AARF. This was in response to government demands that the profession ensure that financial reporting and management in the public sector was of a high, standardised quality (Chua and Sinclair 1994, Collett *et al* 2000). The creation of the PSASB led to further collaboration between the ASRB, controlled by the government, and the AARF, controlled by the accounting profession, to produce a common set of accounting standards for both the private and public sectors, with both the government and the accounting profession maintaining a temporary negotiated power balance (Heazlewood 2002). Thus the accounting profession attempted to reach, and then successfully implemented, a relatively stable compromise. As Cooper *et al* (1989) have argued in their study of corporatism in the UK, it was necessary for the accounting profession to compromise with the government in order to retain its monopoly on accounting and audit regulatory services.

Early 1990s: offering stable compromises

In the 1990s, the accounting profession attempted to present financial reporting in a more logical and consistent fashion. In adopting a “conceptual framework of accounting”, the profession offered a further compromise to the government. However, the profession was criticised by other constituents for its adoption of the American conceptual framework as the basis of this new framework. This framework was criticised for being compromised and flawed in its development, for its focus on cashflow and for its normative approach. The accounting profession was also criticised for the process whereby it had arrived at its revised framework.

Although the framework is easy to define, securing “truth and fairness” in financial reporting is as difficult as securing a system of justice for all (Sundgaard 1999). Other authors have argued that its acceptance would imply that the origin of profit is capital rather than unpaid

productive labour. This assumption provided an unquestioned basis on which to theorise accounting which was consistent with the institutional dynamics to sustain the accounting conceptual framework (Bryer 1999a, 1999b, Robson 1999, Whittington 1999). Samuelson (1999) states that the conceptual framework defines an asset as based on prospective cash inflows. It represents the measurement attribute as either net realisable value or discounted present value. Instead, Samuelson argues, the utility of an asset in production or exchange should define its value.

The framework was structured as an inter-related set of propositions and observations that provide a logical foundation for deducing what accounting principles ought to be (ASRB/AARF 1990). These principles should be empirically tested before their introduction to ascertain whether they result in greater accuracy in financial reporting. Divided opinion about the nature of a "true and fair view" also led proponents of the conceptual framework to assert that application of the qualitative characteristics of the framework and accounting standards would lead to a "true and fair view" (Cairns 2001). Laughlin and Puxty (1983), however, suggest that there is a need for a richer and fuller conceptual framework than that which was suggested.

Cairns (2001) points out that the conceptual framework is least satisfactory with regard to measurement and capital maintenance. It also eliminates the possibility of recognising provisions that may adversely affect solvency and capital maintenance. In the new and revised accounting standards, wherever there is reference to an active market the standard-setters have mandated using the net market value as a basis for measurement. Where there is no active market, they have mandated either the historical cost or the net present value. The historical cost, although a reliable measurement, might not provide relevant information (Lashinsky 1999).

Heazlewood (2002) states that the formal withdrawal of SAC 4 and its mandatory status together with removal of mandatory status of SAC 1, SAC 2 and SAC 3 in December 1993 can be viewed as a break point in the regulation process. It represented the point where business interests, in particular the Group of 100 (senior finance executives of the top 100 listed firms in Australia) and the Business Council of Australia, succeeded in seizing the initiative from the accounting profession.

This attempt by the accounting profession to present financial reporting in a more consistent and logical framework was partly an attempt to address the public's view of accounting as purely "objective" and dealing with numbers. It was also inspired by the view in the accounting profession that "rules" and "uniformity" could provide solutions to the problems of subjectivity (Merino and Mayper 2002). Since the previously designed accounting "rules" had been manipulated by firms (Rogers and Menon 1985, Kohler 1991, Knight and Beyer 1991), the accounting profession inclined towards designing a "uniform" set of principles for financial reporting (Rowles 1991), by initiating a new conceptual framework. According to Hines (1989), this was a strategic manoeuvre aimed at providing a compromise that would secure the credibility of the accounting profession during periods of competition, or when it was threatened by government intervention. Thus, the meaning and significance of the attempt to overhaul the conceptual framework of accounting was clearly more social than technical (Hines 1991).

The flawed technical nature of the American conceptual framework is established in the previous literature. In 1977, the American Accounting Association Committee on Concepts and Standards for External Reporting issued its report entitled "Statement on Accounting Theory and Theory Acceptance". This report is relevant to the present discussion since, as previously stated, the American model was adopted as the cornerstone for the new conceptual framework of accounting in Australia. The "Statement on Accounting Theory and Theory Acceptance" recognises a three-part structure in constructing a conceptual framework:
- classical (normative, deductive-inductive), giving consideration to those who prepare information;
- user-oriented (decision model), based on decision usefulness; and
- information economics, reflecting economic reality (Macve 1999).

This first "fully" developed conceptual framework influenced attempts to develop conceptual frameworks in a number of countries including Australia (Sundgaard 1999). According to previous authors, this was a concern because the American conceptual framework was flawed, in that it was developed through a compromised process (Gore 1992) and premised

on the mundane reasoning that economic reality exists objectively and inter-subjectively (Hines 1991).

Several authors argued that the acceptance of this framework would imply that the origin of profit would be regarded as capital rather than as unpaid productive labour. Such questioning would be problematic as, to be consistent with the subjective wants of accounting associations, and to be able to sustain the accounting conceptual framework, the accounting profession requires an unquestioned basis for the theorisation of accounting. (Bryer 1999a, Bryer 1999b, Robson 1999, Whittington 1999). Additionally, other authors point out that the conceptual framework defines assets based on prospective cash inflows, making it more favourable towards market constituents (Carnegie and Wolnizer 1999, Samuelson 1999).

Late 1990s: questioning of the legitimacy of accounting techniques

In the late 1990s, other constituents began to question the legitimacy of the accounting techniques used by the accountancy profession. In particular, the Australian government sought to exercise greater control over the profession and its practices. It did so by undertaking major institutional reform of the Corporations Law and the then accounting standard-setting body, the ASRB. Proposals made by the Corporate Law and Economic Reform Council in 1997 led to the establishment of the Financial Reporting Council (FRC), whose function was to oversee the accounting standard-setting process (Collett *et al* 2000). In addition, in 1998, the Corporations Law was amended by the Company Law Review Act. The amendments, effective from 1 July 1998, further reduced the power of the accounting profession in three ways.

First, these amendments authorised the Australian Accounting Standards Board (AASB) (formerly the ASRB, which had now been significantly restructured) to develop accounting standards (Collett *et al* 2000). The FRC would now appoint the members of the AASB, except for the chairman who would be appointed by the federal treasurer, who in turn would give directions to the AASB on general policy and procedures (Collett *et al* 2000).

Second, these amendments overrode the "true and fair view" of accounting standards, by legislating to allow firms to deviate from compliance with accounting standards if their directors could justify such a departure as leading to a "true and fair" view in their financial statements.

Third, the first Corporate Law Simplification Act introduced amendments that conflicted with the accounting profession's concept of the "reporting entity". Under the Corporations Law, for financial reporting purposes firms were classified as disclosing firms, public firms, large proprietary firms and small proprietary firms. This implied that the legal approach rather than the substance-over-form approach, preferred by the accounting profession, would now determine the status of a firm (Heazlewood 2002). In doing so, the government attempted to exercise greater control over the accounting profession by overriding various practices of the profession through the mechanism of the law (Hopwood 1983, Isaak 1991).

REORGANISATION OF THE POWER OF THE PROFESSION SINCE 2000

As shown in Table 2, the restructuring of the power of the accounting profession since year 2000 took place in two stages. First, the government (political constituents) continued to question the legitimacy of techniques of the Australian accounting profession. Second, the shift in power with regard to accounting standard-setting in Australia to the IASB enabled the global accounting profession to reinforce its functionally defined interests from a global rather than merely a domestic level. Functionally defined interests are the group norms of a collective actor that seeks to negotiate with political constituents or to resist pressure exerted on it by the government. Group norms are specifications of behaviour that all group members expect of each other (Emerson 1962). Such groups thrive on negotiating within a limited set of special interest organisations that mutually recognise each other's status and interests (Kirkham 1992). The fact that these negotiations are carried out within an "inner circle" can lead to the creation of inequalities between these special interest organisations and other organisations that are affected by the practices of the accounting profession.

The FRC, at its 28 June 2002 meeting, endorsed the adoption of the International Financial Reporting Standards (IFRS) in Australia. Thereafter, it hastily set 1 January 2005 as the deadline for this adoption, and for meeting the IFRS applicable to reporting entities under the Australian Corporations Act (Howieson and Langfield-Smith 2003, Miller 2003). The FRC, which monitors the development of the setting of accounting standards, announced on 3 July 2002 that it was committed to the full implementation of the IFRS by 1 January 2005. The deadline was further confirmed by the Commonwealth Government's Corporate Law Reform Program statement papers (CLERP 1) (The Commonwealth Treasury 2003). This seemingly irrational behaviour by the government was in fact consistent with the corporatist view of the accounting profession. According to the corporatist view, the accounting profession has a regulated contract with the government, and its agenda is therefore dominated by accounting items solicited by the government. Since the government's requests for information and expertise are made at very short notice, the accounting profession cannot possibly have sufficient time to consult its members. As a result, individual members of the profession become detached from the decision-making process of their accounting association (Noguchi 2002).

[TABLE 2 ABOUT HERE]

This period is characterised by the government gaining further power over the accounting profession in Australia. Under the Corporations Act, the role of the AASB, as the representative of the accounting profession, is expected to be more a "rubber stamp" of accounting standards for all reporting entities (Alfredson 2003, Picker and Blumberg 2003).

The situation in this period is different from that of the 1940s, when the accounting profession in Australia had reinforced its functionally defined interests by working together with a foreign accounting body. In doing so, the accounting profession in Australia was able to consolidate its power over the regulation of financial and audit services. In contrast, in the post-2000 period, the accounting profession in Australia has clearly lost a large degree of its power to the government. The accounting profession in Australia has entered into a new phase in which the power gained — through the pursuit of functionally defined interests shared by the accounting profession in Australia and the IASB — is being exercised through a foreign accounting body recognised by the government.

COMPARATIVE ANALYSIS AND CONCLUSION

As stated by Schmitter (1985), corporative associations (such as the accounting profession) require the official recognition or encouragement of the government to be able to form a monopoly or comprehensive hierarchy. In its turn, the government promotes the accounting profession as a medium for the creation and implementation of its policies.

The corporatist view of the accounting profession highlights the embedded social nature of accounting and the challenges this poses to attempts at conceptualising and grasping its reality. The corporatist view is far more relevant than the pluralist view in interpreting events surrounding the accounting profession in Australia. As demonstrated in this paper, the two accounting bodies, the CPAA and the ICAA, have joined forces in addressing challenges by the government to their position of power. This unitary action by the two major accounting bodies in Australia indicates that the Australian accounting profession is a corporative association. Contrary to the model proposed by the pluralist view, in the case of the relationship between the accounting profession, the government and other interest groups in Australia, influence is not widely dispersed, but rests in the hands of the few, rather than the many.

The usefulness of the corporatist view in highlighting the embedded social nature of accounting has been demonstrated in studies carried out in other countries. Walker and Shackleton (1995) reveal a parallel phenomenon in their study of the British accountancy profession between 1930 and 1957. They describe how different professional bodies in the UK accountancy profession formed a coordinating committee with the aim of securing a legal monopoly over public practice. They outline how the profession miscalculated the enhanced power of senior civil servants who monitored and scrutinised their actions. Instead, the UK

government rewarded the accountancy profession by enlisting the leading participants of the coordinating committee to implement the auditor qualification of new companies legislation. This was analogous to the situation recently faced by the Australian accountancy profession, where the government took over the power to set accounting standards, while rewarding the profession with a monopoly status with regard to accounting and auditing services.

Another dimension of the embedded social nature of accounting is highlighted by the concept of cultural and political dualism that underpinned the class-status-party construct in Caramanis' (2005) study of the accounting profession in Greece. Using Max Weber's theoretical framework, Caramanis demonstrates how the auditing profession in Greece attempted to regain the monopoly of practice they had lost following the liberalisation of the Greek auditing profession in 1992. Caramanis argued that the rationalisation of material and ideal interests, and charismatic personalities, through their influence on the class-status-party structure of the society, played a major role in steering historical change.

In their study of the accounting profession in Portugal, Rodrigues *et al* (2003) review the political developments in that country since 1755 and analyse them under five periods: (i) corporatist absolute monarchy (1755–1820); (ii) liberal monarchy (1820–1926); (iii) waning liberalism and rising corporatism (1891–1926); (iv) corporatist dictatorship (1926–1974); and (v) emerging liberal democracy and neo-corporatism (1974 until the present). The various periods are then categorised as periods of corporatism and regulation, and periods of liberalism and deregulation. Rodrigues *et al* demonstrate that the development of the accounting profession in Portugal has been characterised by episodes of regulatory advancement when corporatist ideals were popular, interspersed by episodes when liberal ideals were in vogue.

In the light of the Portuguese case study, one could argue that the accounting profession in Australia has currently entered an episode of liberal ideals through its wholesale adoption of the IFRS. Interestingly, as noted in this paper, the accounting profession in Australia has opted to identify its own functional interests with those of the IASB to consolidate their power. This is achieved by the accounting profession in Australia now negotiating with the IASB to mutually recognise each other's status and interests. This, along with other stable compromises made by the Australian accounting profession to other organisations that are affected by the practices of the profession, has allowed it to maintain its monopolistic position and defend its functionally defined interests.

Although it is outside the time framework chosen in this paper (1940 to 2003), it is noteworthy that the Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004 (also known as CLERP 9) became law on 1 July 2004. CLERP 9 has vested powers with ASIC, a statutory body, in relation to auditor registration, auditors' obligations to report to ASIC, and continuous disclosure obligations by listed and unlisted entities (ASIC 2005). The impact of CLERP 9 and now the loss of control by the profession of the Auditing and Assurance Standards Board to the FRC as outlined above, means that the profession has diminished its self-regulatory status, arguably weakening its ability to maintain its monopolistic position.

Indra Abeysekera is in the School of Business, Sydney University. *The author is indebted to the comments of anonymous referees, and to Professor Barry J. Cooper for his encouragement and helpful comments. The responsibility for the contents of this paper nonetheless remains entirely that of the author.*

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[TABLES FOLLOW]

TABLE 1: FORCES OF POLITICAL AND CORPORATIVE ASSOCIATION CONSTITUENTS FROM 1940S TO 2000

Constituent	**1940s-1970s**	**1980s**	**Early 1990s**	**Late 1990s**
Government (political)		Restructured inevitable inequalities		Questioned legitimacy of techniques
Accounting profession (corporative association)	Reinforced functionally defined interests		Offered stable compromises	

TABLE 2: FORCES SHAPING THE POWER RESTRUCTURING OF THE PROFESSION SINCE 2000

Constituent	*Domestic corporative association*
Political	Question legitimacy of techniques
Corporative association	Reinforce functionally defined interests