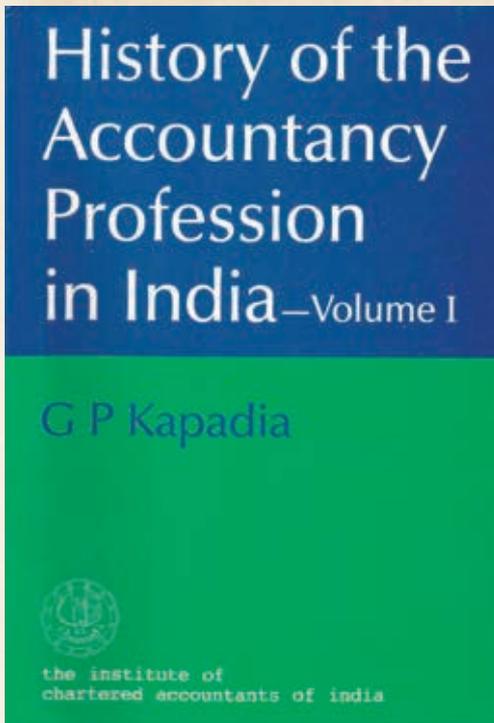


Excerpts from the ICAI's 'History of the Accountancy Profession in India'



In 1973 the first comprehensive history of the accountancy profession in India was published by the Institute of Chartered Accountants of India. This monumental work has been the result of the untiring efforts of Mr. G.P. Kapadia, the doyen of the profession in our country and the first President of the ICAI. A few excerpts from the book are published below:



By G. P. Kapadia

(The author was first President of the ICAI)

Introductory (Chapter 1 p. 1)

“From the dawn of human history, there is evidence to indicate that mankind had resorted to keeping record of events and every civilization – whether ancient or modern – which had a commercial background and an organizational set up of government or administration had adopted some form of recording of its economic transactions which is really the basis of all accounting. In this, as in many other spheres of human activity, India can justifiably claim to be a pioneer. She can trace the beginnings of her civilization to times immemorial when commerce and trade flourished and Statecraft had also attained an advanced stage of development.

Chapter 1 p. 19

We are in a position to surmise that the art and practice of accounting had existed on our soil even before the days of Babylonian empire and that a highly developed system was in vogue in India even during the time of the Vedas. Clear references, as were indicated, are found in the various treatises dating back to the period of the Vedas and the Upanisads to various professions and vocations in existence at that time and the profession of accountants is clearly one of them, and taking these aspects and considerations, one could come to a natural conclusion that accountancy had its origin in India.

Period of Gestation (Chapter 2 p. 68)

The Government of Bombay formulated a scheme for the training of entrants to the profession of Accountancy, which comprised a Qualifying Examination known as Government Diploma in Accountancy (G.D.A.) and articleship of three years under an Approved Accountant in Practice. The author of this scheme was the late Mr. K.S. Aiyar, the veteran pioneer of Commercial Education in Southern India. The Government of India approved the scheme of the Bombay Government and notified all the provincial Governments that a candidate who passed that Examination and completed articles under an Approved Accountant for three years would become eligible

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for the grant of an 'Unrestricted Certificate' entitling the holders to practice throughout British India. The Government of India also approved the B.Com. Degree of the Sydenham College of Commerce & Economics, Bombay, with accounting and auditing as the special subjects as a Qualifying Examination and if a B.Com. completed his articles under an Approved Accountant for three years, he was also declared eligible to be granted an 'Unrestricted Certificate' entitling him to practice throughout British India. The first G.D.A and B.Com. who qualified themselves for the award of an Unrestricted Certificate by the Government of Madras were the late Mr. P.N.S. Aiyar and the late Mr. L.S. Mathrubhutham respectively."

The Accountancy Expert Committee and Birth of Autonomy (Chapter 4 pp. 161 to 163)

The official Bill to make provision for the regulation of the profession was introduced in the Constituent Assembly of India (Legislative) on the 4th of September 1948 and referred to the Select Committee on the 1st of February 1949. Moving that the Bill be referred to a Select Committee, the Hon'ble Mr. K C Neogy (Minister of Commerce) said:

That the Bill to make provision for the regulation of the profession of accountants be referred to a Select Committee consisting of Mr. Homi Mody, the Honourable Shri K. Santhanam, Shri M. Ananthasayanam Ayyangar, Shri Mahavir Tyagi, Shri T.T. Krishnamachari, Pandit Thakur Das Bhargava, Mr. Frank Anthony, Shri Arun Chandra Guha, Shri Mihir Lal Chattopadhyaya, Shri Jaspat Roy Kapoor, Kazi Syed Karimuddin, Shri M. Tirumala Rao and the Mover, with instructions to report on or before the 1st March, 1949, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five.

Sir, the House may recollect that the Bill was introduced in this House on the 4th September, 1948. Immediately thereafter we had the Bill circulated by executive action as widely as possible so as to afford an opportunity to all the various interests concerned to express their opinions on the provisions of the Bill. We have as a result obtained opinions from the provincial governments, from Chambers of Commerce, professional associations of accountants, societies and individuals generally interested in this question and I am happy to tell the House that the opinion as far elicited is overwhelmingly in favour of the principles underlying this measure.

Sir, if a brief historical review were to be attempted about the profession of accountancy with particular

reference to its regulation in India one has to go back to 1918 as the year when, for the first time, an important step was taken in this matter and the credit for that step goes to the Government of Bombay, which had instituted a diploma in accountancy going under the popular name of G.D.A. From 1918 up to the year 1930 we saw an accession of strength in the ranks of accountants mostly under the provisions of the Bombay Government measure as also otherwise. In 1930 it was felt that the time had come for the purpose of setting up a machinery to assist the Government in controlling and regulating this profession. So in that year an amendment of Section 144 of the Indian Companies Act was undertaken for the purpose of providing for the grant of certificates to auditors entitling them to practice throughout India. Provision was also made in the Rules issued under this amended provision of the law for the establishment of an Indian Accountancy Board to advise the Government in all matters relating to this profession.

Then we come to the year 1936 when the Indian Companies Act came up for a comprehensive amendment in the Central Legislature. On that occasion, as far as I have been able to find, for the first time a demand was put forward that the profession of accountancy should have an autonomous body of its own to regulate and control the profession. The atmosphere then prevailing does not appear to have been quite suitable for a serious consideration of this issue, but I have feeling that even Sir Nripendranath Sircar, who turned down the proposals that were made with a view to liberalizing the provisions relating to the practicing and the enrolment of accountants in India, in the course of a speech on the 6th October held out a hope that some of the questions that we are dealing with in this Bill would come up for consideration at the hands of Government in the near future. That was in October 1936. But nothing appears to have been done in pursuance of that assurance by the then Government. Due to the pre-occupations of the war undoubtedly it was not possible perhaps to give adequate attention to the various problems that arose in this connection. In the year 1946 the Accountancy Board made the recommendation that the question should now be reopened, and they supported the creation of an autonomous body of the charter that we envisage in this Bill. Thereupon a tentative scheme was prepared by Government and circulated for eliciting public opinion to the Provincial Governments, to Chambers of Commerce, Associations of Accountants and others. While my honourable friend Mr. Gadgil held charge of the Commerce portfolio he committed the examination

of the whole question to what was described as an expert committee, which included my honourable friend Shri Santhanam who interest in this matter is well known. It is largely due to the expeditious way and the thoroughness with which this Committee did its work that it has been possible for Government to bring forward this measure, which is largely based upon the recommendations of that Committee.

What Is In A Name (Chapter 5 p. 170)

It was during the discussions on the Companies (Amendment) Bill introduced in the Legislative Assembly on 23rd March 1936 that an organized attempt to secure the designation of “Chartered Accountants” for the members of the profession in India emerged. While some vested interests strongly resented the adoption of this designation, there was more or less a complete agreement amongst the elected members of the Legislative Assembly for its adoption.

Chapter 5 pp. 180-181:

The following three excerpts are from a debate in the Legislative Assembly on the issue of the designation of “Chartered Accountant” held in 1936.

The Honourable Sir Nripendra Sircar (Law Member): Sir, in the few minutes which were available to me yesterday, I made the point that if the provision approved by the Select Committee stands, it will really amount to passing off of a colourable imitation of chartered accountants as real ones. There was an interjection by my Honourable friend, Mr. Sri Krishna Paliwal: He asked, “What has your Government done in India?” That is to say, the point of his question was, what has been done by the Government of India in connection with accountants? Sir, I shall very briefly, possibly in a couple of minutes, inform the house as to the position of Indian accountants in India. The first move for training accountants was made in the year 1925. The inquiries, which were made by the Government of India in 1925, elicited the general opinion that the time was not ripe for having an institute or an association. The matter was dropped then in the end of 1925. It was taken up again in 1928, and in 1928 steps were taken to form what was known as the Accountancy Board. In 1930 the Accountancy Board was informally set up. The draft rules were published in the gazette. After the draft rules had been published this informal Accountancy Board met. The composition of the Board was that it consisted of members taken from firms of accountants and I may tell the House that two-thirds of the Board were Indians and one-third were Europeans. They were mostly, if not all, accountants,

either partners or assistants in well-known firms of accountants. This Board met, as I said, in 1930: they criticized and carefully considered the rules which had been published in the gazette, and it was there that they turned down the name or the designation which had been suggested by the Government of India, namely, certificated public accountants. And this Board, as I said, consisting of two-thirds of Indians, unanimously agreed that the proper term to be employed would be “Registered Accountant”. I may also inform the House that the agitation which is now going on at the instance of the Indian Society of Accountants and Auditors, Bombay, - now the gentleman who was in the Council of this Society was one of the members present who along with others unanimously agreed or rather approved of the term “Registered Accountant” rather than accept what was suggested by Government.

Chapter 5 pp. 191-192:

Pandit Govind Ballabh Pant:

... These registered accountants have, according to law, the authority and are considered to be competent enough to examine and certify the correctness of the accounts of firms like Messrs. Tata and Company, of which the figures run into millions. Therefore, so far as their competence and reliability are concerned, there is no dispute, for no man can be entrusted with work of a more responsible character than these registered accountants are required to do. They are considered to be efficient enough to examine and certify the correctness of accounts of any firm, however big and, however extensive its business may be, that is situated in this country. In the circumstances, it is, I think, reasonable to conclude that so far as their capacity, ability, sense of responsibility and respectability are concerned they do not lag behind any other class of accountants. For whom do you require higher and better status? What superior functions are those people to discharge who are equipped with a better and nobler designation? Is there anything more responsible and more exacting possible in this land than the scrutiny of the accounts of the affairs of Tata Iron and Steel Works? If such firms can come under the scrutiny of these accountants and auditors, I see no reason why these people should be supposed to be lacking in qualifications, competence or efficiency. Can you even conceive of anything more responsible being done now or hereafter by anybody of accountants or auditors in this country than the checking of accounts of firms such as I have mentioned? When they can be credited with such work, I submit that they are entitled to the best designation that we can give them and in

these circumstances their request should not be treated as unceremoniously as it has been so far.

Chapter 5 pp. 202-203:

Sir Cowasji Jehangir: Mr. President, I fail to see the anxiety of some of my friends to curtail the debate, because, after all, it has become rather an important question that we are discussing now. I also regret that the Honourable the Law Member is not able to be present here due to indisposition. It is difficult to criticize his speech in his absence, and if I do happen to criticize it, I hope he will excuse me for my having to do so in his absence, because his absence is due to reasons over which he himself has no control. I am afraid his speech was most unfortunate ... (At this stage, the Honourable the Law Member entered the Chamber).

I was just saying, Sir, that we regretted that your absence was due to indisposition. We all trust, after the strenuous time you have had over this Bill, you will soon be restored to your usual health. As I was just saying, in my humble opinion, the Honourable the Law Member's speech was particularly unfortunate on the present occasion. There is no crime in any body of professional men making a memorial to Government stating that they desire to have in their motherland the same status, the same position as any one else, be they their own countrymen or not, educated in a foreign country. There is no crime in drawing the attention of Government to their feelings of disappointment, after years of petitioning, at not being allowed to have that status in their own country...

The Honourable Sir Nripendra Sircar: What is this about years of petitioning? When did they petition?

Sir, Cowasji Jehangir: They have been mentioning this to me since 1930, and I have had occasion to argue in this Honourable House, in that very debate which was quoted by the Punditji, - that they should be allowed to have the same status in their own country, while doing the same work as men educated in England or Germany or France. Sir, in doing that I consider they committed no crime: I consider that they have been fulfilling a duty and if this sort of argument had not been placed before the Government during the last fifty years, we would have had no advocates, we would have had no advocates, we would have had no LL.Bs. and we would have had no professional men. What are these men asking for? They ask that an examination should be instituted in this country, as strict as you like to make it, which will enable this country to produce the professional men called Chartered Accountants (India). They ask for no more than what has been

done in South Africa, in Australia and in Canada. In South Africa you have Chartered Accountants who come into existence after passing an examination, it may be that their examination was the result of a statute, that their charter was the result of a statute; but as the Punditji pointed out, the registered accountants are also under a statute; the statute is the Companies Act; and section 144 of the Act provides that they shall pass an examination. My point is, having passed that examination, regardless of what they are called, they shall be in a position to carry on their profession of accountancy just as efficiently or as inefficiently as any chartered or incorporated accountant in India.

Autonomy in Action (Chapter 6 pp. 232-233)

During the first three years of the Council when Mr. Kapadia was the President, having successively been elected every year to that position, efforts by the Council were directed to laying down traditions of value, which have served as a strong foundation for the subsequent growth of the profession. Apart from the establishment of a competent secretariat ensuring speedy implementation of decisions without being hamstrung unduly with rules and procedures, sufficient care was bestowed on matters relating to education and examination and ensuring compliance with the best traditions in professional ethics through the administration of the measures covering disciplinary jurisdiction of the Council. The Spartan approach adopted, with emphasis on nothing short of a proven competence, in the admission of holders of Government Diploma in Accountancy and Restricted Certificates to membership of the Institute is worthy of specific mention in this context. Efforts were also directed to bring about an impact of the profession on the industrial and trading community, investing public, governmental authorities and public at large. Even though stray instances of criticism were in the air, the recognition of the merits at the hands of the authorities was such that the fullest possible encouragement to the profession was given by them. A specific mention may be made of an incident where Mr. Kapadia once drew the attention of the then Finance Minister to the unmerited criticism emanating from a certain quarter regarding the reliance one could place on company auditors. The Hon'ble Finance Minister displayed his confidence by issuing a notification, appointing a Chartered Accountant, for the first time, as a member of an industrial tribunal within a few days of the incident. This was indicative of the confidence reposed by the authorities on the members of the profession. ■