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**CHARTERED ACCOUNTANCY IN INDIA
EXPLORATION IN SOCIOLOGY OF PROFESSION**



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B. ANIL KUMAR

**Centre For the Study of Social Systems
School of Social Sciences
Jawaharlal Nehru University
New Delhi-110 067
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JAWAHARLAL NEHRU UNIVERSITY
SCHOOL OF SOCIAL SCIENCES
CENTRE FOR THE STUDY OF SOCIAL SYSTEMS

Telegram : JAYENU

Telephones : 667676

667676
New Delhi-110 067

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CERTIFICATE

This is to certify that this dissertation entitled "CHARTERED ACCOUNTANCY IN INDIA: EXPLORATION IN SOCIOLOGY OF PROFESSION", submitted by Mr. B. Anil Kumar in partial fulfilment of the requirements for the award of the Master of Philosophy (M. Phil.) degree of this University, has not been previously submitted for any degree of this or any other University. This is his own work.

We recommend this dissertation be placed before the examiners for evaluation.

J.S. Gandhi

Dr. J.S. Gandhi
Supervisor

R.K. Jain
Prof. R.K. JAIN
Chairperson



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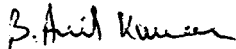
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INTRODUCTION

INTRODUCTION

PROBLEM, INQUIRY AND APPROACH:

The Sociology of professions is a fascinating though complex field of study. In recent years it has been fast emerging as an important field of sociological enquiry in India.

The rise of modern professions in India is closely linked with the administrative, judicial and educational policies of British administration, in India. The gradual but steady evolution of its system of administration, the formation of uniform certifications to administer ~~diverse~~ ethnic groups of population and the consequent building up of the national legal system of administration automatically called for the growth of legal profession, the necessity of looking after the health of the British administration and soldiers called for the growth of medical profession. Finally the spread of British education mainly with a view to train & prepare lower as well as bureaucracy ultimately led to the evolution of higher teaching profession in India.

"Moreover, except during the three most recent decades the increase in the number of Indian lawyers and public servants, doctors and teachers, writers,

scholars and members of their recognised professions was due to educational, judicial and administrative development, rather than to technological or industrial progress."¹

Such a profile of professional gives counter to that in the west where it resulted from industrial and technological development and proliferation. The professional classes soon assumed positions of eminence after their inception.

"By the end of 19th century a real professional culture had emerged and there was a thin layer of professions spread all over the country."² Most of the eminent freedom fighters like Mahatma Gandhi, Jawaharlal Nehru, Sardar Patel etc. were trained in legal profession. The national movement also saw the rise of renowned medical professions like Hakim Ajmal Khan, Dr. Ansari, Dr. B.C. Roy etc. The contributions of such eminent professional men towards freedom movement is invaluable.

1. B.B. Misra, The Indian Middle Classes, Their growth in Modern Times, Oxford University press, London, 1961, p. 307.

2. S.A. Dubey, "Sociology of Professions in India; Emerging Trends and Needed Studies", in P.K.S. Nayal (ed.) Sociology in India: Retrospect and Prospect, P.K. Publishing Corporation, Delhi, 1972, 253 - 254 p.

The introduction of professions like medicine and law had social, economic and cultural implications in the Indian context. If we take allopathic medicine as an example, it can be said that its clients were mainly from Urban areas. The Ayurveda & Unani, as Neuman,³ points out were popular in villages. The common man could not patronize allopathic medicine because it was expensive and alien to his cultural values too. Legal profession too, initially had to face the problems. The Western legal system with its stress codified laws and complex legal procedures was beyond the comprehension of common man. It affected the community life in the villages.

The spread of education and professionalization to a large **extent** delinked the occupations from the castes. Achieved status like merit, training and specialization formed the basis for the entry into professions rather than the birth, caste and heriduity. As a result we find occupational and social mobility among members of the lower castes.

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3. Neuman, Alfred. K. Role of Indigenous Medicine Practitioners in two areas in India, report of a study in social sciences and medicine, 1971.

The law and medical professions are well known for their private practice. Other professionals like Engineers, Chartered Accountants, Social workers work in Government and non-Government organisations." Thus there are problems of bureaucratization, of professions, problems of adjustment between organizational and professional ideals and the increasing gaps between the ideal type attributes of professions such as service associated with profit motive and market orientations." ⁴

To understand the place of professions in the general system of social stratification the internal stratification of the profession, its income are of valuable help. The bureaucratic rules and regulations also influence the professional norms. In such cases conflict between professional norms and values of the organization are unavoidable.

In India a lot of empirical studies have been done in the fields of medical, legal, academic, journalistic professions. An analysis of these professions has provided a deep insight in understanding the nature of their relationship with the state and the market, conflict between the professional ideology and organizational rules and procedures. It has also provided ample information into the social background of people

4.S.M. Dubey, "Sociology of professions in India" in P.K.S. Nayar (ed.) Sociology, in India Retrospect & prospect S.R. Publishing Corporation, Delhi, 1982, page 257

entering such professions. However, some professions have been studied more than the others. For example even though many professions like medical, legal have been studied by sociologists in India, till today no systematic attempt has been made to study the profession of Chartered Accountancy.

Chartered Accountancy is a developing profession in India, so that it is not professionalized to the extent of medical and legal profession etc. In the Indian context it has its origins in the vedic period. Kautilaya's 'Arthashastra' also mentions about the distinct occupational category.

In the recent years Chartered Accountants have occupied important positions in the Society. Some of them have been elected to the parliament while others have attained top positions in the Government or industry.

The Chartered Accountants have an apex body called Institute of Chartered Accountants of India with a hierarchy of office bearers. They also have highly codified professional ethics which controls the members of the profession. They have regional councils throughout India. In view of the paucity of sociological studies in the area, a systematic attempt has been made to understand the internal dynamics of the profession and its relationship with the society at large. Once again due to paucity of empirical literature on this profession,

CHAPTERIZATION OF THE STUDY:

We have chapterized the present study as follows:

CHAPTER I SOCIOLOGY OF PROFESSIONS IN INDIA

A BRIEF ACCOUNT

The first chapter has been divided into two sections. In first section some theoretical perspectives in sociology of professions with reference to the functionalist and conflict theories have been discussed. In the second section a brief review of Medical, Legal and Academic Professions has been done.

CHAPTER II : ACCOUNTANCY PROFESSION IN INDIA:

EARLY BEGINNING & CONTEMPORARY CONTEXT SETTING:

This Chapter traces the origin of Chartered Accountancy profession in India. The structure of the professional organization has been discussed in relation to the professional socialization, roles of the Chartered Accountants and goals of the Chartered Accountants.

CHAPTER III: PROFESSIONAL ETHICS: THE CASE OF

CASE OF CHARTERED ACCOUNTANTS IN INDIA.

This Chapter deals with professional misconduct of the chartered Accountants. Various clauses of professional misconduct in relation to Chartered Accountants, have been discussed.

CHAPTER IV: PROFESSION AND PRACTICE OF ACCOUNTANCY:
STRUCTURE OF PROFESSIONAL SERVICES:

This chapter deals with the various professional services offered by chartered Accountants from Audit, accounts, finance and taxation to forecasting and management.

CHAPTER-I

CHAPTER - 1

SOCIOLOGY OF PROFESSIONS IN INDIA: A BRIEF ACCOUNT

This chapter has been divided into two sections. Section I deals with some leading theoretical perspectives regarding the sociology of professions. In this we have tried to provide some theoretical background to place the present study in a specific sociological context.

Section II deals with the review of studies on profession in the Indian context. There is progressive increase of literature in this area in India in the recent years. As the review of all the existing literature is beyond the scope of this dissertation, only Medical, Legal and Academic Professions have been taken into consideration.

SECTION I : SOME THEORETICAL PERSPECTIVES

The earliest instance of the use of the term 'profession' was one recorded by the Oxford English Dictionary dating back to 1541. The possession of an intellectual technique acquired by special training, which can be applied to some sphere of every day life, forms the distinguishing mark of a profession. This is well brought out by the

by the Oxford English Dictionary, which defines a profession as "vocation in which a professed knowledge of some department of learning or science is used in its application to the affairs of others or in the practice of an art founded upon it."¹ Professionalism is supposed to have emerged with the rise of the universities and was at first co-extensive with the church.² As the culture of the middle ages slowly shed its religious character, the professions formerly within the church emerged out of it, resulting in the wholesome organisation. Vocations existing in the medieval world which we now recognise as professions had attained an independent status and organisation by the end of the 18th century.

Before the opening of 19th century, the recognition of new professions was an extremely slow process, but during the last few years professions have multiplied by leaps and bounds. We have, therefore, come to such a pass where the day-to-day functioning of society heavily relies upon the professions which have become so indispensable and imperative owing to

1. Oxford English Dictionary, .

2. AM. Carr Saunders & P.A. Silson, 'Professions' in Encyclopaedia of social sciences Vol.

the proliferating needs. Professions play a predominant role in the history of development of societies. The formulation, implementation, monitoring and evaluation of any policy and programme has to be carried out within the framework of professions because of the magnitude of the present day problems.

A comprehensive and comprehensible definition of professionals is indeed rather nebulous because of their fluid nature. Talcott Parsons while airing his view about this vagueness observes that, "professional men are neither capitalists nor are they typically governmental administrators or bureaucrats. They certainly are not independent peasant proprietors, or members of the small urban proprietary groups. The boundaries of the group system we generally call the professions are fluid and distinct. There are some borderline groups whose professional status is for one reason or another equivocal."³ There is only a hair-line distinction between a profession and non-profession because both possess several common characteristics. Thus there is no unanimity among scholars regarding the definition of a profession.

3. Talcott Parsons, 'Professions' in International Encyclopedia of Social Sciences, Vol. 11-12

ATTRIBUTIONAL APPROACH:

Attributional approach associates certain attributes specifically with professions as against occupations. These are: prolonged period of socialization of the would be professionals in an abstract body of knowledge, collective orientation of the professionals, control and regulation of the professional behaviour of the members by the profession itself, and the existence of professional fraternity which in other words can also be called esprit de corps. Professionals and non-professionals cannot be put into water-tight compartments because, the attributes of both overlap and hence it can be well said that they are obverse and reverse of the same coin being inseparable and indivisible, except on some conceptual basis.

PROCESSUAL APPROACH.

Some sociologists are of the view that occupations mature into professions undergoing professional evolution. With the passage of time occupations get more and more specialized, knowledge based, occupationally fraternized and ultimately become professions. Processual approach tends to emphasis on the process

of profession-lization. L.C. Hughes sets such a trend when he observes that "the significant question to ask about occupations is not whether or not they are professions but to what extent they exhibit the characteristics of professionalization. By professionalization he means a change of status of occupation in relation to its own past and to other people - clients, the public, the other occupations - involved in its work sphere. Such a change entails more independence, greater recognition, a higher standing, a larger measure of autonomy in managing its affairs and a claim to authority in relation to clients."⁵

C. Turner and M.N. Hodge suggests four indices of professionalization, i.e., the degree of substantive theory and practice, the degree of monopoly over particular services, the degree of external recognition, and the degree of organisation of a professions. Implicit in this approach is a conception of a profession marked by the core features of monopoly, autonomy and authority. Though important in so far as it sensitizes us to the class and power dimensions of a profession, the processual-organisational conception too is not above board. Even as it puts its accent on the process of profession-lization, in the ultimate analysis, it also falls back upon the same 'attribute' approach which it seeks to refute; only that the emphasis in it is shifted from ideological

5. Ibid; p-254

cal attributes to organizational traits or from supposedly idealistic to empirically verifiable traits.

The above two conceptions are derived from two theoretical positions in the sociological study of professions functional and conflict

FUNCTIONAL THEORY:

From a functionalist perspective, society is regarded as a system. A system is an entity made up of inter-connected and inter-related parts. The social system has certain basic needs which must be met if it is to survive. The raison d'être of profession being the harmonious functioning of society at large, an efficient, efficacious system of professionalization becomes a fait accompli in modern society. Order and stability-the essential prerequisites for the maintenance of the social system and a minimal degree of integration among the parts of the sociolorganic whole is the condition sine qua non from the functional point of view.

Society's central needs are well served through the professions as at the present day, society is increasingly compartmentalized into numerous parts owing to the proliferation of societal needs and plethora of social problems. An illuminating illustration of the indispensability of profession would here be worth taking stock of. Why profession has become omnipotent and omnipresent? 'Technical competence' of professionals backed by authority to accomplish modern herculean tasks for the weal of the people with zeal make professions all distinct.

CONFLICT THEORY:-

Conflict theory, on the other hand, seeks to explain professions in terms of their power relations to society. Conflict orientation recognizes society as comprising of collectivities possessing varying interests. Every social group regulates the behaviour of its members, and in complex societies different social groups may be in conflict with each other, each seeking to extend its own values and norms over the whole society. The protagonists of the conflict theory opine that professions negotiate with power elites for coveting monopoly, autonomy and authority

which the power elites will-nilly part with. This can be presumed to be symptomatic of a symbiotic relationship. How does the professional power gets beefed-up with a view to rejuvenating and revitalising the official machinery, political lobbying notwithstanding. Taking for granted that knowledge plays a pivotal role in the process of the consolidation of their dominance with a given situation, G.K. Gyarmati encapsulates "the source of the professions' power in the symbiotic relationship between the university and the professional system".⁶ All this authenticates the Marxist view-point making it axiomatic that the professions are tied to the apron strings of political power and this is a hard nut to crack. Thus the politicization of certain social needs and aspirations such as health, housing, technology, etc., has turned the knowledge-based power of professions into political power⁷.

It has to be clearly borne in mind that to grasp the distinction between the above two theories, their pros and cons ought to be well-nigh understood. S.L. Sharma postulates that "the two perspectives need not be viewed as absolutely antithetical, because they have in common certain elements of a profession such as specialised knowledge, work autonomy, code of ethics and community sanction. They differ in only the primacy which they accord to these different elements."⁸

6. Ibid; p-256

7. Ibid; p-256

8. Ibid; p-256

A dispassionate analysis of both these perspectives would waterdown to the whole-hearted support of either of them, forming a quid pro quo. It would, therefore, be right to treat both perspectives as complementary rather than competitive. There is no gainsaying the fact that both conflict orientation and service (functionalist) orientation function cheek by jowl, in today's society. To be precise and concise, conflict orientation attaches utmost importance to the professions' power and privilege reflected in their monopoly, autonomy, authority, humanitarian motives, ideology and specialized knowledge for legitimization. The functionalists, on the other hand, maintain that specialised knowledge and service orientation are the be-all and end-all of all professions.

Other attributes of profession;

The professions occupy a position of great importance in the modern society. In a society characterized by division of labour based upon technical specialization many important features of social organisations are dependent upon professional functions. According to Greenwood⁹ there are five distinguishing attributes of a profession.

9. Earnest Greenwood, "Attributes of a Profession", Social work (July 1957) 44 - 45

1. A basis of systematic theory
2. Authority recognised by the clientele of the professional group.
3. Broader community sanctions and approval of this authority.
4. A code of ethics regulating relations of professional persons with clients and with colleagues.
5. A professional culture sustained by formal professional associations.

A crystal-clear distinction between a professional and non-professional occupation is not a qualitative but a quantitative one. From the stand-point of profession, these attributes are not the exclusive monopoly of the professions. Non-professional occupations also possess them, but to a lesser degree.

Having put the attributes in a nut-sheer, we suppose that it would be clear to elucidate each of them in some detail. The acquisition of the systematic theoretical body of knowledge involves the lengthy period of socialization. A profession's underlying body of theory is a system of abstract propositions that describe

in general terms the classes of phenomena comprising the profession's focus of interest. Acquisition of professional skill requires a prior or simultaneous mastery of a theory underlying that skill. Preparation for a profession, therefore, involves considerable pre-occupation with systematic theory, a feature, virtually absent in the training of non-professional. The spirit of rationality in a profession encourages a critical attitude towards the theoretical system. The second attribute which is professional authority, implies the absence of the knowledge in the man in the street who is isolated from the professional who acquires competence in a scientific way which gives him what is known as authority. In a professional relationship the professional dictates what is good or bad for the client who has no choice but to accede to professional judgement. The Professionals' authority is confined to these specific spheres within which the professional has been educated. Parsons calls this as functional specificity. The third attribute of a profession is the sanction of the community. Every profession strives to persuade the community to sanction its authority within certain spheres. This is done by conferring upon the profession a series of powers and privileges, which may be either formal or informal. Among its powers is the profession's control over its training centres. This is achieved through an accrediting process exercised by one of the associations within the profession.

"
The Profession also acquires control over admission into the profession by two routes.

- i) The profession convinces the community that no one should be allowed to wear a professional title which has not been conferred by an accredited professional body.

- ii) The profession persuades the community to institute in its behalf a licensing system for screening those qualified to practice the professional skill.¹⁰

The fourth attribute of the profession is the regulated code of ethics. Every profession has a built-in regulated code. The profession's ethical code is partly formal and partly informal. The formal is the written code to which the professional usually swears upon being admitted practice. The informal is the unwritten code. Through its ethical code the professional commitment to the social welfare becomes a matter of public record, thereby insuring for itself the continued confidence of the community. The professional should not discriminate his clients on the basis of sex, age, income, religion, race, social status etc. Parsons calls this element

10. Ibid p. 46

in professional conduct as universalism. He also talks about disinterestedness in the professional-client relationship. A lot of importance is being attached to universalism because, the central focus of a professional's role performance lies in technical competence. As and when requested by the clients, the professional has the moral obligation to assist the former in the event of even the latter's hardship. The profession's fifth attribute is the professional culture, which consists of values, norms and symbols. The social value of a profession which is the bedrock of its function has the social good uppermost in its mind. The norms which are a guide to behaviour in social situations require for seeking admittance into the profession, for gaining entry into its formal and informal groups and for progressing within the occupation's hierarchy. The behavioral norms encompass every standard inter-personal situation likely to recur in professional life. The symbols of a profession are its insignias emblems and distinctive dress, its history, folklore etc.,

Professional culture also includes career concept. Central to the career concept is a certain attitude towards work which is uniquely professional. Professional

work is never viewed as a means to an end, but end in itself. To the professional person his work becomes his life.

PROFESSION AND BUSINESS

Having surveyed the attributes of profession, it is relevant to make a distinction between profession and business. The business man has been thought of as egoistically pursuing his own self-interest regardless of the other man's interests, while the professional man is altruistically serving the interests of others regardless of his own. Taking a cue from the above, "The two fields would seem to exemplify the most radical cleavage conceivable in the field of human behaviour"¹¹

But is the presumable difference between the two real and substantial? As a matter of fact, it is astonishing that the repudiation of this perspective has been postulated by Talcott Parsons. "The fact that professions have reached a uniquely high level of development in the same society which is also characterized by a business economy suggests that the contrast between business and the professions which has been mainly stated.

11. Talcott Parsons, 'The Professions and Social Structure' in Essays in Sociological Theory. The Free Press, 1949 p. 36.

in terms of the problems of self-interest is not the whole story. Possibly, there are elements common to both areas, indeed to one whole occupational system, which are at least as important to their functioning as is self interest to business and disinterestedness to the professions",¹² to make the distinction better, the following would be helpful:-

<u>Professions</u>	<u>Business</u>
1. Collective orientation	1. Self interest
2. Altruistic motives	2. Profit motives
3. Functional specificity	
4. Universalism.	

There is, it is believed, no ocean of difference between professions and business. The professional, it cannot be assumed, is interested in feathering his cap by fair means alone and by his altruistic propensities only; instead, he may also be tempted to feather his nest by unfair means. But still, serving the community is the institutional self definition of professions as well as their social expectation.

12. Ibid, p. 35

Having made the distinction between professions and business, it is pertinent to throw some light on professional socialization. "Professional socialization is expected to be double faceted, i.e., it facilitates transmission of certain norms and values to the younger generation of professionals in the course of their professional training and equipping the would-be-professionals in subsequently discharging their professional roles."¹³ Talcott Parsons made an attempt to identify the importance of professions to social structure from the functionalist point of view. In the view of Totlo Marshall professionalism's essence lies in the assumption that individual responsibility as a professional is primarily with the welfare of his client and not with his self interest. Attributing the contribution of professions to society, structural-functionalism assigns a distinct role to professions and places them within the social structure. Professor Dietrich Rues-

13. J.S. Gandhi, 'Sociology of Professions in India: Towards a Profile of relevance' in Sociological Bulletin Vol. 32 No. 1, 1983 pp. (14-34).

chemeyer stresses two characteristics to explain the position and functioning of professions in society. The professions are " a systematic body of knowledge to the problems and highly relevant to the central values of the society".¹⁴

The functionalist and Marxist theoretical perspectives have been used to analyse the professions—the former far more than the latter. But the deplorable part of such a study is that the functional analysis tends to view professions from the idealistic vantage-point of the professionals. This is quite apparent from the paucity of material on the study of clients. Johnson is of the view that the contention that there is a dichotomy between professions and non-professions is an illusion and hallucination. But Gandhi says, that they are based on a prior idealization of professional reality. To conclude, it can be well stated that it would be down-to-earth pragmatic to use both the perspectives, functionalist and Marxist, to get a clear understanding of professions.

14. Dietrich Ruescheeyer 'lawyers and doctors: A comparison of two professions' in Sociology of Law (1969)

SECTION II : A REVIEW OF STUDIES ON PROFESSIONS
IN INDIA

There are two different kinds of formulations in the existing sociological literature regarding the growth of modern professions in India. On the one hand B.B. Mishra and S.M. Dubey believe that colonial system of education, justice and administration, are primarily responsible for professionalization in India. On the other hand, sociologists like T.N.Madan & P.C. Verma who, on the basis of the secondary data on ten Asian countries including India, concluded that the rise of professions is directly related to the strengthening of industrial infrastructure.

Madan & Verma¹⁵ made a comparative study of the professional profiles of India & Japan. They found that the proportion of professionals among all workers in Japan is higher as compared with India. On the basis of this study they argue that because of the rise in the development, the proportion of professionals among all workers goes up. As a result the number of semi-professionals also goes up relative to the main professionals which leads to the greater bureaucratization

15. Madan & Verma, "Development and Professions in Asia" in Ratna Datta & P.C. Joshi (ed.) Studies in Asian Social Development, Bombay Tata MCG 1971, p. 180

of professional manpower. They observe that "the significant difference between the two countries reflects the difference in their levels of development."¹⁶

They also compared the employment status of professional workers in 7 Asian countries & observed that "bureaucratization emerges as an outstanding characteristic of the professions."¹⁷

Madan & Verma¹⁸ have also studied male and female participation in the professions. They found that the number of male professionals among all male workers is higher in India as well as in each state than the proportion of the female professionals among all female workers. The reasons for such inter-state variations are accounted in terms of the chosen indices of development. These include a number of social, economic and political variables.

Having made a brief survey of the studies on the rise of the professions above, it is pertinent to make a review of studies of some major professions such as the medical, legal, academic etc. Two types of studies can be distinguished in studying the modern professions —

16. Ibid : p. 180.

17. Ibid, p. 164

18. Madan and Verma "Magnitude and structure of professions in India. A study of interstate variation", Indian Journal of Labour economics 1972 -73 (Oct. Jan.)

the study of professionals and the study of professional organisations. However, it is not always possible to stick to only one type of study. Some studies may require the necessity of employing both kinds of methods.

The studies of professionals mainly focus on the following; The socio-economic background attributes of professionals, their career opportunities and patterns, professional socialization and their role perception & role performance. The studies of organisational aspects of profession are mainly focussed on the organisation of professional education, internal dynamics of professional associations and the broader social organisation within which a profession operates.

THE MEDICAL PROFESSION

The medical profession has been extensively studied from the point of view of both professionals and professional organisations. The studies of professionals cover medical students, doctors and nurses. The studies of organizational aspects of the medical profession cover the social content and orientation of medical education, the state involvement in the regulation of the medical profession & the role of the medical profession in social change & modernisation.

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The question of role perception & role performance has also been examined by sociologists. T.N. Madan¹⁹

19. Madan. T.N. "Doctors in a North Indian City: Recruitment role perception and role performance in Satish Sabarwale (a) Bengal the village sociological exploration, Shimla Indian Institute of Advanced study, 1972.

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in his Ghaziabad study observes that doctors have a 'Patient and disease oriented' rather than a 'person and health oriented' approach. T.K. Oommen²⁰ also observed that most of the doctors see the patient not as a person but as a "bundle of clinical symptoms". Madan also finds a wide gap between the ideal notion of a doctor and the actual reality existing in his Ghaziabad doctor's study. The reason for this role deviation is due to the fact that the notion of social responsibility is relegated to the background & the medical profession is emerging more as a business.

The studies of Ramanamma and Bambawale²¹ reflect that doctors in their role relations with patients strictly avoid emotional involvement with the patients. However, Oommen in his study observes that patients were discriminated on the basis of socio-economic status, sex etc.

The existing sociological literature on medical profession has dealt mostly with occupational roles of

20. Oommen, T.K. Doctors and Nurses: A study in the occupational role structure, McMillan, Delhi, 1978.

21. Ramanamma and Bambawale "Occupation Attitudes of physicians", Sociological Bulletin, 1978, 27(2), 190-237.

doctors and nurses rather than with their professional roles. While stressing the routine role practices of doctors and nurses the professional implications of these practices have been neglected. There is not a single study in ethnomethodological tradition. Most studies of the professionals are mainly descriptive in nature. In these studies the analysis of the professional content is neglected. The studies of organizational aspects of medical profession are also not free from flaws. Most of them are speculative in nature. Another area which has been least explored is how the social antecedent of medical professionals affect their professional orientation.

THE LEGAL PROFESSION

Most of the studies have dealt with lawyers in the post independence period.

Several studies have been conducted to study the social origins of lawyers. In his study at Gobindgarh, J.S. Gandhi²² observes that most of the lawyers in the district represented educated, profession-related and urban based mercantile groups. However, the situation is changing now. People from lower castes, less educated families and non-professional groups are increasingly taking up the legal profession. This will have important implications for the future of legal profession.

22. J.S. Gandhi, lawyers and a District Court: A study in the sociology of legal profession, unpublished Ph.D Thesis; New Delhi: Jawaharlal Nehru University, centre for the study of social systems, 1978.

Lawyer-client relationship is another area which has received considered attention. In his study Morrison²³ observes that the nature of the lawyer client relationship is not symmetrical. The lawyer always asserts his superiority and the client shows his respect. So far the studies relating to the lawyer-client relationship attempted to study lawyers in isolation from clients. Taking this into account, K.L.Sharma²⁴ stressed the need to study lawyers together with their clients.

The practices of touting has also been given much attention by the researchers. J.S. Gandhi in his study of Gobindgarh lawyers observes that touting was very much prevalent at Gobindgarh. The clients according to J.S. Gandhi, were treated as mere sources of earnings. This observation brings into focus the professional status of legal practice in India that is in its negative light.

23. C. Morrison, "Indian lawyers and their relatives" in Milton Singer (ed) Enterprenuership and modernization of occuational cultures of South Asia; Darham, Duke University, programme in comparative studies in South Asia, 1973, p. 307

24. K.L. Sharma, Relations between Lawyers and their clients, ICSSK, New Delhi, 1981.

While studying the lawyers' relationship with para professionals Gandhi highlighted the latter's pivotal role in business promotion as well as in the rise of lawyer's career. In many instances they acted as touts.

Eventhough legal profession has been extensively studied, there are certain limitations in the existing literature. Relatively little empirical work has been done on the organizational aspects of the legal profession. Secondly, most of the studies have been done by law scholars rather than by sociologists. Thirdly, the lawyers' professional socialization and their professional orientation have been neglected.

Regarding the organizational aspects of legal profession, Morrison and Rowe observed the negligible evidence of teamwork. It was also observed that specialization was lacking at the level of district courts. But J.S. Gandhi presents evidence to the contrary which suggest a "significant degree of specialization." Morrison observe that eventhough the legal profession is stratified, it is relatively undifferentiated.²⁵

25. Morrison, "social organisation at the district courts and college relationships among Indian lawyers", Law and Society review, 1968-69 (Nov. - Feb.).

The existing literature on legal profession gives too much of stress on the general character of legal practice. The professional dimensions of legal profession should be given the much needed attention to make the studies more effective.

THE ACADEMIC PROFESSION

The studies on Academic profession include the study of Academics as professionals and organizational aspects of the academic profession with former receiving greater attention than the latter.

The studies on structural origins of academics have dealt with socio-economic background of the school, college and university teachers. The studies of college and university teachers reveals the preponderance of higher castes with a tradition of intellectual pursuits.

The studies on modernization in the attitudes and values of University teachers is another area which has been explored. The study of Yogendra Singh²⁶ points that the values of objectivity and rationality are better understood by the teachers of social sciences rather than the science teachers.

26. Y. Singh "Academic role structure and modernization: A study of Rajasthan University teachers", in Suma Chitnis and Philip Altbach (ed). The Indian Academic Profession: crisis and change in the Teaching Community, Macmillan, Delhi 1979.

The role preference of university teachers has also been studied. Majority of them, according to S.L. Sharma,²⁷ treat teaching role as the most important, the research role as of considerable importance, the character building role as relatively less important.

Eventhough the existing literature on academic profession is quite vast, it does have gaps. The literature abounds in role analysis and organisational analysis but the significant research on unprofessional practices and deprofessionalization has not been attempted so far. Precious little has been done regarding comparative analysis of academic profession in India with other countries which would bring about the main characteristics of the profession. The existing literature on scientific profession also does not deal with the scientists' role as scientist and as a profession. It has to raise more basic theoretical issues of professional relevance.

27. S.L. Sharma, Modernising effects of University Education New Delhi, Allied, 1979.

CHAPTER-II

CHAPTER II

ACCOUNTANCY PROFESSION IN INDIA: EARLY BEGINNING AND CONTEMPORARY CONTEXT SETTING

In this part, we have made a venture to discover the genesis of the accountancy profession. An attempt has been made to give a panoramic but synoptic flash-back of the world in general and India in particular.

The origin of accounting is traced to the times of the Babylonian empire, and it is considered that the earliest accountants were Babylonians.¹ It is said that after the destruction of the Babylonian empire, Egypt became the commercial as well as the cultural centre of the world. During the Egyptian period, clay gave way to papyrus as the material on which records were kept and this undoubtedly seems to have contributed to the development of accounting in those early years. Professional accountants are said to have appeared first in Italy. The term 'rationator' meaning accountant was introduced as early as 831 A.D.

However, 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

1. Howard W. Robinson, A History of Accountant In Ireland,
The Institute of Chartered Accountants of Ireland 1964.

the time of the Vedas Sutras & Upanishads. One could, therefore, come to a natural conclusion that accountancy had its origin in India.

It has to be stated in no uncertain terms that the present study entitled, "Chartered Accountancy in India: Exploration in sociology of profession" is a zealous task of presenting the accountancy profession in India. To pursue the study and identify the origin of the accountancy profession, an attempt has been made to trace the origin of accountancy to the Vedas and even the Pre-vedic period. The Modus operandi of this study has been to plough through a mine of information, and give in a nutshell the history of the Company Legislation from the Companies Act of 1857 and the inception of Accountancy Board in 1932 which later led to the establishment of the Institute of the chartered accountant of India, set up under an Act of Parliament (1949) which is the sovereign body under the Constitution in our country competent to confer such a distinction.

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2. G.P. Kapadia - History of the Accountancy profession in India Institute of Chartered Accountant of India, New Delhi 1973.

ANCIENT INDIAN CIVILIZATION, A TOUR DE FORCE:

In India, trade and commerce had a meteoric rise and reached a celestial height because of well-established state craft in India which made even Magasthenes, the Greek ambassador in the fourth century B.C. to praise India sky-high. From the dawn of human civilization, an organisational¹ set up had adopted some form of recording of its economic transactions which is really the basis of all accounting. India for millenia had been an apple of the world's eye, her people always being filthy rich. This is amply supported by the Greek ambassador, Megasthenes, who in the fourth century said that the Romans spent fifty million sesterces annually on exports from India. Joining in the chorus of encomiums are the Chinese travellers from the fifth to the eighth century, Al-Biruni in the in the 11th century and later during the Vijaynagar heyday under Krishnadevaraya by travellers like Nicolo Conti, Abdul Razaq, Nuniz and Domingo Paes.

Sufficient evidence³ exists to lead one to conclude that the art and practice of accounting, as a highly developed system was in vogue in India even during the

3. A.L.Bashem 'The Wonder That was India', Rupa & Co.,
New Delhi.

time of the Vedas, Sutras and Upanishads. In the vedic literature, the vocation of an accountant Karana has been mentioned in the list. Kautilya's Arthashastra talks of various ad valorem tariff and different types of levies, which certainly could not have been possible but for an efficient and efficacious accounting. The Arthashastra contains a separate chapter dealing with "The Business of Keeping up Accounts in the office of Accounting".

The impact of fiscal legislation on the development of the Accountancy profession has been considerable in tracing the history of the profession leading to its gaining of autonomy and statutory recognition in 1949. The earliest piece of legislation in India relating to companies was the Act of 1857. The Indian Companies Act, 1866, for the first time, made elaborate provisions in respect of audit of accounts of companies. The Companies Act of 1882, for the first time, indicated categorically the accounts to be maintained by the directors. The Government, observing the changing conditions and the increasing industrial and commercial activities in which public interest was also increasing, decided to introduce new provisions mainly with a view to safeguarding the public interest by the Act of 1913.⁴

4. Kapadia, 1973.

The declared objectives of the enactment of the 1913 Act was to revive and consolidate the Indian law on the subject of joint stock companies on the line of the contemporary English legislation. The Companies Act, 1913 which was passed on 27th March, 1913 after getting the consent of the Secretary of State contained specific provisions relating to accounts and audit. Matters like requirement of the company to keep proper books of account, Annual Balance Sheet, contents of the Balance Sheet, authentication of the Balance Sheet and Auditor's Report to the Registrar, right of members to copies of the Balance Sheet and Auditor's report, requirement of certain types of companies to publish statement in Schedule, qualifications and appointment of auditors and powers and duties of auditors found mention in the various sections in the Act itself. Prior to the coming into force of Indian Companies Act, 1913, no obligation existed for Company being audited. The Act, for the first time, introduced the provisions for compulsory audit of Public Company accounts by an auditor holding certificate of a local Government in British India.

The next stage in the history of Company legislation having a bearing on the evolution of the accountancy profession was the shifting of the control from provincial governments to central government on an all-India basis. This was to secure better and uniform control

over the audit of public companies. Section 144 of the Indian Companies Act, 1913 was amended by the Act XIX of 1930. The companies Act of 1930 brought the concept of Accountancy Board, which was set up in 1932. After Independence, the autonomous body of the institute of Chartered Accountants of India was established in 1949 by an Act of Parliament.

The study of professions emerged as a specialised field of sociological enquiry in India at the turn of the sixties, especially in the fields of Medical, legal Academic, scientific, Journalistic Engineering professions and management and social work. A typical study of professions was made in the seventies by conducting several studies on various professions. The research concerns of sociology changed in the late sixties from the study of traditional social institutions to that of the modern institutions as well as of the modernization of the traditional institutions. With the sixties having been declared as the decade of development by the U.N. the process of modernisation was given a fillip paving the way to the modernisation of occupational cultures and the trend of professionalization. Because of their presumed significance for development, Professions became the object of sociological investigation.

PROFESSIONS IN CONTEMPORARY INDIA - A PROFILE:

The growth of professions in India reflects three main concerns - analysis of the historical context with particular reference to the dynamics of the professions from tradition to modernity; delineation of contrasting styles of growth of select modern professions; and, explanatory formulations regarding the emergence of modern professions.⁵

PROFESSIONAL TRAINING AND SOCIALIZATION:

The purpose of the professional training is to provide the members with the obligations under the training contract. It is also to ensure a structure which would be a blend of work and experience with theoretical education. The width, range and variety of experience obtainable in the offices of a practising chartered accountant provide an appropriate broad-base for the future development of people in the arena.

5. S.L. Sharma 'Sociology of Professions in India', Survey of Research in Sociology and Social Anthropology, I.C.S.S.R. (1974) E. 260

It was the Government of Bombay which formulated a scheme for the training of entrants to the profession of Accountancy which comprises 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.A.Aiyar, the veteran pioneer of Commercial Education in Southern India. The Government of India approved this scheme with 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 and Economics, Bombay with accounting and auditing as the special subjects as a qualifying examination. 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. In the South, more than 50% of the number of auditors in practice were in the city of Madras and the others were scattered over the whole province of Madras.

Growth of the professional Chartered Accounts is 8.6% p.a. In 1949, there were only 1573 members of the Institute of Chartered Accountants. It took twenty years to have 10,000 members in 1970 and the next 10,000 members enrolled in the next nine years in 1979. The third 10,000 after five years in 1984, and fourth about 10,000 after two years in 1986. It is expected to cross one lakh member by the end of the 20th century.

TRAINING:

The importance of on-the-job training lies in providing an opportunity to the trainees to handle in-dependent audit assignments, so that on qualifications, he has the confidence and ability to function independently.

The training for the Chartered Accountants' course involves working in the office of a Chartered Accountant in practice or a firm of such chartered accountant for the specific period. A part of the training can also be taken in industry. A significant development of the past decade has been the phenomenal increase in the demand for Chartered Accountants from industry, both in the public and private sectors. To cover the gap between the attitude and qualities of a member in practice and those of a member in industry, the Council decided to introduce the scheme of

of industrial training. By this, the apprentices were provided with the ~~ex~~perience of the operation of the system of financial control, internal audit, cost accounting procedures, stores accounting, mechanised accounting etc. After detailed consideration, the Council decided in 1961 that an articled clerk may be permitted to undergo industrial training for a period of one year towards the end of his period of practical training and prescribed certain conditions under which such permission could be given. On account of the concerted efforts made by the Council by contacting the various industrial organisations in the country, the facility of training is provided by a number of industrial establishments.

In 1962, with a view to improving the quality of young men entering the profession, the Council set up a Committee to establish liaison with Universities. To attract bright students to the profession, the Council decided that it should be made permissible for a member to take as an additional articled clerk a person who had passed the degree examination of a recognised University securing not less than 60% marks in the aggregate. At present, there are two types of apprenticeship still, viz., articled clerkship and audit

clerkship and they are interchangeable at the option of the apprentices and at the convenience of the principles, subject to certain prescribed conditions.

Social Purpose and Responsibility.

Throughout the world there is a great awareness amongst the citizens in general that every learned profession should develop a real sense of social purpose and social obligation and this should be more so in the case of the Accountancy profession. The profession of accountancy is a service oriented profession and perforce it must keep alive to the changed in the social and economic order and identify itself with the social stream. With increasing role that the State is called upon to play, the significance of the profession is enhanced in respect of public accountability as an enlightened profession to be of service to the nation.

Chartered Accountants are not mere instruments for the implementation of policies, but they themselves should be able to provide the guidelines for projecting a correct appraisal of the vital issues affecting the economy of the country. The Chartered Accountant is a person on whom every section of society could rely strongly. His certificate would be one by way of a seal and a hall-mark which would at once inspire confidence in the minds of all concerned as certification

by a person fully competent and holding a charter from the Supreme Legislature of the country for the purpose. In the performance of any type of duty, the Chartered Accountant would have to think not only of the interest that he is serving, but of the general interest that he is expected to serve in his relation to society. He must be above reproach, he must reflect the highest ethics of the profession, he must possess the expert knowledge which can throw light on important problems and issues. He can by his accomplishment and behaviour assume his rightful place as one who can give and provide the necessary guidance in respect of all matters relating to his socialised field of knowledge.⁶

The Chartered Accountancy profession, at the starting point, was more concerned with audit of accounts. But the members today can do full justice not only to matters relating to taxation, costing, management accounting, financial layouts, company legislation and procedures but they can delve deep into the fields relating to financial policies, budgetary policies and even economic principles. In discharging the duties, members are not merely performing particular duties to earn emoluments, but to discharge a wider function of an honourable profession providing service.

6. Sunil Gulati, "Work Avenues for entrants", in Northern India Chartered Accountants' Regional Conference, New Delhi, 1957.

to the community. They are also required to be accountable to the authorities and also to the Legislature of the country which has bestowed autonomy on the profession.⁷ While service is rendered to the person who engages, the paramount consideration has to be that the approach is ethical and the duties should be so discharged as to merit public appreciation.

ACCOUNTANCY : STRUCTURE OF PROFESSIONAL
ORGANISATION

The Chartered Accountant must be imbued with a desire to serve with a stoical patience, for the financial returns are likely to be agonisingly low in the early years. He must approach the practice of Chartered Accountancy not as a springboard to instant financial success but as a prestige profession that promises a satisfying future in work well done and rewarded adequately received. He has to conduct his practice in a manner that will lend dignity to the accounting profession. The successful pursuit of this can earn the respect and esteem of the community.

Goals of a chartered Accountant: Goals of the Chartered accountants in practice are as follows:⁸

7. Ibid.

8. Organisation of a Chartered Accountants Office
The Institute of Chartered Accountants, of India New Delhi
1967, Page.12.

- (a) to recognise and anticipate his clients' needs and those of the general public;
- (b) to meet these needs in a professionally competent way;
- (c) to accept reasonable fees for the services rendered;
- (d) to steadily grow in competence, to develop his professional resources and competence and
- (e) to contribute to the growth of the accountancy profession.

ROLE OF THE CHARTERED ACCOUNTANT:

The institute has formulated the role of the Chartered Accountants as follows:⁹

- i) Legislative approach:- to pursue with Central Govt. and State Governments such legislations to protect the existing rights and spheres of activities and pursue such other legislations as will assist the economy and at the same time bring additional work for the members of the profession.
- ii) Consultative approach: to held consultations with all those affected, as a result of which the professional opportunities get enlarged.
- iii) Persuasive approach: by persuasion with such authorities so that it could persuade the authorities to avail of the expertise and experience of chartered accountants

9. Professional opportunities for members-An appraisal, The Institute of Chartered Accountants of India, New Delhi 1988, p. 17.

(iv) Self-regulatory approach: to make the self regulatory measures effective by constant review and persuasion.

The council feels that the growth of the profession of chartered Accountancy will depend upon the seriousness of its members & individual duty performed by them. They provide continuing educational programme for the development of such skills and expertise. They also organize conferences, seminars, work-shops and different courses of professional interest. They have different committees regional councils, company law committee and professional development committee to organize different programmes.

The council has self regulatory measures to ensure healthy growth of profession of Chartered Accountancy. These measures are updated and circulated among its members through the publication of the Institute. These measures are as follows:

- a) Non-acceptance of audit work below a certain fee
- b) Non acceptance of Audit of Government Companies and Corporations under certain circumstances
- c) Branch audits
- d) Joint audit
- e) Ceiling on audits of companies
- f) Ration between qualified and unqualified staff
- g) Members in whole-time employment
- h) Disclosure of interest by auditors in other firms.

CONSTITUTION OF THE COUNCIL OF THE INSTITUTE

The institute has constituted a council to manage the functioning of the Institute. The council elects its president and vice-president. The president is the Chief Executive authority of the council. Every year they conduct elections for the post of vice-president & president.

FUNCTIONS OF THE COUNCIL: The functions of the council are as follows:

- " i) The duty of carrying out the provisions of this Act shall be vested in the Council.
- ii) In particular, and without prejudice to the generality of the foregoing power, the duties of the Council will include-
 - a) the examination of candidates for enrolment and the prescribing of fees therefore;
 - b) the regulation of the engagement and training of articled and audit clerks;
 - c) the prescribing of qualifications for entry in the Register;
 - d) the recognition of foreign qualifications and training for purposes of enrolment;
 - d) the granting or refusal of certificates of practice under this Act;

- f) the maintenance and publications of the Register of persons qualified to practice as chartered Accountants;
- g) the levy and collection of fees from members, examines and other persons;
- h) the removal of names from the Register and the restoration to the Register of names which have been removed;
- i) the regulation and maintenance of the status and standard of professional qualifications of members of the Institute;
- j) the carrying out, by financial assistance to persons other than members of the Council or in any other manner, of research in accountancy;
- k) the maintenance of a library and publication of books and periodicals relating to accountancy; and
- l) the exercise of disciplinary powers conferred by this Act."¹⁰

COMMITTEES OF THE COUNCIL: The Council has following standing Committees

- i) an executive committee
- ii) an examination committee, and
- iii) a disciplinary committee.

10. The Chartered Accountants Act 1949, The Institute of Chartered Accountants of India, New Delhi p. 12-13.

The Council may also form such other committees from amongst its members as it deems necessary for the purpose of carrying out the provisions of this Act, and any committee so formed may, with the sanction of the Council, co-opt such other members of the Institute not exceeding two-third of the members of the committee as the committee thinks fit, and any member so co-opted shall be entitled to exercise all the rights of the member of a committee.

Each of the standing Committees shall consist of the President and the Vice-President ex-officio, and three other members of the Council elected by the Council.

The president and the Vice-President of the Council shall be Chairman and Vice-Chairman respectively of each of the Standing Committees.

Besides this, council has many other committees, These Committees have also their president, vice-president and three other elected members. These elected office bearers are Chairman, Vice-Chairman of the committees. These office bearers have the tenure of one year from the date of their election.

The Council may constitute Regional Councils to assist it in the matters of its functioning. These Regional Councils may be constituted for one or more regional constituencies as mentioned below:-

- "i) The states of Maharashtra and Gujarat.
- ii) The States of Andhra Pradesh, Kerala and Karnataka and the Union Territory of Pondicherry.
- iii) The States of Assam, Nagaland, Orissa, West Bengal Manipur and Tripura.
- iv) The States of Uttar Pradesh, Bihar, Madhya Pradesh and Rajasthan.
- v) The states of Punjab and Himachal Pradesh. and Union Territory of Delhi."¹¹

DUTIES AND FUNCTIONS OF REGIONAL COUNCILS:-The duties and functions of regional councils are as follows:-

- i) to provide facilities for intercourse, among members in its region by regular meetings, arrangement of talks and lectures and for the acquisition and dissemination of useful information;
- ii) to award prizes for professional activities.
- iii) to advise the council on all matters referred it and to offer such other assistance as may be required.

11. The Chartered Accountants Regulations ¹⁹⁶⁴ the Institute of Chartered Accountants of India, New Delhi, 1987. p.94

- iv) to make representations to the Council in connection with the matters of professional and business interest in its region and to offer suggestions for the amendment of the Act and these Regulations, for raising the standards and status of the profession;
- v) To maintain a regional register of members and registers of articled clerks and audit clerks in its region;
- vi) to supply routine information to members or to the prospective candidates for articles or examinations.
- vii) to propagate among the members the advisability and the necessity of observing the rules of professional etiquette and the provisions of the Act and these regulations;
- viii) to collect news from the members of the profession for publication in the journal of the Institute, if necessary.
- ix) to recommend on its own motion, or on a reference by the council, names for inclusion in the panel of examiners;
- x) to consider and recommend to the Council books which may be considered useful for candidates intending to appear for the Preliminary, intermediate and final examinations.

- xi) to arrange, if found practicable, for coaching candidates for the aforesaid examinations at convenient centres in its region;
- xii) to gather material from the Departments of the Government in the States within its region for the purpose of enlisting their support in the furtherance of the interests of the members;
- xiii) to run study-circles with sub-committees or branches for auditing, direct taxes, company law, costing, sales-tax etc.;
- xiv) to constitute a permanent research sub-committee for promoting research by members in topics of interest to the profession;
- xv) to maintain a library and a reading room for the use of the members.
- xvi) to hold refresher course camps at convenient centres for the benefit of the members;
- xvii) to maintain an employment exchange for securing suitable employment for qualified accountants and finding suitable qualified accountants for employers; and
- xviii) to carry out such other functions as may be entrusted by the Council and/or any of its committees."¹²

12. Ibid, P. 96 - 97.

The Council has prescribed rules and regulation for the election and resignation of its office bearers and members. Only those members whose names are published on the Register are eligible to vote ~~for~~ to elect the Regional councils. The Council publishes the names of these members three months before the date of the election.

The candidate for election have to pay a fees of Rs.200/- to the council. Any member of the Regional Council may resign by writing to the Chairman of the Regional Council.

The regional council elects a Chairman, a Vice-Chairman, a Secretary, a Treasurer out of its elected members every year. The council prescribes the powers of the office bearers. All the questions are decided in a regional council meeting by a majority of votes.

CAPTER-III

CHAPTER - III

PROFESSIONAL ETHICS: THE CASE OF CHARTERED ACCOUNTANTS IN INDIA.

INTRODUCTION:-

Some features of codes of professional ethics are common to all professions. Euphemistically, a code of professional conduct is also referred to as "Professional Ethics". The word "Ethics" has been defined in the dictionary as follows: "Moral principles, quality of practice; a system of moral principles; the morals of individual action of practice". The instantaneous aim of professional service is the welfare of the client. Any realistic and justifiable system of professional ethics should be oriented towards the collective good of the beneficiaries. Ever since times immemorial, historically, professional ethics may be said to refer to the social principles.

Apart from the technical skill and competence of the members constituting it, a profession derives its sustenance for a healthy growth from the quality of the code of conduct observed by its members. This is to place service before self and living up to the tenets which further public interest. Such a code of ethics has to extend beyond the bounds set by statutes and cover obligations voluntarily undertaken to be able to

command the respect and confidence of the public in general. The code of ethics has to be for the protection of the public and not merely self-service. The prestige and confidence enjoyed by a profession, to a great extent, is dependent on the strictness and scrupulosity with which such a code is interpreted and not necessarily by legislation or regulations as much by self-discipline.

PROFESSIONAL ETHICS AND CHARTERED ACCOUNTANCY

Most of the professions have now drawn up codes of ethics, declaring their ideals or standards of behaviour. Accordingly, the ethics of an accountant would connote his behaviour towards his fellows in the profession and other professions and towards members of the public. Professional integrity and independence are essential characteristics of all the learned professions, but is more so in the case of Chartered Accountants. In all the phases of a Chartered Accountant's work he is expected to be independent, but in particular in his work as an auditor, independence has a special meaning and significance. Not only the client but in case of the companies also, the shareholders, prospective investors, bankers and Government agencies rely upon the accounts of an enterprise when they are audited by a Chartered Accountant. As statutory auditor of the accounts of a limited company, for example, the Chartered Accountant would

cease to perform any useful function if the persons who rely upon the accounts^{of} the company do not have any faith in the independence and integrity of the Chartered Accountant. In such cases he is expected to be objective in his approach, fearless, and capable of expressing an honest opinion based upon the performance of work such as his training and experience enables him to do.

PROFESSIONAL ETHICS AND CHARTERED ACCOUNTANTS ACT, 1949.

The accountancy profession in India until 1949, was controlled by Government. Until then, the conduct of the members was judged with reference to a certain sets of rules and regulations. This pattern has been continued by several provisions being included in the Chartered Accountancy Act and the Schedules there to setting out different forms of behaviour which would constitute misconduct under the Act.

The Chartered Accountants Act, 1949 is an Act for the regulation of the profession of Chartered Accountants. "The regulation is exercised through the Institute of Chartered Accountants. For the management of the affairs and for discharging the functions assigned to it by Chartered Accountants Act, there is a Council of the Institute."¹ Several provisions have been included.

1. Code of Conduct, The Institute of Indian chartered Accountants, 1987 p. 3.

in the Act and its schedules setting out different forms of behaviour which would constitute misconduct under the Act. "The council which has been empowered to institute any enquiry into cases where it is prima facie of the opinion that a member is guilty of professional or other misconduct. It is thus clear that the council may enquire into the conduct of a member when it feels that the member has been guilty of an act which is unprofessional practices, or it is opposed to public interest or offends against good professional practices."²

PROFESSIONAL MISCONDUCT DEFINED:

Several provisions have been included as misconducts under the Act. "Section 22 of the Act read with the Schedules to the Act, contains an illustrative definition of "Professional misconduct". These constitute the code of professional conduct applicable to Chartered Accountants."³ The different types of behaviour or professional misconduct by Chartered Accountants within the Chartered Accountants Act are comprised in two schedules, the first Schedule being divided into three parts and the second Schedule into two parts.

2. Ibid.

3. Ibid p. 12,

Part I of the First Schedule deals with the professional misconduct of a Chartered Accountant in practice which would have the effect generally of compromising his position as an independent person. Part II of the First Schedule deals with professional misconduct of members of the Institute in service. Part III deals with the professional misconduct of members generally.

The second Schedule deals with misconduct in relations to Chartered Accountants in practice and members generally.

A. Professional Misconduct in relation to Chartered Accountants in Practice:- (First Schedule Part-I)

A Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he:

Clause 1: "allows any person to practice in his name as a Chartered Accountant unless such person is also a Chartered Accountant in practice and is in partnership with or employed by himself."⁴

4. Ibid p. 14 - 15

Clause 2: "pays or allows or agrees to allow, directly or indirectly, any share commission or brokerage in the fees or profits of his professional business, to any person other than a member of the Institute or a partner or a retired partner or the legal representative of a deceased partner."⁵

Clause 3: "accepts or agrees to accept any part of the profits of the professional work of a lawyer auctioneer, broker or other agent who is not member of the institute."⁶

Clause 4: "enters into partnership with any person other than a chartered accountant in practice or a person resident without India who but for his residence abroad would be entitled to be registered member under clause (v) of sub section (1) of section 4 or whose qualifications are recognised by the Central Government or the Council for the purpose of permitting such partnerships, provided that the Chartered Accountant shares in the fees or profits of the business of the partnership both within and without India."⁷

5. Ibid p. 15

6. Ibid p. 16

7. Ibid p. 16 - 17.

Clause 5: "secures either through the services of a person not qualified to be his partner or by means which are not open to a Chartered Accountant, any professional business."⁸

Clause 6: "solicits clients or professional work either directly or indirectly by circular, advertisement, personal communication or interview or by any other means"⁹

Clause 7: "advertises his professional attainments or services or uses any designation or expression other than chartered Accountant on professional documents, visiting cards, letter heads or sign boards unless it be a degree of a University established by law in India or recognised by the Central Government or a title indicating membership of the institute of Chartered Accountants or of any other institution that has been recognised by the Central Government or may be recognised by the council."¹⁰

Clause 8: "accepts a position as auditor previously held by another Chartered Accountant or a restricted state auditor without first communicating with him in writing."¹¹

8. Ibid p. 17

9. Ibid p. 17

10. Ibid p. 17

11. Ibid p. 27

Clause 9: "accepts an appointment as auditor of a company without first ascertaining from it whether the requirements of section 226 of the Companies Act 1956, in respect of such appointment has been duly complied with;"¹²

Clause 10: "charges or offers to charge, accepts or offers to accept in respect of any professional employment, fees which are based on a percentage of profits or which are contingent upon the findings, or result of such employment accept in cases which are permitted under any regulations made under this act."¹³

Clause 11: "engages in any business or occupation other than the profession of chartered accountants unless permitted by the council so to engage : Provided that nothing contained herein shall disentitle a chartered accountant from being a director of company, unless he or any of his partners is interested in such company as an auditor;"¹⁴

Clause 12: "accepts a position as auditor previously held by some other Chartered Accountant or a restricted state auditor in such conditions as to constitute undercutting;"¹⁵

12. Ibid p. 32

13. Ibid p. 32

14. Ibid p. 34

15. Ibid p. 38

Clause 13: "allows a person not being a member of the Institute or a member not being his partner to sign on his behalf or on behalf of his firm, any balance sheet, profit and loss account, report or financial statements."¹⁶

The first clause is universal which stops Chartered Accountants to misuse their name while the second clause stops him by taking or employing any broker or agent of his profession. But today when this profession is interacting with other professionals like lawyers engineers and etc., it liberalises their limitations and this act allows them to share work on a specified project. It also warns not to charge any separate fee for the specified project.

The third clause makes Chartered Accountants independent and stops them to receive and share the fee with others such as lawyers, brokers etc. While the fourth clause stops Chartered Accountants to get partnership with those other than Chartered Accountants in practice. The fifth clause stops them from working through any agency and allows them to work "by the respect that he is able to command the professional talent and skill and by the confidence he is able to inspire by having a reputating integrity."¹⁷ The clause six stops them from publicising through advertisement, circular or by any

16. Ibid 39

17. Ibid p. 17

other means. The seventh clause stops them by misusing the permission of the Council. The clients have their own right to choose Chartered Accountant. In continuation, the clause 9 does not permit anybody to challenge the appointment of auditor by client. Clause 10 distinguishes this profession from a business in terms of the basis or purpose of pursuing the profession as against pursuing a business. It says personal gain is one but not the main or the only objective. While the council of English institute has formed Regulation 168 to exempt "members from the operation of this clause in the matter of service rendered by them as receiver, liquidator valuer and in any other field where professional work is remunerative the basis of per centage of recovery or in proportion to the value of assets."¹⁸ "the clause 11 restrins members from carrying on any other business in o conjunction with the profession of accountancy."¹⁹ This is because a Chartered Accountant involving practice. While regulation 166 instructs "Chartere Accountant in practice not to engage in any other business or occupation.",²⁰ regulation 167 specifies "part time employments, a chartered accountant in practice may accept. "²¹

18. Ibid p. 33

19. Ibid p. 34

20. Ibid p. 35

21. Ibid p. 35.

B. PROFESSIONAL MISCONDUCT IN RELATION TO MEMBERS OF THE
INSTITUTE IN SERVICE: (First Schedule Part I)

The three different clauses included in this part of the schedule define different types of conduct of a member who is not in practice but is an employee of a firm, company or an individual which would make him guilty of professional misconduct,

- (a) "If he pays or allows or agrees to pay directly or indirectly to any person any share in the emoluments of the employment under-taken by the member;
- (b) If he accepts or agrees to accept any part of fees, profits or gains from lawyers, chartered Accountant, or broker engaged by such company, firm or person by way of commission or qualification.²²
- (c) If he discloses confidential information acquired in the course of his employment except as and when required by law or except as permitted by the employer".²³

22. Ibid p. 41

23. Ibid p. 41

C. PROFESSIONAL MISCONDUCT IN RELATION TO MEMBERS OF THE INSTITUTE GENERALLY (THE FIRST SCHEDULE PART III)

A member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, if he:

1. "includes in any statement, return or form to be submitted to the council any particulars knowing them to be false";
2. "not being a fellow styles himself as a fellow;"
3. "does not supply the information called for or does not comply with the requirements asked for, by the council or any of its committees." 24

D. PROFESSIONAL MISCONDUCT IN RELATION TO CHARTERED ACCOUNTANT IN PRACTICE REQUIRING ACTION BY THE HIGH COURT THE SECOND SCHEDULE PART I

A Chartered Accountant in practice shall be deemed to be guilty of professional misconduct if he:

24. Code of conduct the Indian Institute of Chartered accountants 1964 p. 41

Clause 1: "discloses information acquired in the course of his professional engagement to any person other than his client, without the consent of his client or otherwise than as required by any law for the time being in force."²⁵

Clause 2: If he discloses or submits in his name or in the name of his firm a report of an examination of financial statements under the examination of such statements and the related records has been made by him or by a partner or an employee in his firm or by another C.A. in practice.²⁶

Clause 3: "If he permits his name or the name of his firm to be used in connection with an estimate of earnings contingent upon future transactions in a manner which may lead to the belief that he vouches for the accuracy of the forecast."²⁷

Clause 4: If he expresses his opinion on financial statements of any business or any enterprise

25. Ibid p. 43

26. Ibid p. 44

27. Ibid p. 45

in which his firm or a partner in his firm has substantial interest unless he discloses the interest also in his report"²⁸

Clause 5. "fails to disclose a material fact known to him which is not disclosed in a financial statement but disclosure of which is necessary to make the financial statement not misleading"²⁹

Clause 6. "Fails to report a material misstatement known to him to appear in a financial statement with which he is concerned in a professional capacity."³⁰

Clause 7. "is grossly negligent in the conduct of his professional duties."³¹

Clause 8. "fails to obtain sufficient information to warrant the expression of an opinion or his exceptions are sufficiently material to negate the expression of an opinion."³²

28. Ibid p. 45

29 Ibid p. 45

30. Ibid p. 48

31 Ibid p. 48

32. Ibid P. 50

Clause 9. "fails to invite attention to any material departure from the generally accepted procedure of audit applicable to the circumstances."³³

Clause 10. "fails to keep money of his client in a separate banking account or to use such money for purposes for which they are intended".³⁴

Clause 1 is important for the work of a Chartered Accountant in the sense that he should not disclose any confidential matter to others which the client provides to him. Clause 2 ensures that the work is done by Chartered Accountant or any partner or an employee of his firm or by other Chartered Accountant in practice. Clause 3 restricts Chartered Accountants to express any opinion on estimates of profits to be earned by a company in future. While clause 4 says, if a Chartered Accountant expresses his opinion on financial statement, in which he had substantial interest he should disclose every factor of his interest. Clause 5,6 refer to disclosing material fact known to the Chartered Accountant but not disclosed in financial statement. Clause 7 talks of the honesty and sincere duties performed by the Chartered Accountant clause 8 says, a Chartered Accountant should not express his views before

33. Ibid p. 51

34. Ibid p. 52.

obtaining information. He should current fairly on the financial statement after examining the authenticity. Clause 9 says, a Chartered Accountant should directly confirm the accounts receivable. While clauses 10 states "in the cause of his engagement as a professional document, a member may be entrusted with money belonging to his client. He receives much funds; it would be his duty to deposit such money in a separate banking account and to utilize such funds only with the instructions of the client or for the purpose intended by the client.

PROFESSIONAL MISCONDUCT IN RELATION TO MEMBERS OF THE
INSTITUTE GENERALLY REQUIRING ACTION BY A HIGH COURT.
SECOND SCHEDULE (PART II)

A Member of the Institute whether in practice or not, shall be deemed to be guilty of professional misconduct, if he:

"contravenes any of the provisions of this Act or the Regulations made there under:"³⁵

They include:

*" making mis-statement to the Institute.

35. *ibid*, p. 52.

- * Offer of articleship without a vacancy.
- * Non-refund of Premium
- * Issue of a false certificate to articled clerks
- * Representation in taxation matters when a member is suspended from practice
- * Canvassing and opening branches
- * Failure to register the Articles with the Institute
- * Maintaining irregular branch office
- * Acceptance of refundable deposit from articled clerk
- * Certifying consumption statement without holding certificate of practice
- * Issue of Circular using other description in addition to the designation of "Chartered Accountant".
- * Failure to pay stipend to his articled clerk
- * Treating part of premium as coaching fee.
- * Engaging articled clerks without disclosing the true facts to the Institute.
- * Signing of two Balance Sheets on two different dates for the same year
- * Discrepancy in certifying imports
- * Using the designation of chartered accountant before enrolment
- * Auditor of Co-operative Society taking active part in the Management and issuing false certificate of verification of cash on hand.
- * Accepting bankers' certificates in regard to Government securities.

- * Aiding and abetting the management and co-operative Bank in their subversive activities.
- * Not signing the Balance Sheet on account of non-payment of Fees.
- * Allegations of grave irregularities in the accounts
- * Issue of certificate by Chartered Accountant when he is not qualified to give one.
- * Failure to comply with the provisions of the Company Act.
- * Adoption of delaying tactics in finalisation of audited statements.
- * Extortion of money from articled clerk
- * Exercising undue influence and coercion on the clients.
- * Misappropriation by the office-bearer of the Institute.
- * Failure to return the books.
- * Failure to check the cash balance.
- * Engaging the service of the audit clerk for agricultural activities.³⁶

PROCEDURE OF ENQUIRY:

Section 21 has laid down the following procedure in regard to inquiries into misconduct of members.

(a) On receipt of information by, or of a complaint made to it, the Council must first decide whether a Prima

36. Professional Ethics, The Institute of Chartered Accountants of India, New Delhi, 1984 F. 57 - 84.

facie case has been made out against a member for professional or other misconduct. The use of the words "or other" is important, in as much as the Council thereby is empowered to inquire into any misconduct of a member even if it does not arise out of his professional work. This is considered necessary, for a Chartered Accountant is expected to maintain the highest standards of integrity in his personal conduct, and any deviation from this high standard even in personal affairs would expose a Chartered Accountant to a disciplinary inquiry.

(b) If the Council is satisfied that a prima facie case exists, then the matter is referred to the Disciplinary Committee which holds an inquiry and reports its conclusion to the Council;

(c) If after considering the Disciplinary Committee's Report the Council decides that the member is not guilty of professional or other misconduct, the proceedings end at that stage.

(d) If however, the council finds the member guilty of professional misconduct specified in the First Schedule to the Act, the Council must afford to the member an opportunity of being heard and may thereafter either reprimand the member or remove his name from the Register of Members for a period not exceeding five years. However, if the council decides that the misconduct is such that member's

name should be excluded from the Register of Members for a period exceeding five years or permanently, it has to forward the case to the High Court with its recommendations thereon.

The Council's decision on every case involving misconduct under the First Schedule to the Act is final except in three circumstances:

- i) When the aggrieved member prefers an appeal to the High Court:
- ii) When the High Court on its own motion or otherwise revises the order of the Council.
- iii) Where the Council decides to remove the member's name for a period exceeding five years or permanently.

(e) If the misconduct of a member is such that it does not fall within the scope of the First Schedule to the Act, the Council must refer the case to the High Court with its recommendations unless, on receipt of the Report of the Disciplinary Committee it finds that the member is not guilty of any misconduct.

(f) On a case being referred to the High Court, The High Court may decide the case as it deems fit.

(g) The Council is entitled to inquire into the conduct of a person who was member of the Institute but has ceased to be so at the time of the inquiry.

(h) The Council and the Disciplinary Committee can exercise the same powers as are vested in a Civil Court viz.

- (i) to summon and enforce attendance of any person and to examine him on oath;
- (ii) discovery and production of any document;
- (iii) receiving evidence on affidavit.

(i) Where final orders are passed by the Council as described in paragraph (d) above, an aggrieved member may appeal to the High Court. The High Court may pass such orders as it may deem fit." 37

Section 22 of the Act read with the Schedules to the Act contains an indicative though not a conclusive definition of "professional misconduct". These constitute the code of professional conduct applicable to Chartered Accountants.

37. Code of Conduct, Indian Institute of Chartered Accountants, New Delhi, page. 8 - 11

The Council is also empowered to issue directions in the exercise of the power conferred by the clause (ii) of Part II of the Second Schedule and to notify by publication in the Gazette of India acts and omissions which may amount to misconduct. Such notifications have been issued by the Council from time to time.

THE CONDITION SINE QUO NON TERRA FIRMA OF THE PROFESSION

The voluntary submission for the highest code of ethics is the key-note for respect being bestowed upon the members of the profession. Members of the profession are not representatives of the persons who engage their services. Their attitude and behaviour should be such that they act as custodians of public interests and their services should be first put in the wider social context and not in the limited field-of merely the interest of their clients who have approached them.

at the time of the hearing of the very first case which came up before the Bombay High Court, the Hon'ble Chief Justice, Mr. M.C.Chagla observed:

" . . . When considering the conduct of the respondent we must also bear in mind that the

profession of accountants is a very honourable and learned profession and that our Government for the first time has set up a Council and has conferred upon that Council important powers to deal with disciplinary matters affecting the members of the profession. . . . It is very important that proper traditions should be laid down in the early days of the Institute and it is also important that the Council should insist upon proper tradition being maintained by those who are on the register of the Council, and therefore, we do not agree that we should really take a lenient view of the case that is before us. . . . "38

These observations are clearly indicative of the heavy responsibilities which the members of the profession are required to bear and of the expectations of the State and Society regarding their performance as custodians of public interest.

38. G.P. Kapadia, History of the Accountancy Profession in India, The Institute of Chartered Accountants of India, New Delhi 1973 p. 374.

OSHPATER - IV

CHAPTER IV

PROFESSION AND PRACTICE OF ACCOUNTANCY: STRUCTURE OF PROFESSIONAL SERVICES

The Chartered Accountant, with his education, training, analytical mind and acquaintance with the financial management of different industries is thoroughly equipped and familiar with the theory and practice of accounting and has an understanding of its purposes, techniques and objectives. He can comprehend the entire business operations and the methods of management control. He can examine each part of an activity and review it in the light of its contribution to the success of the business. He has a wide vision and capacity to be impartial in his appraisal and, above all, he is independent in his outlook.

There are several good reasons why only Chartered Accountant can render - and in fact do render these multiple need-based services to ever-growing and-discerning clients.

TRAINING: A Chartered Accountant undergoes a long period of practical training in the office of a practising Chartered Accountant. He is also subjected to a programme of rigorous theoretical instruction.

PROFESSIONAL KNOWLEDGE: A Chartered Accountant has to qualify in examinations that are of a high standard. The examination subjects include accounting, auditing, management-accounting, commercial knowledge, company law, mercantile law, taxation, estate duty, sales tax, cost accounting, statistics, economics. Moreover the education of a Chartered Accountant never end.¹ Through post-graduate courses and through the media of seminars, conferences and research publications, the development of a Chartered accountant continues throughout his career.

COMPETENCE, EXPERIENCE AND EXPERTISE: The Chartered Accountant, in the course of his work, acquires experiences in the problems of various business and industries. He is also well-informed about the latest positions of the relevent law, governmental and other regulations, and of cases decided by the courts. He examines the records of many different business. This gives him a breadth of knowledge and experience which will help him to bring sound judgement to bear on particular problems faced by the clients they serv.

1. Education and Training for Chartered Accountancy,
The Institute of Chartered Accountants of India,
New Delhi, 1986.

ETHICS AND INTEGRITY: A Chartered Accountant is required to observe high standard of integrity and professional conduct, and to treat the affairs of his clients as confidential matters. A Chartered Accountant will carry out his assignment with due care, skill and integrity. He has to function under a stringent code of conduct laid down under the Chartered Accountants Act and administered by the Disciplinary Committee of the Institute. The Code is designed to ensure that the Chartered Accountant observes the highest standards of professional conduct with special emphasis on integrity and care and competence in the discharge of professional obligations.

AUDITS UNDER STATUTE:

Every limited company is required to appoint a Chartered Accountant as an auditor who has a statutory duty to report each year whether in his opinion the balance sheet shows a true and fair view of the state of affairs on the balance sheet date, and the profit and loss account shows a true and fair view of the profit or loss for the year. It is fundamental to audit that the auditor must not only be professionally competent but must also be independent. His duty is to examine the accounts and to make an independent report to whoever has appointed him for that purpose.

The auditing requirements of Company Law apply to every company from the largest giant to the smallest one-man company. All of them must have Chartered accountants as their auditors. Auditing is not confined to the accounts of companies; other organisations may also have their accounts audited, either because the law so requires or because the proprietors wisely so decide.² Audited accounts inspire confidence in taxation authorities etc. and are relied upon.

Next coming to Internal auditing, it is a management tool no matter what the size of the business is, the utility of internal auditing as a means of managerial control is the same. Growing demand and greater initiative of the internal auditor of constructive contribution towards improving the operational efficiency of the business through an independent review and appraisal of all business operations have developed internal auditing into a service to management.

Chartered accountants know about the income tax problems and hence, they can smoothen out the barriers

2. Sunil Gulati, "work avenues for Enterants" Northern Indian Chartered Accountants Regional Conference, New Delhi 1987.

of the businessmen. To run a business, it is wise to entrust taxation affairs to a Chartered Accountant. He can save a businessman from incurring tax liabilities if he is consulted before some of the basic business decisions are taken. For example:

1. CAPITAL EXPENDITURE: Tax relief can be affected materially by the date on which an expenditure is incurred and by whether equipment is purchased or hired.

2. CLOSING BUSINESS: An unwise choice of date for closing a business can be expensive in tax. The burden of taxes can be reduced by means which are permissible under the law. Gifts, settlements and trusts can be cited as appropriate examples in this context.

LIGHTENING OF TAX BURDEN: The accounts of many small businesses run by firms and individuals in the non-corporate sector are rejected by the Income Tax authorities and their profits assessed in the absence of adequate accounting records or proper method of accounting. With the existing high rates of taxation, this leads to paying needlessly more taxes than are legitimately due. Some of the small traders, businessmen and other tax payers also do not avail of exemptions, rebates and deductions allowable under the tax laws due to ignorance. A Chartered Accountant would be helpful

in claiming the lawful exemptions and reliefs under the tax laws. He will also save one from avoidable tax burden by proper planning of his tax affairs.

ESTATE DUTY PLANNING: A Chartered Accountant would plan the disposition of assets, ensuring that funds will be available for payment of estate duty and for safeguarding the interest of dependents. If one prepares for the inevitable by instructing one's solicitor to draw up the Will, and this may save the family members a great deal of trouble, expense and unnecessary taxation by taking also the advice of a Chartered Accountant. A Chartered Accountant is frequently appointed executor under a Will, or a trustee under a settlement, in order to carry on the administration of the estate or settlement.³

MANAGEMENT ACCOUNTING: Business management is concerned with today's events and tomorrow's expectations. Labour costs, materials, overheads, volume of production, price fixing, return on capital, finance, & capital expenditure will have to be properly given a blue-print.⁴

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3. The Chartered Accountants Regulations, the Institute of Chartered Accountants of India, New Delhi 1983.
 4. G.P. Kapadia - 'History of the Accountancy Profession in India', The Institute of Chartered Accountants of India New Delhi 1973.

Decisions on all these matters rest with the businessman. His decisions should be in the light of factual information obtainable from the accounting records. This would involve preparation of operating budgets and cash budgets, regular preparation of up-to-date accounting statements etc., Chartered Accountants have the 'know-how' to show businessmen the way to equip themselves with that information. This information is required to plan the operations and information which shows whether operations are proceeding according to plan.

Management accounting is important for every business, however small or large. Frequently, the Chartered Accountant who acts as auditor of a business is the most suitable person to advise on these management accounting matters because of his intimate knowledge of the business. Sometimes, however, he may recommend to take the advice of the firms of Chartered Accountants who specialise in the field to meet the needs of complex business.

FINANCIAL ADVICE: Businessmen also need financial advice. Financial advice is given by Chartered Accountants either as independent professional accountants, or as directors or as full-time officers. Many businessmen need and often obtain advice from all three sources.

INVESTMENT AND INSURANCE: A Chartered Accountant would also like to either to advice about investments or to suggest a suitable source of advice. He would also guide people on insurance against fire and other risks in relation to one's business and personal property, endowment policies, retirement annuities, estate duty savings etc.,

BUSINESS EXPANSION: As businesses grow in size and complexity and mergers are being considered, Chartered Accountants are in the forefront interpreting accounts, making suggestions as to form of schemes and the fairness. When the time comes to invite the public to subscribe for shares, the advice of Chartered Accountants is needed. They also advise on how to set about the problem of borrowing money where this is an appropriate method of finance. Chartered Accountants render extremely useful service in-connection with negotiations with foreign collaborators.⁵

COMPANY TAXATION AND FINANCIAL INVESTIGATIONS: Problems of taxation face the directors of a company. When a company develops interests abroad, its taxation problems become even more complex. Overseas taxation and claims

5. Professional Opportunities for Members - An appraisal
The Institute of Chartered Accountants of India,
New Delhi 1986.

for relief from double taxation are often complicated. A Chartered Accountant can give valuable advice on these. In matters of financial investigation, Chartered Accountancy serves a variety of purposes like to ascertain why profits have fallen, to achieve greater efficiency in management, to value businesses and shares in private companies for purposes such as purchase, sale, estate duty or wealth tax, etc, to help in assessing the likely future profitability of capital expenditure on buildings, plant and equipment and the like.

PENSION SCHEMES: The advice of a specialist is required before launching or amending a provident fund or pension scheme in one's business. Later help in managing the scheme or obtaining tax reliefs may be got.

MANAGEMENT CONSULTANCY SERVICES:- of Chartered Accountancy include management information systems, working capital management, expenditure control and evaluation to promote operational efficiency, working capital management to improve productivity, fight inflation, advising management on principles of organisation and methods, reviewing the procedures and equipment for operational control and development of systems which would lead to optimisation of office efficiency, corporate planning, feasibility studies, data processing, solution of business

problems like product mix decisions, pricing decisions; appraisal of personnel policies and practices and ultimately executive selection services in the areas of production, marketing, accounts, data processing, personnel general administration by assessment of company requirements, advertisements for and reviewing applications received and arranging interviews of short-listed applications for final selection.

OTHER SERVICES:

SECRETARIAL WORK: Companies, clubs, and associations indeed, virtually all organisations involve secretarial work. Chartered Accountants frequently do this work.⁶

SHARE REGISTRATION WORK: Chartered Accountants are often used by many companies to undertake the work involved in registering share transfers and new issues.

COMPANY FORMATIONS: In conjunction with legal advisers, a Chartered Accountant will help to form a Company - or advise against doing so.

RECEIVERSHIPS, LIQUIDATIONS, ETC.: An unpleasant subject, though indeed, one has to take the services of a Chartered Accountant who is just man for the job. He is also

6. Education and Training for Chartered Accountancy.
The Institute of Chartered Accountants, New Delhi.

just the man to help to keep insolvency if he is consulted in time.⁷

A BIRD'S EYE-VIEW OF THE SERVICES OF A CHARTERED ACCOUNTANT:

ACCOUNTS AND FINANCE:⁸

- * Audit of accounts
- * Maintenance of books of accounts
- * Preparation of Balance Sheet and Profit and Loss Account.
- * Installing better accounting system and cost accounting
- * Financial planning
- * Project reports, control over the progress of the new projects, capital budgeting decisions.
- * Amalgamations, purchase of new business, valuation of shares, valuation of goodwill etc.
- * Foreign collaborations
- * Raising capital from various financial institutions and other sources:

7. Ibid.

8. The Chartered Accountants Act 1949 the Institute of Chartered Accountants of India, New Delhi 1984.

- * Investment of surplus funds
- * Insurance

MANAGEMENT SERVICES:⁹

- * Preparation of Accounting Manual
- * Cost analysis and cost accounting procedures
- * Budgeting and budgetary control
- * Reporting to higher management
- * Installation of internal control systems and internal audit procedures.
- * Cash resources management
- * Materials management and installation
- * Organisational study, including delegation of Powers.
- * Installation of simple accounting, and financial systems for small scale industries
- * Profitability studies
- * Price fixing, project planning, forecasting
- * Cash flow analysis
- * Staff selection, staff training and job evaluation
- * Analysis and interpretation of financial statement
- * Inter and intra-firm comparison.

TAXATION:

- * Tax planning
- * Preparation of income tax, wealth tax, sales tax and other tax returns.
- * Presenting the case in assessments
- * Getting tax clearance certificates

9. Scope & Service, Indian Institute of Chartered Accountant, New Delhi.

- * Refunds
- * Appeals
- * Consultation on controversial tax matters

SECRETARIAL AND COMPANY MATTERS¹⁰

- * Preparation of memorandum and articles of Company formation and prospectus, etc.
- * Minutes of Board and General meetings etc.
- * Share department and other secretarial responsibilities.
- * Appearance before Registrar, Regional Director, Company Law Board, etc.
- * Various other Company matters.

INTERNAL AUDIT AND CONTROL

- * Installation of internal control systems
- * Internal audit
- * Physical verification of stock and inventory. cash and investments.
- * Detection of frauds and errors
- * Investigation and special audit.

This is only an illustrative and not exhaustive of the services which can be rendered by a Chartered Accountant. The greatest advantage in engaging the services of a Chartered Accountant is that a single firm of Chartered Accountant is that a single firm of Chartered Accountants can offer the widest possible range of service - from audit, accounts, finance and taxation to forecasting and planning and management aids.

10. Ibid

PRACTICE:

So far as prospects are concerned in practice, it is no doubt more but in service also, in today's market, it is not less. In practice in earlier years members have to wait for reaching a Break-Even point but for futur it is in all sense very good. A new firm of Chartered Accountant in its initial period has to struggle for getting audits and the new entrant has to depend sometimes on doing accounting work and various other miscellaneous jobs which may not be peritting to his career.

AREAS OF PRACTICE;¹¹

1. Statutory Audit
2. Internal Audit
3. Tax Practice - Direct and Indirect
4. Management consultancy service
5. Computer service
6. Other Areas.

11. 'Professional opportunities for members. An Appraisal
The Institute of Chartered Accountants of India
1986.

1. STATUTORY AUDIT:

- (i) Under the Companies Act, Private and Public Sector's are statutorily required to be audited by Chartered Accountants firm.
- (ii) With the coming up of large scale co-operative societies like IFFCO, MARKFED, NAFED, KRIBHCO etc. the scope has been further enlarged.
- (iii) Various states Co-operative Societies Act and rules made it compulsory to get the Accounts of Societies audited by the Chartered Accountants firm.
- iv) Bank Audit and its branches are audited by Chartered Accountant firms through RBI panels. SBI also get its branches audited by Chartered Accountants.
- v) Under the Income-Tax Act, Section 44 AB, audit is statutory requirement and likewise for various allowable deductions, under Section 800, 801 and 80 AAC, services of Chartered Accountant is compulsory.¹²

12. Sunil Gulati - "Work Avenues for Entrants" Northern Indian Chartered Accountants Conference, New Delhi.

2. INTERNAL AUDIT.

"Under Section 227 (4A), of Companies Act, 1956, there is statutory requirement to get the Internal Audit."¹³

The service of the Chartered Accountants are also needed by Banks. The various types of internal audits like Income and Expenditure Audit, Inspection Audit, Current Audit. Investigation Audit cannot be done without the help of Chartered Accountants.

If a firm takes a loan of more than Rs. 10 lacs it is mandatory for the firm to get its accounts audited by Chartered Accountants.

The Internal audit, evaluation audit, system audit management audit and proprietary audit of Companies or firms also require the services of Chartered Accountants.

3. TAX PRACTICE:

Tax Practice which include Direct Tax, or Indirect Tax, constitute a sizeable and one of the largest area of professional work, which is considered remunerative.

The Income Tax Advisory Service, Tax Management, Planning engages Chartered Accountants in a large number.

13. Ibid.

14. Professional opportunities for members - an appraisal

The Institute of Chartered Accountants of India,
New Delhi 1986.

4. MANAGEMENT CONSULTANCY SERVICES:

i) Financial Institutions maintain Directory of Consultants. World Bank and other International agencies are also maintaining panels.

ii) Preparing Project reports, making accounting manuals, system manuals etc. are also done by the Chartered Accountants.

5. COMPUTER SERVICES: The advent of computers has revolutionised the data processing in business. The modern computers in financial accounting and project management are increasingly used by Chartered Accountants to help their clients.

6. OTHER AREAS: " The audit of public charitable trust is required to be audited under Section 12A of the Income Tax Act."¹⁵

The advisory **service** of Chartered Accountants are very much needed regarding Foreign Colloboration and Foreign Exchange Regulation Act. The accounts of Insurance Corporation are also audited by the Chartered Accountants. The Industrial houses also engage the services of Chartered Accountants under the Insurance Act. Their sign. etc. are also require in various certificates related to income Tax and Export Import.

15. Ibid.

CONCLUSION

CONCLUSION

In this concluding chapter we bring together the significant results of the earlier chapters. Such an exercise enables us to raise important questions that need to be pursued in further research on the topic. It also enables us to review the role of chartered Accountancy as a profession in India.

From the dawn of human history, there is an evidence to indicate that mankind had resorted to keeping records of events and every civilization had adopted some form of recording of its economic transactions which is really the basis of all accounting. Our study has revealed that though the set up of the Chartered Accountancy Profession in its present form in India today is of recent origin, there is much evidence to suggest that the art and practice of accounting existed on our soil in the vedic period. India can, therefore, justifiably claim to being a pioneer in accounting. The development of commerce, trade and industry during the 19th century engendered the need for more specialization on the practice of accounting. The impact of various fiscal legislations on the development of the accounting profession has been considerable.

After independence, it was felt that a stage had arrived for the profession to assume responsibilities for the maintenance of the requisite standard of professional qualifications, discipline and conduct of its members. Therefore, the Chartered Accountants Act, 1949 was passed in the Indian Parliament to assign autonomy to the profession.

The Act of Parliament provided for the establishment of the Institute of Chartered Accountants of India both as an examining body and licensing body. The autonomy bestowed upon the profession of Chartered Accountancy was complete and the governmental control was expected.

We have seen that like all other professions, the Chartered Accountancy profession owes its origin to the need felt in society for the specific - services rendered by its members. The Institute has exhibited adequate awareness to adopt its system of education and training for membership to meet the ever-changing requirements of the time. As a result of this, after the establishment of the Institute and in the light of the experience gained, the syllabus and educational content for qualifying as a member has been modified from time to time. The profession, as it stands today, has a systematic body of knowledge based on both theory and practice. The prolonged period of training and the prevalence of systematic body of knowledge in the form of various subjects like accounting, company law, mercantile law, taxation etc. makes this profession thoroughly competent to effectively render its services to the clients.

The profession of Chartered Accountancy is service oriented. The goal of the Chartered Accountant is to recognise and anticipate the needs of his clients and those of the general public and meet these needs in a professionally competent way. The services of the

Chartered Accountants is indispensable on all matters related with management accounting, finance and in launching or amending a provident fund or pension schemes. The advice of the Chartered Accountants is inevitable for the small traders who do not avail of exemptions, rebates under the tax laws out of ignorance. Their services in auditing the accounts of companies, banks are essential. The invaluable advice of the Chartered Accountants is also needed in connection with foreign collaborations and export-import related business. Although it was concerned with audit of accounts in the beginning, they are now delving deep into fields related to financial policies, budgetary policies and the like. The profession today identifies itself with the mainstream of the society and it has developed a sense of social purpose and social obligation. As an enlightened profession, it has responsibility towards the nation. The Chartered Accountant is a person on whom every section of the society rely strongly. It is argued that chartered accountancy profession should pursue with the government to pass such legislations which will boost the economy as well as bring additional work for the member of the profession.

The organisational set up of the profession of Chartered Accountancy in India is highly evolved with complex set of rules and regulations regarding the functioning of different regional councils and committees to maintain the professional standard and dignity. What is needed from a Chartered Accountant is an objective approach, fearless and

honest expression in his professional work. Chartered Accountants in India have a highly developed system of professional ethics with professional misconduct being divided into two schedules. These schedules deal with the professional misconduct in relation to Chartered Accountants in practice in service. They also deal with the Chartered Accountants in practice requiring action by High Court. The Council is empowered to enquire into any misconduct of a member even if it does not arise out of his professional work. This shows that the profession maintains the highest standards of integrity in the personal conduct of its members. If the council finds that the member is guilty of professional misconduct, he will be given an opportunity to give his version. If the council thinks that the member's misconduct is such that his name should be excluded from the Register of Members for a period exceeding five years, the case will be referred to the High Court. The council is also empowered to notify by publication in the Gazette of India acts and omissions which may amount to misconduct. This shows that the council has been vested with heavy responsibilities to enquire into the professional misconduct of the members.

The above analysis indicates clearly that from the theoretical point of view the Chartered Accountancy can be called as a profession because it fulfills all the attributes which a profession should have i.e. systematic body of knowledge, prolonged period of training and socialization, professional autonomy, collective orientation,

professional ethics, professional culture sustained by formal professional associations and organisational set up.

There is enough evidence to show that the Chartered Accountants in India have achieved a true professional status. This is evident from the phenomenal growth in the number of Chartered Accountants in the recent years. Nowadays, in many quarters business decisions are deferred until the advice and counsel of the Chartered Accountants are obtained. It is commonly acknowledged that with the legislative changes in the field of taxation and company law, specialization in accountancy profession as in other professions is likely to increase in the years to come.

However, this feeling is not shared in many quarters. Some of the Chartered Accountants were of the view that their presence was felt more as a necessary evil by the managers. It is believed that the manager treats the auditor as an emissary of the government, who is empowered to force the company to follow certain administrative practices.

Apparently, many members of the Accountancy profession still feel that their professional qualifications are insufficiently known by the public. They also feel that they do not enjoy the prestige to which they are entitled to. This may be because of the fact that their services have not yet percolated to wider section of the society.

So far as the image of the Accountancy profession is concerned, it lags behind the other professions in public relations. One of the Chartered Accountants at the Institute of Chartered Accountants of India was of the view that even now very few people know what a Chartered Accountant exactly does. It is believed that many people know that a lawyer is concerned with Justice and the civil and property rights of the people. Similarly, majority of the people know what the medical professional stands for. But an Accountant is not generally known among the common people. He is known as an auditing and tax specialist only among big industrial houses and companies. From this we can conclude that the Accountancy profession is yet to reach the wide spectrum of the society.

The members of the Chartered Accountancy profession differ in their views on the image of the profession. Those who specialize in taxes look upon auditing as a different function. They consider themselves as advocates. That section which specializes in Management services emphasize on the problem solving aspect. They find little relation to accounting function. It was felt that if the three sides of the profession are put together i.e., the auditor, the tax man, and the management adviser - it becomes pretty complex to project its image to the public. This calls for integrated accounting service.

It cannot be denied that the profession of Chartered Accountancy in India is relatively young compared to other professions. It is relatively difficult to assess the true image of Chartered Accountants in India. Studies related to the role of Chartered Accountants in the industry and the benefits derived from the services provided by them have not been conducted so far. While sociologists have given much importance to the study of Medical and Legal professions, they have turned a blind eye towards the Chartered Accountancy profession. This is also evident from the fact that the occupations related to medical and legal professions like nurses and touts have been studied by various sociologists neglecting the Chartered Accountancy profession. Therefore, we are not in a position to evaluate the role of the Chartered Accountancy in India vis-a-vis other professions. Studies on medical and legal professions in India have found that even doctors and lawyers sometimes follow the practices which go against their professional ethics. To what extent Chartered Accountants in India have deviated from the ideal professional norms and whether such deviations are sufficient enough to devalue its role as a profession is not yet established. The profession of Chartered Accountancy can be better understood if it is placed in the wider social context.

Finally, we would say that in terms of its intent and purpose the profession of Chartered Accountancy in India qualifies to be called a fullfledged profession. But not as yet in terms of empirical reality also, since

no such studies into the nature and quality of professional functioning, the nature of professional interaction - both within the profession and with the clients community, have yet been attempted. So for a comprehensive answer we have to wait for the field data; but, yes in terms of what the profession stands for as elucidated by their professional collectivity and also as enshrined in the Chartered Accountancy Act of 1949, it is indeed a profession.

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