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## **CORPORATISM, LIBERALISM AND THE ACCOUNTING PROFESSION IN PORTUGAL SINCE 1755**

*Abstract:* This paper introduces some significant developments in the history of the Portuguese accounting profession. It does so with a view to providing a facilitative foundation of knowledge upon which further analysis and critique can be undertaken. Five developmental periods since 1755 are identified: (i) Corporatist Absolute Monarchy (1755-1820) (ii) Liberal Monarchy (1820-1890) (iii) Waning Liberalism and Rising Corporatism (1891-1926) (iv) Corporatist Dictatorship (1926-1974) and (v) Emerging Liberal Democracy and Neo-corporatism (1974 until the present). The accounting profession's chequered history is analysed through episodes of regulation and de-regulation. These episodes are associated with Portugal's pervading social, economic and political context and are dichotomised broadly as either "corporatist" or "liberal". Relationships between episodes of regulation and periods of "corporatism" are highlighted, together with associations between episodes of de-regulation and periods of "liberalism". A better understanding emerges of factors instrumental in the emergence of a well respected and rapidly growing accounting profession in Portugal.

### **INTRODUCTION**

For much of the period from about the 15th century to the first half of the 17th century, Portugal was one of the world's

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great colonial powers and the home of some great merchants and traders. In recent centuries, Portugal has been overshadowed by Spain, France, Holland and Britain, and it has languished in terms of economic influence and cultural development. But now, with the support of European Union [EU] initiatives, and prudent national economic management, it is developing at a rapid rate. An instrumental part of the force currently propelling Portugal has been an accounting profession<sup>1</sup> that has developed considerably in status and performance, particularly in recent decades.

Despite the increasing importance of accountants in the commercial infrastructure of Portugal, there has been little documentation of how the vocation of accounting has evolved and matured, and about the significant formative influences involved. This paper aims to fill that void (and provide an exposé that is intrinsically interesting from an accounting history perspective) by reviewing the regulatory development of the vocation of “accountant” in Portugal over the past two and a half centuries. It is a response, in part, to calls by Carmona and Zan [2002, pp. 291, 300] to “map” a broader “variety in the history of accounting . . . by expanding the dimensions of time [beyond the current emphasis on 1850-1940] and space [to include Africa, Continental Europe, Islam, Latin America]”. We seek to provide a foundation upon which further understandings will emerge of how and why the accounting profession evolved in Portugal; and, to a lesser extent, of how accounting knowledge was propagated in Portugal. In a sense, we are embarking on “a new voyage in search of the profession” [Walker, 1999, p. 1] with a view to providing part of the map of “the disparate socio-economic, legal and cultural landscapes through which accountants arrived at destination profession” [Walker, 2002, p. 377].

The reforms in 1755 of the Prime Minister, the Marquis of Pombal, are taken as an appropriate starting point for our analysis.<sup>2</sup> We divide the period since 1755 into five significant

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<sup>1</sup> We acknowledge the difficulty in “pinning down” exactly what a profession is. Carnegie and Edwards [2001, p. 302] have argued that “the point at which any occupational community genuinely deserves the description of profession is almost certainly impossible to identify, and is probably of no great significance per se”. Nonetheless, what we chronicle in this paper, for a large part of the analysis period, might best be described as a “professionalization process”.

<sup>2</sup> In 1755, a devastating earthquake struck Portugal. It destroyed about 10,000 buildings in Lisbon, including the commercial heart of that city and much of the commercial record-keeping infrastructure in Portugal — for example, that maintained in the Customs House (Birmingham 1993, p. 65, Saraiva

developmental phases, based on the nature of the Portuguese state, its dominant ideologies and its approaches to decision making:

- *Corporatist Absolute Monarchy* (1755 to 1820)
- *Liberal Monarchy* (1820 to 1890)
- *Waning Liberalism and Rising Corporatism* (1890 to 1926)
- *Corporatist Dictatorship* (1926 to 1974) and,
- *Emerging Liberal Democracy and Neo-Corporatism* (1974 to present).

Our labeling should be non-controversial. The terms used to describe these periods are consistent with those adopted commonly by writers of Portuguese history [for example, Birmingham, 1993, Lloyd-Jones 1994a, 1994b, 1994c].<sup>3</sup> A chronological overview, summarizing significant events in the development of accounting in Portugal is presented in Appendix 1.

Our analysis proceeds by broadly classifying the pervading mood of Portugal in the period under review as consistent, in varying degrees, with the principles of “corporatism” or “liberalism”. But first, we wish to enter a caveat. Our “Corporatism/Liberalism” framework is not developed in exhaustive detail and requires further development. Nonetheless, it seems useful to introduce such a classificatory perspective. By doing so, we seek to demonstrate the insights that can be provided to the ebbs and flows and phases of development in the processes of professionalization of accounting over a 250 year period in Portugal. In settings classified as “corporatist”, we do not analyze the complexity of arrangements and the dialogue that may have taken place between the state and bodies representing accountants. This would require in-depth analysis of archival sources — a task unmanageable in a single introductory contribution such as this, and one better suited to exploration in future research papers.

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1983, Moreira de Mendonça 1758, p. 129). The Tribunal de Contas (n.d.), *Fundo Antigo*, Vol. I, book 2, sheet 62 refers to the losses of “books and papers” and the “receipts and expenses books, and papers of all treasuries of the Court”.

<sup>3</sup>Nonetheless, scholars who have attempted to identify phases in the historical development of accounting in Portugal have not agreed on an appropriate classificatory nomenclature. Carvalho *et al.* (2002), for example, draw upon an analysis of “the inventory of accounting books published in Portugal since the eighteenth century” to identify the following three phases: (i) Bookkeeping (until 1929) (ii) Patrimony (1929 to 1977) and (iii) Standardization (1977 to the present). Other developmental period schemas have been proposed by da Silva (1984) and Tua Pereda (1995).

*Corporatism*: This is a term that “has been characterised by ambiguity, imprecision, and a liberal, rather undisciplined usage” [Molina and Rhodes 2002, p. 306]. Here, by “corporatism”, we mean a mode of regulation based on an ideology or a system of ideas about how to organize an economy by “making professional and trade corporations the basis of the commonwealth” [Theimer, 1939, p. 70]. We regard corporatism as seeking “continuous and structured participation of interest organizations in policy-making . . . and policy implementation” [Molina and Rhodes, 2002, p. 307]. As Puxty *et al.* [1987, p. 284] have pointed out, a corporatist state:

. . . does not simply license the existence of organised interest groups but incorporates them into its own centralised hierarchical system of regulation. In doing so, the state simultaneously recognises its dependence upon these associations and seeks to use them as an instrument in the pursuit and legitimation of its policies.

Thus, we regard the political apparatus established in 1933 by Portugal’s Prime Minister, António Salazar, as corporatist: “the upper house or senate was replaced by the Corporative Chamber, a consultative body in which the main aspects of the nation’s life were to be represented; economic, professional and intellectual” [Livermore, 1976, p. 333]. The interests of employers were to be drawn together in interest groups or associations known as *Federations*; employees’ interests were to be brought together through associations of *National Unions*; and the interests of the professions were to be effected through the formation of *Orders* of professionals [Livermore, 1976, p. 333].

Schmitter’s<sup>4</sup> definition of “corporatism” is instructive, for it highlights some of the key characteristics (italicized and underlined here) of the system of interest representation in a corporatist state:

. . . in which the constituent units [including professional associations] are organised into a limited number of singular, *non-competitive*, hierarchically ordered and functionally differentiated categories, recognised and *licensed* (if not created) by the state and granted a deliberate *representational monopoly* within their re-

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<sup>4</sup>Schmitter distinguished between three models of organized interest participation: “Pluralism”, “Societal corporatism” and “State corporatism” (Lane and Ersson, 1999). In this paper we focus on “State corporatism”.

spective categories in exchange for observing certain *controls* on their selection of leaders and articulation of demand supports [Schmitter, 1979 cited by Lloyd-Jones, 1994c, p. 8].

The broad aims of corporatism have often been achieved by “restrict[ing] competition” [Lloyd-Jones, 1994b, p. 6] and effecting a “community of interest” between the proletariat and the bourgeoisie. In a corporatist state, “truly integrated corporations”, like professional associations of accountants “perform a variety of functions, many of them executive ones devolved to them by the state. For example, the corporations would be responsible for not only making policy through the state, but also for enforcing that legislation amongst their members by means of sanction and reward” [Lloyd-Jones, 1994, p.34, citing Schmitter, 1979, pp. 34-36].

“Corporatism” has a long tradition in Portugal. Its roots have been traced from Roman Law and to the concept of society enunciated by Thomas Aquinas, based on the “. . . idea that government authority should be exercised in the pursuit of the common good by natural ‘organizations’ within a ‘hierarchical [and] . . . compartmentalised society’” [Wiarda, 1977, pp. 57-58].<sup>5</sup>

*Liberalism*: “Liberalism is a way of thinking about humanity and politics [and a term that] has seemed impossible to define [because] it has appeared in various shapes in different times and places” [Miller, 1991, p. 285]. Nonetheless, by “liberalism” here we mean an ideology in which belief in individual rights is paramount, the merits of unfettered competition and the pursuit of material wealth are revered, and there is little compassion for material inequalities in society. Constitutionalism, tolerance of competing religions and commercial activity are highly regarded. Political authority is questioned with a view to reform rather than evasion [Miller, 1991, pp. 285-289].

Our expectation is that periods of “corporatism” will be characterized broadly by the *regulation* of professional endeavor, whereas periods of “liberalism” will be characterized broadly by the *de-regulation* of professional endeavor. Consistent with Puxty *et al.* [1987, p. 274], we regard the development of

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<sup>5</sup>For further explanation of the operation of corporatism in Portugal see Robinson [1979, pp. 128-134], and Lloyd-Jones [1994 a,b,c]. For further understanding of the nature of corporatism and the professionalization of accounting within a corporatist regime, see Cooper *et al.*, [1989], Richardson [1989] and Walker and Shackleton [1995].

accounting [such as in Portugal] to be “associated with the distinctive histories and institutional specificities” of Portugal.

### CORPORATIST ABSOLUTE MONARCHY (1755-1820)

In this period state initiatives were undertaken to enhance the pursuit of the common good through advancements in trade and economic performance. This was to be accomplished, in part, by a better-trained and more competent cadre of accountants who would emerge from the state’s establishment of a School of Commerce (with typically corporatist monopoly powers) by its Board of Trade.

Although Portugal experienced a period of prosperity in the 15th century, arising from the exploits of Henry the Navigator, and those of Vasco da Gama (who pioneered the sea route to India via the Cape of Good Hope in 1498), Portuguese affluence declined in the reign of *Dom João III* (King John III) between 1521 and 1557. A major reason for this was that the Portuguese Inquisition<sup>6</sup> prompted many Portuguese Jews to leave the country, thereby depriving it of much capital and entrepreneurial skill. Foreigners began to dominate Portuguese commerce. By the first half of the 18th century there were few Portuguese merchants: they had little capital, poorly developed business acumen and low levels of literacy [Azevedo, 1929]. In about 1750, there were few privately owned factories, other than the one that subsequently became the Royal Silk Factory.<sup>7</sup> The view that Portuguese industry could not be developed successfully was held widely, especially by foreigners who conducted business in Portugal. There were few indigenous accountants. Most accountants in Portugal were Italian or French.<sup>8</sup> The double entry bookkeeping system was almost unknown to Portuguese merchants.

<sup>6</sup>Permission to conduct an Inquisition was successfully sought from the Vatican by the Portuguese court in 1531 (Livermore 1976, p. 47). Although interest in the Inquisition began to decline markedly from about 1682, it was not formally dis-established until 1821. [*Dicionário Enciclopédico da História de Portugal* (1990, pp. 345-346), Publicações Alfa, edited by Selecções do Reader’s Digest, SA].

<sup>7</sup>The Royal Silk Factory was established in 1734 as the *Companhia da Fábrica das Sedas* (Silk Factory Company). It became Royal property in 1750. In 1757 the Board of Trade assumed responsibility for its administration. It operated until 1835 [Sousa 1995, pp. 9-10].

<sup>8</sup>The first bookkeeper of the *Grão-Para e Maranhão* Company (1755) was a Frenchman who later taught the Portuguese who replaced him. In 1756, Italians were the first general bookkeepers of the *Junta do Comércio* (Board of Trade) and the woollen manufacturer of Covilhã [Oliveira, n.d.].

Drastic measures were needed to address this state of indigenuous commercial naivety. The driving force in doing so was the Marquis of Pombal, the Chief Minister of *Dom José I* (King Joseph I) between 1750 and 1777. The Marquis of Pombal was a “canny statesman and diplomat” [Tyson-Ward, 2002, p.21], also known for his heavy-handed “dictatorial methods” [Birmingham, 1993, p.79]. He was a worldly-wise,<sup>9</sup> well-traveled man who had been the Portuguese ambassador to England from 1739 to 1743 [Maxwell, 1995, p.4]. There he witnessed the important facilitative role played by a nascent English middle class in the early stirrings of the industrial revolution. The Marquis of Pombal was aware that the Portuguese economy lagged behind the economies of other European countries. He attributed much of Portugal’s economic sluggishness in trade to the absence of a well-trained cadre of Portuguese technicians who were capable of managing the commercial affairs of merchants and industrial concerns. The Marquis of Pombal was an economic protectionist and a “patriotic modernizer”. Consistent with corporatist ideals, he was eager to develop an “indigenous commercial bourgeoisie” and a merchant class to “control the country’s own destiny” [Almodovar and Cardoso, 1998, p. 36; Birmingham, 1993, pp. 80-84].

### *The Board of Trade and the School of Commerce*

The Marquis of Pombal issued a Royal Decree on 30 September 1755 creating a *Junta do Comércio* (Board of Trade). He intended this body to foster commercial activity, and in particular, to improve the management and administration of new factories [Ratton, 1813]. In a significant initiative on 19 May 1759, the Marquis established the *Aula de Comércio* (School of Commerce)<sup>10</sup>, under the ambit of the Board of Trade.<sup>11</sup> The School of Commerce was Portugal’s first formally constituted

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<sup>9</sup>Pombal “showed his compatriots a new instrument of table manners: a fork. It was he, it appears, who for the first time used a fork at a table in Portugal, where up till then, even at Court, the nobility and gentry had put their hands in their plates and eaten with their fingers” [Trend, 1957, p. 173].

<sup>10</sup>A strict translation of this term would be “Class of Commerce”. In 1759, the expression “school” was not used widely. But the *Aula de Comércio* was a school. In keeping with the preponderance of translations of this term into English [for example, Maxwell, 1995, p. 77] we have adopted the term “school”.

<sup>11</sup>At this time, he was also responsible for significant reforms in higher education, including reforms in science, mathematics, engineering, medicine and surgery [Birmingham, 1993, p. 83; Maxwell, 1995, pp. 95-107].



establishment for professional education. According to Maxwell [1995, p.77] “this school was to teach Italian double bookkeeping [sic] methods and was to give preference to sons of Portuguese businessmen in its three year degree”. In a remarkable claim, Corrêa [1930, p.113] and Azevedo [1961, p.6] have contended that it was the *world's first* official professional technical establishment specializing in the teaching of accounting.<sup>12</sup>

By establishing the School of Commerce, the Marquis sought to provide an educational infrastructure to promote the commercial astuteness of merchants and potential industrialists. The hope was that this initiative would help industry to flourish and make Portugal strong and independent. Prior to the creation of the School of Commerce there were no specialist accountants in Portugal. In the first ten courses conducted by the school (with intakes of students from 1 September 1759 to 10 November 1794) there were approximately 1933 enrolled students of whom about 1014 graduated successfully [Santana, 1989; Cardoso, 1984; Rodrigues *et al.*, 2003a, 2003b]. All of those who attended the School of Commerce were trained to be successful merchants, and, importantly, to be proficient in double entry bookkeeping.<sup>13</sup> As a consequence, the number of Portuguese who were versed in accounting (both in merchants' businesses and public institutions) increased significantly in ensuing years. The need to rely on foreign accountants diminished.

*The Letter of Law of 1770:* Over the following decade, some jobs were preserved exclusively for students who had undertaken courses offered by the School of Commerce. For example, the Letter of Law of 30 August 1770<sup>14</sup> imposed restrictions obliging the public service to only recruit graduates of the School of Commerce. This was one of the first regulatory controls on the occupation of accountancy in Portugal — and it was a monopoly right consistent with corporatist ideology.

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<sup>12</sup>This claim is one that has garnered much support in Portugal. Francisco Felisberto Dias da Costa, for example, writing in French in 1900, has contended that “*Portugal est une des premières nations, sinon la première nation où a été établi l'enseignement officiel du commerce*”. We are currently investigating this claim.

<sup>13</sup>Statute 15 of the School indicates that it focused on double entry bookkeeping [*Estatutos da Aula do Comércio de 10 de Abril de 1759 e Alvará de Confirmação 19 de Maio de 1759*; and see Azevedo, 1961].

<sup>14</sup>Copied from the transcription made by PIMENTA, Pedroso — “O Marquez de Pombal regulamentou as profissões de técnicos de contas”, *Revista de Contabilidade e Comércio*, Oporto, Vol. II, No. 8, 1934, pp. 289-295.

The Letter of Law emphasized the importance of facilitating commerce and assisting merchants to develop their trading activities. For example, *Dom José* (King Joseph) observed that “for some years until now there is the absurdity that someone without the requisite knowledge can put himself forward and call himself a Businessman, without having learnt ethical principles, mercantile calculations, reading and writing, and ignoring, in that way, a so necessary and noble profession” [Letter of Law, 30 August 1770].

All merchants, bookkeepers, cashiers, business houses, corporations, and public or private societies were required to be registered with the Board of Trade (Points 1-4) — a form of licensing consistent with corporatist ideals. Persons not registered were to be disbarred from practice and from obtaining public posts and were to suffer the further indignity of having all accounts recorded by them rejected in the courts. Points 12 and 13 pre-established a fixed salary per year for the first three years of activity for each bookkeeper. (First year: 72,000 *réis*; second year: 96,000 *réis*; and third year: 120,000 *réis*.) Thereafter, bookkeepers were free to charge whatever they liked for their services.

Access to diverse public posts was reserved for graduates of the School of Commerce who possessed an approval letter from the Board of Trade (Points 5 and 11). These posts included clerks in naval vessels, army clerks, and officers administering the *Real Fazenda* (Royal Finances), bookkeepers and cashiers. *Dom José* (King Joseph) acknowledged the positive impact of the School of Commerce (in the Letter of Law of 30 August 1770) with the self-commendation and observation that “the three courses to graduate from the School of Commerce have shown the righteousness of this Royal policy. The large number of students graduating from the first two courses has been successfully employed in several offices of my Royal Civil Service”.

The prestige of the School of Commerce continued into the 19th century. Ferreira Borges, in his *Commercial Juridical Dictionary* of 1833, makes it clear that to become a bookkeeper one had to be a graduate of the School of Commerce and be certified by the Board of Trade [Perdigão, 1950]. The School of Commerce continued to be an influential stepping-stone to careers in commerce in the Portuguese public sector for many years.<sup>15</sup>

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<sup>15</sup>It was reformed on 20 September 1844 and affiliated with the Lisbon High School, where it was known as the *Escola de Comércio* (School of Commerce) or *Secção Comercial* (Commercial Section).

Cardoso's [1984] examination of the vocational employment destinations of graduates of the School's third and fourth courses (commencing in 1767 and 1771 respectively) revealed that of 130 graduates 52% went into "accounting and bookkeeping activities"; 21% were involved with "emigration activities (Brazil and India)"; 19% were employed in general "commercial activities"; and 8% were involved in "other" activities (mainly in military and religious pursuits).

### LIBERAL MONARCHY (1820-1890)

Portugal was de-stabilized by the French invasion of 1807, led by General Junot. The Portuguese court of the Prince Regent fled to Brazil, diluting the power of the monarchy.<sup>16</sup> The French were expelled by a British military force in 1808 and the British became military rulers of Portugal until 1820 "when restiveness at British overrule" prompted a "French-style" revolution that continued intermittently for 31 years [Birmingham, 1993, p. 96]. Nonetheless, British influence in external affairs, and in the wine industry, remained very strong. But a significant transformation in the mood of Portugal, often described as a "liberal revolution", commenced about 1820. This mood was reflected in the Portuguese constitution of 1822, which enunciated support for individual rights and liberal ideals (e.g., in articles 1 and 27; Miranda, 1976, p. XIV). French attitudes of *laissez faire* and liberalism became popular in some quarters. Portugal, in keeping with much of Europe, was caught up in a tide of liberal ideas. This was especially the case after the liberal revolutions in Europe in 1830 and 1848.<sup>17</sup> A major effect on commerce was that, to a large extent (there were exceptions), monopoly privileges, licensing, interest group representation and regulation were viewed with less favor. Consequently, the period witnessed some de-regulation of arrangements governing accounting.

*The Portuguese Commercial Code of 1833:* Intuitively, one might expect this code to contain de-regulatory manifestations of the

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<sup>16</sup>The Prince Regent had acted in that role from 1792 after *Maria I* (Mary I) was declared insane. He was formally declared Prince Regent in 1799 and became *Dom João VI* (King John IV) in 1816.

<sup>17</sup>Manifestations of liberal ideals were in proposals to tax the nobility and clergy, undertake agricultural reform, abolish feudal privilege, reform arrangements governing land tenure, institute parliamentary democracy, and broaden civil rights [Birmingham, 1993, pp. 104-109].

liberal attitudes that were gaining ground in Portugal — especially as the code's principal architect was Ferreira Borges, a lawyer and economist who was an important figure in the liberal revolution in Oporto<sup>18</sup> in August 1820. Ferreira Borges wrote this Code on his final return from political exile. (He was exiled, principally in the United Kingdom, from 1823 to 1827 and from 1828 to 1833). But rather than the Code containing liberalizing de-regulation, it imposed rules on accounting activities. The books that merchants were required to keep were specified, as was their mode of organization. The accountant who prepared the books of a merchant was required to be publicly registered.

The reasons for such seemingly paradoxical, aberrant behavior — regulation in a period of liberalism — are not easy to explain. One seemingly plausible explanation is that the paradox was a manifestation of the uncertainty, precarious mutability and volatility of the times. Although the 1820 liberal revolutionaries (including Ferreira Borges) were, in the main, “large merchants whose interests coincided with the British trade which they did not want to hinder” [Birmingham, 1993, p. 126], views on trade and related commercial matters (e.g. accounting regulation) were far from universal in Portugal. Liberal views took time to gain hold across the country. Many in the farming and manufacturing sectors in Portugal, for example, wanted non-liberal “French-style economic nationalism . . . [and] . . . tariff protection against imports” [Birmingham, 1993, p. 126]. Thus, the regulations imposed in the 1833 Code could be explained as a reflection of the heterogeneity of views on trade and commerce that were held within a developing liberal state. They could also have been occasioned by the positive influence that regulatory developments in the UK had on the Code's author, Ferreira Borges, during his exile in London. Another explanation could be that the regulations in the Code provided a framework that would help business to flourish: this could be seen as liberal behavior, in contrast to other types of regulations that were clearly intrusive controls.<sup>19</sup>

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<sup>18</sup>This is the second largest city in Portugal. It is known in Portuguese as “Porto”, but in English as “Oporto”. Both of these terms are used interchangeably here in referring to this city. The choice of term is dependent on context.

<sup>19</sup>We are indebted to Dick Edwards for drawing our attention to the latter point. Jose Carvalho has conjectured that there was possibly a great difference between law and practice at this time. That is, that whilst these regulations existed in a *de jure* sense, they were not complied with in a *de facto* sense.

*The Letter of Law of 1838 and the Commercial Code of 1888:* These were two important milestones in the evolution of the accounting profession in Portugal. Article 9 in the Letter of Law of 7 April 1838 indicated that certain professions and artisans were to be subject to a 10% *decima* (income tax) [Moreira, 1944]. In paragraph 11 of Article 9, bookkeepers are mentioned specifically as being subject to the tax. The requirement that a bookkeeper be registered with the Board of Trade or be a graduate of the School of Commerce was relaxed. This was in keeping with the [by then] pervading ethos of economic liberalism: the government believed it unnecessary to interfere with the professions, with the registration of professional persons, and with the organization of professional bodies.<sup>20</sup>

The enactment of the *Código Comercial* (Commercial Code) in 1888 provided a clear example of the influence of liberalism on de-regulation. It allowed all merchants and joint-stock companies to conduct their own accounting, or to authorize (either expressly or tacitly) any other person to do it, irrespective of that person's skills (articles 30 and 38). Thus, all business records could be kept by either a bookkeeper or a cashier, or merchants themselves, irrespective of the keeper's skills, formal training and official registration [Perdigão, 1950].

#### WANING LIBERALISM AND RISING CORPORATISM (1890-1926)

By the beginning of the 1890s it was becoming increasingly apparent that de-regulation and continued adherence to economic liberalism was not in Portugal's best interests. The Portuguese economy, beset by a stagnating wine industry, was too weak to face free competition from Spain and Britain. There was a major financial crisis in 1891-1892 when Portugal could not meet interest payments on foreign loans and was forced to raise new loans at big discounts and to pledge vital national assets (such as the tobacco monopoly) as security. In effect, the country was on the verge of bankruptcy. Public debt ballooned and the trade deficit worsened [Livermore, 1976, p. 309]. Portugal began to turn to corporatist, protectionist policies to sustain

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<sup>20</sup> Nonetheless, there were some exceptions, particularly in the public sector. For example, by article 74 of the decree of 20 September 1884, only those students with a diploma from the School of Commerce or those who had completed the correspondence course at Oporto's Polytechnic Academy [Azevedo, 1961] were eligible for positions in the Public Treasury and Customs House.

its domestic economy and colonial interests. As a consequence, there was a gradual accommodation (if not replacement) of ideas of economic liberalism with centralist corporatist policies. This was abetted by corporatist advocates like the anti-liberal *Movimento Social Católico* (Catholic Social Movement) that believed in a strong state and a clearly defined hierarchical structure in society.

The early years of this transition period were ones of conciliation between the two ideologies and hence, some ambiguity. However, the assassination of *Dom Carlos I* (King Carlos I) and his son in Lisbon in 1908 and the establishment of the Republic in 1910, heralded a hardening of attitudes to liberalism. These were fuelled by lingering memories of the financial crisis of the early 1890s and ensuing allegations of business corruption. Attitudes hardened further as the political administration passed through the hands of 45 governments between 1911 and 1926: there was a transition from democratic republicanism (for example, of Afonso Costa in 1913) to military authoritarianism (for example, of the corporatist, Sidónio Pais in 1917) [Birmingham, 1993, p. 150]. The period was known as the *rotativismo* (rotation) period and was characterized by a lack of “any coherent ideology” [Lloyd-Jones, 1994c, p. 3].

*Regulation of Joint-stock Companies and Accounting Experts:* Consistent with the renewed popularity of corporatism, it was not surprising that as joint-stock companies became increasingly important, new mercantile associations appeared and new regulations were imposed. The most significant regulatory developments in this period occurred in 1911. Article 35 of a statute promulgated on 13 April 1911, for example, required joint-stock companies to submit to official audit and inspection. Directors were prohibited from serving as bookkeepers of any company they administered. The concept of mutual liability was introduced: in the event of any fraudulent acts concealing the truth of any individual component part of a balance sheet, all bookkeepers, managers and other participants in the administration of joint-stock companies were to be regarded as accomplices [Perdigão, 1950].

In 1911, a law dealing with “accounting experts” was introduced, requiring accounting to be undertaken by “capable technicians” (*Government Diary*, n° 124, 29 May 1911). The provisional government of the Portuguese Republic decreed also that the Ministry of Justice create two widely-representative Chambers of Accounting Experts, one for the north and one for the

south of the country (Article 1).<sup>21</sup> In the spirit of corporatism, the Chambers were collegial associations whose main objective was to supervise the provision of commentary on, and verification of, the various balance sheets and accounting reports and related documents presented to general meetings of companies. They also examined evidence referred to them from commercial, criminal and civil trial proceedings.

#### CORPORATIST DICTATORSHIP (1926-1974)

In 1926, the military, led by General Oscar Carmona, overthrew the incumbent democratically elected government. In 1932, President Carmona appointed António Salazar as Prime Minister — a position Salazar held for 36 years. Salazar was a “dry, humourless, religious, intellectual” [Lloyd-Jones, 1994a, p. 7] who had held academic posts at the University of Coimbra. His appointment has been described as “Professor of Political Economy” in 1918 [Robinson, 1979, p. 45]; “Professor of Economics” in 1926 [Livermore, 1976, p. 331]; unqualified emergency lecturer in financial law who “wrote articles on national bookkeeping for the press” [Birmingham, 1993, p. 157]; and also as a “lecturer in accountancy” [Birmingham, 1993, p. 159]. Salazar’s regime was “totalitarian, police-run, *corporative*, anti-liberal, anti-democratic, anti-parliamentary, anti-collectivist, and disdainful of opponents whom it was willing to eliminate physically” [Georgel, 1981, p. 302, translated, cited in Birmingham, 1993, p. 159, italics applied].

Salazar’s power and *Estado Novo* (New Estate) regime was entrenched by the new constitution of 1933, in which Article 5 defined Portugal as a “unitary and corporative republic”. Salazar sought to “reduce, if not indeed eliminate all popular involvement in the actual process of government” [Lloyd-Jones, 1994a, p. 3]. But whereas Salazar was a supporter of corporatism, for several decades the bureaucratic apparatus of his regime was cumbersome and inefficient in implementing corporatist ideals effectively. Nonetheless, in the early years of his [and

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<sup>21</sup>The Chamber for the North was composed of twelve individuals (four each from the Court of Commerce, the Commercial Association of Oporto, and the Industrial Association of Oporto). The Chamber for the South was composed of 24 individuals (chosen by the following institutions: Court of Commerce, Lisbon’s Commercial Association, Portuguese Industrial Association, Lisbon Shopkeepers’ Association, Portuguese Agricultural Association and the Lawyers’ Association).

Carmona's] regime, some important professional organizations were established by Government Order. There was a Lawyers Order (1926), an Engineers Order (1936) and a [medical] Doctors Order (1938).<sup>22</sup> But it was not until 1972 (under Caetano's regime) that another professional association was granted an "Order", the Pharmacists Order. In 1968, Salazar suffered a debilitating brain clot. The reins of his administration were taken up by a like-minded lieutenant, Marcelo Caetano.<sup>23</sup>

Salazar, intent on centralizing power, took corporatism to an extreme. He was opposed to free-reigning associations of individuals with a common purpose, such as professional associations and labor unions. He wanted such associations to be "corporatized" under firm state control. In 1933, he introduced a *National Labor Statute*. This banned all free unions and professional associations, and set up in lieu, a system of "National Unions" (covering both former professional organizations and labor unions). These "National Unions" were to be controlled absolutely by Salazar and his apparatchiks.

In 1934, in keeping with corporatist philosophy, Salazar's Ministry of Commerce, Industry and Agriculture commissioned a study of how to best regulate bookkeepers and accountants. It was conducted by a committee comprising representatives of the Ministry, the Superior Institute of Economic and Finance Sciences of Lisbon, the Portuguese Industrial Association, the Merchants' Association, National Union of Accountants and Bookkeepers from the Oporto district, and selected graduates from Accounting Institutes or equivalent courses. The Commission's report was never published.<sup>24</sup>

*National Union of Accountants and Bookkeepers from the Oporto District [NUABO]*: This body, founded in 1934, sought to guarantee correct and strict professional conduct by accountants and thereby enhance their prestige. NUABO was a "free union" [as opposed to one of the Salazar state's "national unions"]. It sought to advance accounting technique by organizing study sessions, developing libraries, creating accounting schools, and,

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<sup>22</sup>The Orders are the most prestigious and elitist corporatist organisations in Portugal. Other Orders issued since then in Portugal are the Architects Order in 1998, the Economists Order in 1998 and the Auditors Order in 1999.

<sup>23</sup>Salazar died without recovering his powers, in July 1970 [Livermore, 1976, p. 358].

<sup>24</sup>Our knowledge is obtained from an article by Pedroso Pimenta [1950], a Professor of the Commercial Institute of Lisbon.



in other ways, promoting the professional interests of members. It quickly became influential. On 28 June 1936, the Ministry of Corporations and Social Welfare, consistent with corporatist philosophy, prohibited owners of businesses in Portugal from employing accountants and bookkeepers who did not belong to NUABO or who did not possess an accrediting “professional letter” from it (Article 2, Edit n<sup>o</sup> 23712). Thus, the “Professional Letter” from NUABO became essential as a licensing credential for persons wanting to practice as accountants and bookkeepers. At this time, NUABO was the only accounting organization of a corporate character in Portugal [Sousa, 1933].<sup>25</sup> Hence, it fulfilled a national, rather than a regional, responsibility. Its important role in defending and promoting the interests of the profession was strengthened further by subsequent government decrees.<sup>26</sup>

*Proposals for the Regulation of the Accounting Profession by the Academic Association of the Commercial Institute of Oporto:* These proposals, put forward on 8 November 1940, although never implemented, are important indicators of the corporatist mood of the time. They categorized “accounting technicians” variously in the hierarchy of “bookkeeper”, “accountant” or “accountant expert” (Part I). A *bookkeeper* was regarded to be a technician who *executes* recording operations. An *accountant* was defined as a technician who *supervises, organizes, guides and conducts* the services of accounting and the administration of a public or private organization. An *accountant expert* was defined to be a technician responsible for *inspecting and verifying* the accounting and management facts of economic organizations.

Part II of the proposals related to the use of titles by members of NUABO. The designation *bookkeeper* was available to individuals of either gender, who were at least 19 years old, had a degree from an accepted course of commerce offered by an

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<sup>25</sup>In 1942, the Lisbon District intended also to have a similar “Accounting Union”. But the State Secretary of Corporations refused to allow its formation, arguing that NUABO was an error, and that errors must not be repeated. In other Portuguese districts, accountants were included in unions of Office Clerks. NUABO was the only organization of its type representing accountants.

<sup>26</sup>For example, Edit 28220, 24 November 1937, included “accountant expert” in the Chart of Liberal Professions. Edit 29931, 15 September 1939, considered the “professional letter” given by NUABO to be compulsory for those wanting to practise the profession.

Institute of Commerce (or official equivalent courses recognized by law), and at least two years of experience using a double entry bookkeeping system. The designation *accountant* was available to individuals of either gender, who were at least 21 years old, graduate accountants with a degree from the Institutes of Commerce (or equivalent courses recognized by law), and with at least one year of experience in accounting using double entry bookkeeping.<sup>27</sup> The title *accounting expert* was available to individuals of either gender who were over 25 years of age, graduates in accounting from an Institute of Commerce (or equivalent courses recognized by law) and with at least six years experience using double entry accounting. Joint-stock companies, banks, autonomous state organizations with private accounting, and administrative corporations with revenue and expense movements larger than two thousand *escudos* were required to have an accountant supervising and conducting their accounting (Part III).

In Part IV, accounting technicians were to be held liable if they signed balance sheets that did not follow the “rules and principles of accounting”;<sup>28</sup> made accounting entries that were not properly justified or were contrary to established legal principles; signed any page that did not correspond to what they examined; did not comply with appropriate standards of professional ethics; or failed to comply with the law. Part V established the *Conselho Superior dos Técnicos de Contabilidade* (Superior Board of Accounting Technicians) to administer, discipline and supervise the affairs of accounting technicians.<sup>29</sup> Responsibility for monitoring the use of titles and the practice of the profession of bookkeepers, accountants and expert accountants was given to the national unions in Part IV.

In June 1943 there was a setback to the progress of the regulatory development of an accounting profession. The

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<sup>27</sup>Individuals who, at the date of the promulgation of the regulation, had been in charge of accounting in any bank, limited company or public organisation, could also request to use the title “accountant”.

<sup>28</sup>There were no accounting standards at the time to offer guidance. The principal point of reference for accountants was to the theoretical principles and operating rules that were promoted as good practice in accounting texts and educational curricula.

<sup>29</sup>It was composed of a President, together with a teacher of accounting from each of the Superior Institute of Economic and Finance Sciences, the Intermediate Institutes of Commerce, the Professional Schools of Commerce, together with one expert accountant, one graduate accountant and one graduate bookkeeper elected by the National Union of Accounting Technicians.

Ministry of Corporations and the Welfare State dissolved the “free union” NUABO [Bulletin of the National Institute of Work and Providence, no. 11, 15 June 1943, Decree N° 23050, 23 September 1943]. Accountants and bookkeepers were forced to join a heterogeneous union controlled by the Salazar regime, the National Union of Office Clerks. There was thought to be no need for a *private* professional union of accountants and bookkeepers.

The NUABO episode (1934-1943) seems likely to provide rich fare for more detailed archival analysis of the dialogue between an emerging professional association and the bureaucracy of a corporatist state. (See further comment on this point in the “Discussion” section).

*The Portuguese Accounting Society:* On 28 January 1945 the Portuguese Accounting Society [PAS] was founded to advance knowledge of the “science of accounts”. The PAS promoted conferences, disseminated accounting know-how, published the *Boletim da Sociedade Portuguesa de Contabilidade* (Bulletin of the Portuguese Accounting Society), established libraries, provided research facilities, and awarded scholarships and prizes. Members of the society were classified as “effective”, “affiliated”, “honorary” and “correspondent”. *Effective members* were graduates of an accounting course provided by the Commercial Institutes (or equivalent intermediate courses). They could also be eminent individuals who had produced works of recognized value in the field of accounting, or accounting technicians occupying high posts in industry and commerce. *Affiliated members* were foreign graduates living in Portugal who had qualifications from teaching establishments deemed to be of equivalent status. *Honorary members* were national or foreign individuals who had provided valuable service to the society, or who were famous for other work in accounting. *Correspondent members* were nationals or foreigners who, whilst out of Portugal, had distinguished themselves by studies in accounting or by important service to society.

The PAS fought strongly for the reform of technical teaching and for the regulation of accounting technicians. In 1946 it introduced a proposal into the *Câmara Corporativa* (Corporative Chamber) for the reform of accounting. Principally, it sought to harmonize and improve the teaching of accounting. Three levels of teaching were proposed “professional”, “complementary” and “superior”. (The proposal is reproduced in *Sociedade Portuguesa de Contabilidade*, 1946, pp. 261-274). In 1949, the PAS also pro-

moted a series of lectures titled: “The Advantages for Accounting from the Professional Regulation of Accounting Technicians”. In one of these lectures, a prominent lawyer, Azevedo Perdigão [1950], argued that regulation was needed to protect the interests of all users of accounting information. Not surprisingly, one of the major users of accounting information (the Tax Administration) prompted the next major milestone in the evolution of the accounting profession in Portugal.

*Industrial Tax Code of 1963: A Código de Contribuição Industrial* (Industrial Tax Code) of 1963 placed a tax on entity profits that had been calculated by accounting systems. Consequently, the implementation of this tax reform required rigorous accounting, performed by an approved accounting technician — one who was over 21 years of age, of good character, and who possessed an approved accounting degree or similar credential.<sup>30</sup> Those who had practiced as an accountant or bookkeeper for five years, but who did not have an accounting degree or similar credential, could obtain temporary registration as an “accounts technician” and be formally recognized as a full member after passing a qualifying exam.<sup>31</sup> The Industrial Tax Code led to a significant increase in the importance assigned to professional accounting skills.

Two government orders [No. 20317, 14 January 1964; and No. 21247, 27 April 1965] enabling the implementation of the Industrial Tax Code were significant because they formally introduced the expression *Técnicos de Contas* (Accounts Technician). These orders made accountants responsible for accounting in enterprises, and enhanced their dignity, legitimacy and respect. These developments led to the establishment of a “professional nucleus” of accounting technicians within the heterogeneous [state-run] National Union of Professional Office Clerks to lobby for the interests of accountants.

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<sup>30</sup>These included holders of a degree in either Finance or Economics or an approved course in Commercial Administration or Finance offered by the Superior Institute of Economic and Finance Sciences; graduates with a degree in Economics from Oporto’s Economics Faculty; and graduates from other courses offered by the Superior Institutes of Commerce.

<sup>31</sup>From the inception of the Industrial Tax Code in 1963 through to until 1995 approximately 45,000 accountants have been registered [Carqueja, 2001]. Professional entry exams were made mandatory by government authorities in 1979.

*The Commission Established by the Ministry of Corporations and Welfare, 1964:* In December 1964, the Ministry of Corporations and Welfare established a commission (which had no formal title) to study professional qualifications, and how best to regulate and legally constitute a profession of accounting technicians.<sup>32</sup> The commission presented its report to the ministry in October 1970.<sup>33</sup> Generally, its proposals were considered to be reasonable, sensible and dignified. The commission was mindful of the sensitivities of the many accounting professionals who did hold degrees. One of its most significant recommendations was to propose that the term *Técnicos de Contas* (Accounts Technicians) be changed to *Técnicos de Contabilidade* (Accounting Technicians). The intent was to create an official, compulsory designation for practicing accountants, that of “accounting technician”. This was to be conferred principally on professional persons who had practiced bookkeeping, accounting or auditing for more than five years. Prior to 1970, the majority of registered accounts technicians were members of a variety of national, centrally controlled labor unions in banking, insurance, administrative services and other clerical pursuits. The commission regarded such widespread membership as inappropriate for effective professional development. It proposed that all accounting technicians be registered in a mooted National Union of Accounting Technicians — a *professional* union rather than a *labor* union.

Although the Commission’s recommendations were pioneering, their significance did not emerge for some years [Fernandes Ferreira, 1995, p. 296]. This attempt to enhance regulation did not produce the desired progress in the profession. Implementation of the recommendations was slow, partly because of the distractions of the wars Portugal was fighting in

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<sup>32</sup>Government Order No. 20691. The commission was made up of one representative each of the DGCI; National Education Ministry; Work Corporations Head Quarters (President); Social Security Services of the Ministry of Corporations and Providence; Working Development Fund; National Union Federations of Offices’ Clerks, together with a graduate in economics; and an accountant-expert.

<sup>33</sup>In the meantime, in 1968, the *Jornal do Técnico de Contas e da Empresa* (Accounts Technician and Enterprise Journal) was founded. This journal and the *Revista de Contabilidade e Comércio* (Accounting and Commerce Review) (published from 1933 to 1986 and from 1992 to the present) made important contributions to the evolution of accounting in Portugal. The “Accounting and Commerce Review” was founded by José Henriques Garcia and Francisco Caetano Dias (Professors of Accounting in Lisbon).

its colonies (especially in Angola), the notorious “snail’s pace” of Portuguese bureaucracy, and political vacillation by the Caetano regime following the demise of Salazar. Nonetheless, a significant positive evolution in accounting and auditing regulations emerged in 1972, when a Governmental Order formally recognized an auditing profession — but not through an official Order. Auditors were designated as *Revisores Oficiais de Contas* (Official Accounts Revisers). They were to operate under the umbrella of a *Câmara dos Revisores Oficiais de Contas* (Official Accounts Revisers Chamber). In 1999, the Auditors Chamber was granted an official Auditors Order. Its official designation was *Ordem dos Revisores Oficiais de Contas* (Official Accounts Reviser [or Auditor] Order).

#### EMERGING LIBERAL DEMOCRACY AND NEO-CORPORATISM (1974 TO PRESENT)

Following the overthrow of Caetano’s government (1968-74) in the *Revolução dos Cravos* (Carnations Revolution) in 1974, General Spínola was unable or unwilling to shake off the legacy of four decades of Salazarian corporatism. Gradually, a series of democratically elected governments, variously moderate socialist or moderate social democrat, came to power. They were prepared to share political power, with grace, in a pluralist fashion, in accordance with the will of the electorate, and to recognize the basic human rights of citizens. Gradually, there was a transition to more liberal economic policies (such as privatization, agrarian reform and free trade), especially under Prime Minister Cavaco Silva. Portugal began to emerge as a liberal democracy.<sup>34</sup>

*Proposals by Accounts Technicians of the Office Clerks’ Union (Lisbon) Concerning the Regulation of Accounting:*<sup>35</sup> In October

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<sup>34</sup>Portugal was facing developmental trends similar to those experienced elsewhere in Europe. Carrera *et al.* [2001, p. 803] describe how, in Spain for the period 1942-88, “the environment of the Spanish audit profession witnessed the peaceful transition from a dictatorship to a fully-fledged democracy as well as the emergence of a free market economy from a system characterized by stiff economic autarchy and an overriding intervention of the state in the economy”. Caramanis [1997] outlines the impact of “liberalization” on auditor behavior in Greece after 1992.

<sup>35</sup>The details of these proposals were published in the *Jornal do Técnicos de Contas*, March 1975, pp. 74-77; April 1975, pp. 109-111; May 1975, pp. 143-145; June 1975, pp. 192-196; November 1975, pp. 342-344; December 1975, pp. 376-378; and February 1976, pp. 39-40.

1974, the Accounts Technicians in the Office Clerks' Union (Lisbon) [ATOCU], proposed to the Finance Ministry that the conduct of accounting in companies should be performed by a person with "proper" qualifications, such as an "accounts technician". The proposals advocated reserving the practice of accounting to legally qualified individuals, in order to guarantee technical competency.

ATOCU considered that neither a government "Professional Order" nor a labor union was the appropriate body to represent the interests of accountants. A professional "Order" was regarded as too elitist because it would tend to represent only accountants with tertiary educational qualifications. Although labor unions would have the advantages of accommodating individuals with different education levels, it was felt that they would be unsuitable structures for developing and enforcing deontological principles, professional disciplinary mechanisms and compulsory registration procedures. Accordingly, in March 1977, ATOCU established a non-official *Câmara dos Técnicos de Contas* (Chamber of Accounts Technicians) to represent the interests of accounts technicians. It was composed of a General Assembly, Fiscal Board, Disciplinary Board and Technical Board and had *effective*, *honorary* and *merit* members. *Merit* and *honorary* members were those who served in the Chamber. *Effective* members were account technicians who were proposed by the board and whose membership was approved by a General Assembly.

ATOCU campaigned for legal regulation of accounts technicians and for official recognition to be accorded to its Chamber. ATOCU rejected the expression *guarda-livros* (bookkeepers) as the generic label for accountants, on the grounds that it conjured an outdated, negative, inaccurate and demeaning image of accountants as tedious, menial, procedurally-focused, procrastinating, bureaucrats. The title "accountant" was also rejected. It was deemed too "academic" and prone to arouse resentment from those not possessing tertiary educational qualifications. The designation, "accounts technician", was preferred over "accounting technician" because the former term had been used in Portugal since the enactment of the Industrial Tax Code in 1963.

*Portuguese Accounting Association and the Portuguese Association of Accounts Technicians:* The revolution on 25 April 1974 and the ensuing growth in personal freedom and democracy unleashed a pent up desire by the average Portuguese (who had been 'silenced' by four decades of Salazarism) to participate in

the decision processes of modern Portuguese society. There was a keen *espírito associativista* (associative spirit) at the time, which encouraged the growth of organizations representing a wide variety of social and professional interests. Several professions (such as doctors, lawyers and engineers) were already represented by professional bodies formally recognized by government through “professional orders”. The ambient mood of the time prompted economists and architects to seek similar recognition. Two major professional associations in accounting were soon formed.

On 3 March 1975, the *Associação Portuguesa de Contabilidade* (Portuguese Accounting Association) was founded. Membership was restricted to graduates of *Institutos Superiores de Contabilidade* (Superior Schools of Accounting). The association sought to defend the exclusive right of members to use professional titles; to promote professional updating and cultural development among members by means of colloquia, conferences, seminars, and publications of interest; to foster creativity and innovation among its associates; to stimulate research in accounting; and to participate in the teaching of accounting at all levels. In 1976, the Portuguese Accounting Association contributed strongly to developing intermediate accounting schools into superior accounting schools. In March 1986 the Portuguese Accounting Association was instrumental in establishing Courses of Specialized Higher Studies, thereby elevating the intermediate accounting diploma to a bachelor’s degree.<sup>36</sup>

1977 was an important year in the development of the profession. In March of that year, the *Associação Portuguesa dos Técnicos de Contas* (Portuguese Association of Accounts Technicians) [APOTEC] was created, free of the yoke of state control, and with membership open to all accounts technicians. APOTEC sought to raise widespread awareness of the importance of accounting and its technicians; and to improve the skills, knowledge and efficiency of accounting technicians. In April 1977, APOTEC<sup>37</sup> commenced publication of its monthly

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<sup>36</sup>In December 1997 the association changed its name to *Associação Portuguesa de Peritos Contabilistas* (Portuguese Accounting Experts’ Association). It did so, to harmonize with the European professional designation, *Fédération des Experts Comptables Européens*.

<sup>37</sup>In 2000, APOTEC had 8311 effective associate members. Also noteworthy is its establishment of a Center for the Study of the History of Accounting. See website [www.apotec.pt](http://www.apotec.pt) (last visited 6 June 2002).



bulletin, *Jornal de Contabilidade* (Accounting Journal) — a journal still in publication. 1977 also saw the approval of the *Plano Oficial de Contabilidade* (Official Accounting Plan). Gradually, the regulatory accoutrements and paraphernalia of a mature accounting profession began to be put in place. In 1983, a *Comissão de Normalização Contabilística* (Accounting Standards Board) was established.

Portugal was accorded “a badge of democratic respect” [Birmingham, 1993, p. 190] by its admittance to the European Community (now the European Union) in 1986. Portugal’s entry required it to be “bound by European accounting directives, common education and training requirements, compulsory mutual recognition of qualifications and more” [Harding, 2000, p. 593] and also indicated clear affirmation of its preparedness to accept liberal principles of free competition.

*Tax Reforms of 1989*: These reforms were implemented through significant new codes covering personal income tax and profit-based taxes for business entities (*Código do Imposto sobre o Rendimento de Pessoas Colectivas* and *Código do Imposto sobre o Rendimento das Pessoas Singulares*) and were prompted, in part, by Portugal’s entry into the EU. Although the Industrial Tax Code of 1963 was revoked, accounting-based profit remained the critical measure upon which tax was levied. Somewhat paradoxically, due to an apparent legislative oversight [Carqueja, 2001] or perhaps due to the subtle, implicit, conditioning effects of an emerging and an engulfing liberalism, it was no longer compulsory (as it had been since 1963) to have the signature of an accounting professional in tax declarations.<sup>38</sup> Consequently, the importance of the accounts technician for businesses was diminished.

*Statutes of Official Accounts Technicians, 1995*: The Fiscal Reforms in 1989 were a response to the new competitive demands of the European single market and the urgent need to rein in public deficits. This prompted the Portuguese state to begin another flirtation or dalliance with corporatism, as Molina and Rhodes [2002, p. 309, italics applied] have noted:

. . . at the same time, older, traditional *corporatist structures* and relationships were being adapted, rather than

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<sup>38</sup> Nonetheless, the legal apparatus supporting the fiscal system recognized this oversight. Between 1 January 1989 and 17 October 1995 it required that “organized accounting” be the direct responsibility of an “accounts technician.”

abandoned, in those countries where they were always most important [ . . . ] To varying degrees, the Netherlands, Ireland, Portugal, Italy, and Spain have implemented social pacts, based on peak-level concertation, to adapt to new economic policy challenges.

One such adaptation involved recognition of the importance of a professional cadre of state licensed chartered accountants to assist in achieving economic and monetary union objectives. In 1995 the Statutes of Official Accounts Technicians were issued. These statutes required all business entities to have an official accounts technician. Entities were to be taxed on their profits, calculated in accordance with Portuguese GAAP — principally comprised of a *Plano Oficial de Contabilidade* (Official Accounting Plan) and specific *Directrizes Contabilísticas* (accounting directives and standards) issued by the *Comissão de Normalização Contabilística* (Portuguese Accounting Standards Board). Because they were obliged to have *contabilidade organizada* (organized accounting), accounts technicians were not dispensable. The activities of accounts technicians were of a public nature and their regulation became an important public matter.

The statute led to the establishment of an *Associação dos Técnicos Oficiais de Contas* (Association of Official Accounts Technicians) [ATOC]. Persons eligible to become an “official accounts technician” principally were those with a bachelor’s degree in one of accounting, administration, business, management, finance and economics, from teaching institutions at superior level, either private or public, recognized by the Ministry of Education. But study of cost accounting, Portuguese taxation and financial accounting was to have been completed successfully.<sup>39</sup>

The objectives of ATOC were to defend the dignity and prestige of the accounting function, to promote respect for ethical principles; to defend the interests, rights and prerogatives of members; and to promote and improve professional training, principally through the organization of courses and colloquia. With one or two minor exceptions after the creation of ATOC, a bachelor’s degree became the minimum level of scholarly preparation required. ATOC changed its name in November 1999 to

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<sup>39</sup>Also eligible were those individuals with a minimum of three years work experience in accounting services who had a secondary education and who had completed a designated qualification course.

*Câmara dos Técnicos Oficiais de Contas* (CTOC). The English translation of this name on the “international version” of the official CTOC website ([www.ctoc.pt/intver/associacao.html](http://www.ctoc.pt/intver/associacao.html), last visited August 9, 2002) is “Chamber of Chartered Accountants”.<sup>40</sup>

1999 was also a significant year in that the Auditors’ Chamber was granted an official Auditors Order, part of the paraphernalia of a corporatist state, thereby reflecting Portugal’s mood of affection for neo-corporatism.

*The Contemporary Picture:* Commencing in March 2003, registration as an effective, permanent member of CTOC will depend not only on appropriate academic skills, but also on a professional internship, and an exam. The website of CTOC ([www.ctoc.pt](http://www.ctoc.pt) last visited August 9, 2002), cites various legal codes and ordinances which emphasize the public nature of the profession of accountant, and the role of accountants as “privileged interlocutors’ between taxpayers and the Tax Administration and ‘ordinary guarantors’ of the ‘tributary truth’”. It also stresses that accountants must perform their duties with “technical strictness, ethical capacity and total independence”.

Currently, the specific subjects of scholarly preparation required for CTOC accreditation have been regulated. CTOC has pre-established 11 subject areas that are regarded as a fundamental base of knowledge. These are partitioned into *key subjects* and *instrumental subjects*. The *key subjects*, requiring a minimum total of 300 hours study are: Financial Accounting (120 hours), Cost and Management Accounting (90 hours) and Portuguese Taxation Law (60 hours). The *instrumental subjects*, requiring a minimum total of 360 hours study, include a choice of five of eight defined subjects: Other laws, Auditing, Financial Analysis/Business Finance, Business Organization and Management, Economics, Computing and Information Systems, Statistics, and Financial Matters/Financial Calculation.

The creation of CTOC and the introduction of the designation “chartered accountant” have been important steps in advancing the profession. In 2002, CTOC was by far the largest

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<sup>40</sup>The similarity of names (in Portuguese as least) between the private organisation, *Câmara dos Técnicos de Contas* (Chamber of Accounts Technicians) and this newly established *Câmara dos Técnicos Oficiais de Contas* (Chamber of Chartered Accountants), an official entity, prompted the private organization to change its name to *Instituto de Apoio ao Técnico Oficial de Contas* (Institute of Support to the Official Accounts Technicians).

Portuguese professional accounting body: it had 71,509 members (42% of whom were female and 69% of whom held a bachelor's degree).<sup>41</sup> There is a growing presence of accounting in the Universities too.<sup>42</sup> A general feeling is emerging in the ranks of the profession that finally accountants are beginning to be accorded the mantle of dignity, prestige and social importance they deserve.

## DISCUSSION

In the last quarter of the 20th century accounting began to emerge as a mature profession in Portugal, on a par with its international counterparts. The implementation of the Official Accounting Plan in 1977, together with the creation of the Accounting Standards Board in 1983, and admittance to the EU in 1986, were all instrumental in providing the necessary conditions that led to the Statute of Official Accounts Technicians in 1995 and to the establishment of CTOC in 1999.

The first term used to designate accounting professionals in Portugal was "bookkeeper". But attempts to regulate the profession through the years have found favor with the broader designation of "accounts technician" — a generic term which in early times included "bookkeeper", "accountant" and "expert accountant". In recent years the Portuguese equivalent of the term "chartered accountant" has become popular.

There have been at least four major spurs to the emergence of a mature accounting profession in Portugal. First, there were the professional regulations arising from reforms instituted by the Marquis of Pombal in the 1750s and the impetus provided by the establishment, in 1759, of the School of Commerce. Many of these professional regulations were undone by the tide of liberalism that engulfed Portugal in the nineteenth century. Second, there was the interest in professional regulation during the corporatist regime of Salazar. Third, there were the requirements of tax administration and neo-corporatist politics in the latter half of the 20th century. These required entity accounts

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<sup>41</sup>This information was supplied by the national headquarters of CTOC in June, 2002.

<sup>42</sup>In 2002, specialist undergraduate degrees in accounting are offered only by the polytechnic institutes. However, accounting remains a major stream of study in undergraduate degrees in Economics and Management in most Portuguese universities. Three universities (Aberta, ISCTE, Minho) offer specialist post-graduate courses in accounting.

(upon which tax was levied) to be prepared by a qualified accountant. Fourth, there have been the “flow on” effects of Portugal’s entry into the EU in 1986.

The Portuguese experience sets the stage for further research. There is ample scope to draw upon the analysis provided here in an explicitly comparative study, similar perhaps to that conducted by Baker *et al.* [2001]. Additionally, Portugal provides an excellent setting for enquiry into the facilitative role of accounting in state domination. How was accounting and the accounting profession implicated in the Salazar regime’s social control? What would a review of articles published in the *Accounting and Commerce Review* from 1933 reveal about Portugal’s accounting and the use of accounting as a means of social domination? An excellent opportunity to pursue such lines of enquiry is provided by the operations of NUABO, 1934-1943. Analysis of archival records of the dialogue between NUABO (an association representing accountants) and the Ministry of Corporations and Social Welfare seems likely to enhance understanding of NUABO’s legitimacy, its willingness to accept monopoly control, the policy objectives the State sought to achieve by tolerating the existence of NUABO, and the extent to which NUABO influenced State policy. Such research could draw strength from the study by Walker and Shackleton [1998] of relationships between the accountancy profession and the state in the UK between 1957 and 1970.

The development of accounting in Portugal since 1755 has been characterized by episodes of regulatory advancement located in periods where corporatist state ideals were popular. These periods have been interspersed with episodes of de-regulation at times when liberal ideals were in vogue. (For a summary, see Appendix 1). Many potential insights to accounting professionalism and its history seem likely to be gained by further investigation of the developmental episodes outlined above.

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## APPENDIX 1

**A Chronology of Some Significant Events in the  
Development of Accounting in Portugal Since 1755**

<b>Date</b>	<b>Event</b>	<b>Significance</b>
	<b>Corporatist Absolute Monarchy</b>	
1755	Major Earthquake in Lisbon	Destruction of many commercial records
1755	Board of Trade [BoT] established by Marquis of Pombal	Fostered commercial activity and improved business education
1759	School of Commerce [SoC] established	Portugal's first formal educational institution offering instruction in accounting
1770	First regulations governing the accounting profession	Some public service posts in accounting-related fields to be available only to SoC graduates
	<b>Liberal Monarchy</b>	
1833	First Portuguese Commercial Code	Merchants' bookkeepers to be registered and to be graduates of the SoC, certified by BoT
1838	Profession of "bookkeeper" recognized in tax laws	Requirements for "bookkeepers" to be SoC graduates, certified by the BoT were eased, although some public posts were restricted to SoC graduates.
1888	Commercial Code	Permits merchants and companies to have anyone, irrespective of skill, complete their accounting.
	<b>Liberalism and Corporatism</b>	
1910	The Republic of Portugal declared in Lisbon. Constitution approved on 20 August 1911.	Portugal implemented measures to become a modern state and to restore its economy.
April 1911	Joint stock companies were required to submit their accounts for official inspection. Directors prohibited from serving as bookkeepers.	The concept of "mutual liability" introduced in respect of "fraudulent accounting acts".
May 1911	Decree requiring accounting by "capable technicians". Two "Chambers of Accounting Experts" established to verify accounting reports and examine accounting evidence.	Return to corporatism
	<b>Corporatist Dictatorship</b>	
1933	New Constitution of the Portuguese Republic	Portugal implemented measures to become a modern state and to restore its economy
1933	National Statute of Labour introduced	All free unions and professional associations were banned and replaced by a system of "National Unions" controlled by the State.
1933	"Accounting and Commerce Review" first published	
1934	Government establishes commission to study the regulation of bookkeepers and accountants	The need for sound state regulation of bookkeepers and accountants recognized by Salazar.

Date	Event	Significance
1934	National Union of Accountants and Book-keepers from Oporto [NUABO] founded.	A free union that sought to enhance the prestige of accountants and bookkeepers.
1936	Business owners prohibited from employing accountants or bookkeepers not possessing a "Professional Letter" from NUABO.	This "professional letter" became essential for practicing as an accountant.
1940	Proposals for regulation of the emerging accounting profession by the Academic Association of the Commercial Institute of Oporto.	These proposed regulations were important indicators of the ambient corporatist mood.
1943	Government dissolves NUABO. Interests of accountants to be assumed by the National Union of Office Clerks.	Salazar's control of unions damaged the interests of accountants.
1945	Portuguese Accounting Society founded	
1963	Introduction of <i>Industrial Tax Code</i> , requiring tax to be based on entity profits calculated according to GAAP.	Need for more rigorous accounting, performed by "accounting technicians" (a new term). Led to formation of a "Nucleus of Accounting Technicians" in the National Union of Professional Clerks.
1968	"Accounts Technician and Enterprise Journal" first published	
1970	Report of the commission established by the Ministry of Corporations and Social Welfare to study professionalization arrangements in accounting	Recommended change in designation from "Accounts Technician" to "Accounting Technician". Required registration in a newly established "National Union of Accounting Technicians"
1972	Government recognition of the auditing profession, but not through a formal Order	Accounting experts and the auditors to be organized in a separate Chamber.
Apr 1974	Revolutionary overthrow of the regime of Caetano (Salazar's successor)	
	<b>Emerging Liberal Democracy and Neo-corporatism</b>	
1974	Proposals from the Office Clerks Union (Lisbon).	Recommended that company accounting be conducted by persons (such as "accounts technicians") with technical competence and "proper" qualifications.
Mar 1975	"Portuguese Accounting Association" founded	
Mar 1977	"Portuguese Association of Accounts Technicians" [APOTEC] founded.	Active advocate and lobbyist, seeking to raise professionalism and respect for accountants.
Mar 1977	Chamber of Accounts Technicians established by the Clerks' Union	Campaigning vigorously for the legal regulation of accounting
Apr 1977	APOTEC commences publication of its monthly "Accounting Journal"	
1977	Official Accounting Plan approved	Compulsory for all companies except those in banking, insurance or with specific accounting plans

<b>Date</b>	<b>Event</b>	<b>Significance</b>
1980	Accounting Standards Board established	Issues accounting standards and guidelines in accord with EU directives and International Accounting Standards
1986	Admitted to the EU	Adoption of 4th and 7th Directives implied adoption of a new Official Accounting Plan in 1989
March 1986	Commencement of "Courses of Specialized Higher Studies" in accounting	
1989	Fiscal reforms introduced new tax codes, requiring profits-based tax for business entities.	Paradoxically, it was no longer compulsory for accounting professionals to attest to fiscal declarations. The profession of "accounts technician" disappeared.
1995	<i>Statute of Official Accounts Technicians</i>	Businesses, taxed on profits, required to have an "official accounts technician" and "organized accounting". Led to establishment of ATOC, "Association of Official Accounts Technicians", use of the term "chartered accountant", and compulsory registration to practice as an accountant
1999	Auditors Order granted	First official "Order" recognizing the auditing profession
Nov 1999	ATOC changes its name to "Chamber of Chartered Accountants" [CTOC].	