

**Accountant in Russia:
changing times, changing roles**

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Accountant in Russia: changing times, changing roles

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To my parents

Моим родителям посвящаю...

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ABSTRACT

Russia has experienced dramatic political, economic and social changes over the last few decades: starting with *Perestroika* (the period time under Gorbachev), then *Shock Therapy* (Yeltsin's era during the "wild nineties"), followed by Putin's and Medvedev's reforms. This series of political and economic reforms has changed Russian society, including many Russian societal institutions.

These dramatic changes seem to have created tensions in society and have also influenced understanding of what is an accountant in Russia. What does it mean to be a "good" accountant under different regimes? A few studies have described and analyzed the roles of the accounting profession in advanced capitalist countries (see e.g. Carnegie and Napier, 2010) and in developing and post-colonial economies (see e.g. Hammond et al., 2009). Little attention has been devoted so far to analyzing what the roles of accountants are in a societal context in which rapid and radical changes are taking place.

This study describes and analyses the ways the roles of accountants are developing as well as the sources influencing how accountants adapt to changes in the Russian society.

This research has been carried out applying a qualitative research methodology. Documents, questionnaire and interviews have been important data sources. Within the framework of this project, the changes in the roles of accountants are analyzed in relation to three societal institutions: the state, the profession and the market. The empirical part of the study illustrates the requirements and expectations of what is a "good" accountant from these three institutions. The research study goes on to discuss and analyze the connections and links between these institutions and the accountants during the various periods.

The main findings in the study show that the three institutions influence the roles of accountants in different ways under the different regimes. The understanding of what is a "good" accountant under these different regimes reflects the dynamics of the three

institutions and accountant “herself”. In various periods studied, these three societal institutions and the accountant are connected and disconnected, and the interplay between the roles of accountants and state, profession and market varies during different periods.

The study contributes to the literature regarding the role of accountants in different contexts. What has been important for accountants seen from the three societal institutions over time offer a platform for discussing and developing the future of the profession of accountant, e.g. what kind of accounting reforms are required or what accounting educational programs can be proposed in order to help develop the independent profession. In the last chapter ideas for further research are considered.

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Chapter 1. Introduction

"Russia's transition from a planned model of economic regulation to a market economy has highlighted for the need to introduce the corresponding amendments to the system of management, with accounting being its inalienable component"(quotation from Mikhail Motorin's (Deputy Minister of Finance) presentation at the 3rd meeting of the Russian Corporate Governance Roundtable, November 2000, Moscow).

"...In the current economic situation, the users of financial reports need reliable and objective information regarding an enterprise's financial position and the state of its accounting..." (quotation from Andrei Petrov's (Russian Finance Minister) presentation at the 3rd meeting of the Russian Corporate Governance Roundtable, November 2000, Moscow).

Russia has experienced dramatic political, economic and social changes over the last few decades: starting with *Perestroika* (Gorbachev's period with Soviet communism legacy), then *Shock Therapy* (Yeltsin's era during the "wild nineties"), followed by Putin's and Medvedev's reforms. Moreover, the series of political and economic reforms undertaken during these last 25 years highlights the transition of the Russian state based on legacies from the Soviet system to a modernized economy in which the market restricted and controlled (Ryabov, 2003) and vertical power of command is in function. Some analysts explain this transition as the recovery of past glory through modernization of Russia:

"... Where it once was claimed that post-Soviet workers would cast off their chains, riding themselves of the authoritarian martial police state, equitably privatizing collective assets, and becoming democratic free enterprisers, many western analysts prefer to forget these unfulfilled promises, concentrating instead on securing sustained economic growth now that Russia has, or soon will recover, the previously achieved Soviet level..." (Rosefielde and Hedlund, 2009, p.231).

However, after his first year of Russian presidency, president Medvedev articulated:

“We must rid ourselves of our exaggerated sense of self-importance. [...] Instead of chaotic action dictated by nostalgia and prejudice, we will carry out an intelligent domestic and foreign policy based on purely pragmatic aims” (Lykhanov, 2009, p. 1).

In addition, the world financial crisis of 2008 has reset the thinking of the national authorities regarding the necessity to continue modernization of Russian economics and society towards innovation and internationalization. This way assumes the essential further development of market institutions and competitiveness with incentives for companies in case of cost reduction and update of products in accordance with consumer needs (Sakharov *et al.*, 2010). Furthermore, the last few decades have witnessed major macro changes in the world economies. Most previous socialist countries, such as Russia, former eastern European countries, and China have taken major strides towards introducing economic reforms leading to reducing state ownership, establishing property rights, promoting private ownership, and establishing markets. The impact of these developments has been enhanced by globalisation, evidenced in particular through pressures exerted on transitional and emerging economies by the World Bank, the International Monetary Fund, big international audit firms and the IASB, as well as the demands of foreign venture capitalists and multinationals (Ezzamel and Xiao, 2009). Evidently, in addition to modernization policy concerning Russian domestic development, pressure has also been building up for coherent responses from such institutions as the state, the profession and the market with regard to societal development.

A few studies have described and analyzed the role of the accounting profession in advanced capitalist countries (see e.g. Willmott *et al.*, 1992, Sakagami *et al.*, 1999, Carnegie and Napier, 2010) and in developing and post-colonial economies (see e.g. Hao, 1999, Annisette, 2000, Hammond *et al.*, 2009). An emerging body of literature examines the specificities of new audit practice and auditing profession in Russia (see e.g. Enthoven *et al.*, 1998, Sucher and Bychkova, 2001, Mennicken, 2008, Samsonova, 2009). There is also a call for more research, as emphasized by Carmona (2011), to further explore the role of the accounting profession in the crisis (Humphrey *et al.*, 2009), as well as further enhancing understanding of bankers' role (Jönsson, 2010). Yet, little attention has been

devoted so far to analyzing what the roles of accountants are in the societal context where the rapid and radical changes take place. Indeed, these roles have changed and are now transformed. The new perception may or may not be similar to the ones documented in the previous studies done in capitalist economies.

For this research project, the dramatic political, economic and social changes in the Russian Federation have apparently created tensions in society and play an important role in understanding what an accountant is in Russia. What does it mean to be a “good” accountant under different regimes? How do the roles of accountant change in such societal context? More specifically, this project describes and analyses the ways accountants’ roles develop and are influenced in different times in order to be able to understand how accountants adapt to changes in society. In doing so, the study contributes to the discussion about the future of the accounting profession, e.g. what kind of accounting reforms are required or what accounting educational programs should be proposed in order to help develop the profession.

Within the framework of this study, the research focuses on a group of individuals (accountants). The description and analysis of the changes in the roles of accountants is undertaken using three societal institutions: the state, the profession and the market, or in other words, what is important for accountant as seen by these institutions. In conjunction with these three institutions, this project looks at how accountants’ roles can be understood in a changing societal context. Moreover, societal institutions such as the state, the profession and the market can influence in various ways the development of these roles. Thus, the aforementioned perspectives all contribute to understanding what an accountant is in different periods of time.

There are various reasons for choosing Russia for this study. First, Russia has experienced dramatic changes over the last few decades (see e.g. Sakharov *et al.*, 2010; Rosefielde and Hedlund, 2009; Lane, 1992, etc.). These changes are quite different in the various time periods considered. Society itself is different in these times. Then, the transformation from

a communist planned economy to a “purported state capitalism model” (Gilman, 2009, p. 1) makes the context unique and unexplored. The transformation of Russia from one socio-economic regime to another represents an opportunity to consider the dynamics of the roles of accountants and their development when connections and links in the society are drastically changing.

This research project describes and analyzes the accountants’ roles in times of change and in doing so, it establishes multifaceted platform for discussion of the future development of the profession. This thesis is organised in nine chapters. Chapter 2 sets the scene for understanding accountants’ roles by illustrating the radical Russian political, social and economic changes over the last two decades. The historical conditions are considered essential when accounting and its context is considered (Loft, 1994). Chapter 3 elaborates the purpose of this research study. It then presents the ways in which the research purpose is approached empirically in the framework of the current study and the research methods and data collecting techniques are presented. In order to position the research project within the underlying assumptions, the theoretical framework is discussed in Chapter 4. The so-called theoretical “lenses” (see e.g. Hopper and Powell, 1985) are considered to be essential in conducting research, since the choice of such theoretical perspectives has a significant impact on research outcomes. Societal institutions such as state, profession and market and their interplay are believed to provide an insightful approach, casting light on how the roles of the accountant can be understood in different times. A justification of their relevance is also provided. It then considers the approach stipulating that the definitions of accounting (see e.g. Morgan, 1988, Lowe and Tinker, 1989) extricate what an accountant is expected to do. Chapter 5 describes and discusses state expectations with regard to the role of accountants in the Russian Federation over time. The description of legislative documents tries to define these roles, indicating how accountants were and are supposed to perform from the point of view of the Russian state under different regimes. Chapter 5 reviews the development of professional education and professional associations in the field of accounting in the Russian Federation from Soviet

times till Medvedev's period. It discusses the formation of the professional role of accountants over time. Chapter 7 describes and discusses market expectations towards the required expertise of accountants in Russia in different times, or in other words, it provides an understanding of accountants' roles from enterprises' and companies' point of view. In Chapter 8 the findings are analyzed using the frame of reference. It attempts to explain the roles of accountants under the different regimes and in what ways these roles are influenced by societal institutions such as state, profession and market over time. Chapter 9 concludes the thesis and suggests ideas for further research.

Chapter 2. Background for the study

Why is it of interest to describe and analyze the roles of accountants in different times? Russian historical development during the last two decades represents a fruitful background, because during this period of time the radical changes have occurred in the Russian societal context. In addition, this project correlates to research studying accounting as an important phenomenon in all societies. However, these societies are quite different. Thus, in order to further discuss what happened with accountants over the time period concerned or how they can survive under different regimes in Russia, a brief historical overview during the last 25 years is presented. For the purpose of the study, a period of two and a half decades of Russia's history is designated as the point of departure for the discussion about the roles of accountants. Historical conditions are considered essential when discussing accounting and its context (Loft 1994). And the historical pattern is extremely important with respect to understanding the development of accountants' roles under different regimes.

2.1. Soviet times and Perestroika (1985-1991)

"The touchstone of the Soviet economy [...] was the deep-seated conviction that physical systems management (planning, assignment, requisitioning, and distribution disconnected from consumer demand) was superior to all market alternatives. [...] For a half-century, Kremlin leaders believed that commands and directives gave them more control, faster development, and greater military power, while protecting the proletariat from capitalist exploitation" (Rosefielde and Hedlund, 2009, p. 23-24).

The Soviet Communist party and its leaders held supreme power in politically governing the USSR, where everything (from enterprise to media) was state-owned and the state

totally controlled the society. The Soviet system had made Russia a major power with a strong industrial base. The Soviet Union was strong in cases of emergencies, but in more normal circumstances, the system condemned Russian people to inferiority (Gorbachev, 2010).

Before 1985, the main instrument for state management of the national economy was the automatic system of planning and management, which tended to combine enhanced computer-based five-year national economic planning with a set of real-time indicators and incentives assisting decision – makers to choose optimally when events disrupted plan fulfilment. The Central Planning Agency (Gosplan) and associated research institutes acquired and compiled data from all sources, including State Statistical Agency (Goskomstat) and enterprises on past and current reserves. The information was used to compute preliminary production targets for branches and sectors and for later adjustment and reconciliation. Next, the interbranch and interindustrial supplies required to achieve targets were compared and rebalanced *ad hoc* (Rosefielde and Hedlund, 2009).

As Judge and Naoumova (2004) explain, total economic control was operationalized through a system of central production plans in which the government introduced production quotas that enterprise managers had to meet. During the long history of state planning, managers devised a number of ways of maintaining appearances instead of actually fulfilling the production plans. It became increasingly obvious that general economic efficiency was imagined rather than actual.

Concerning accounting and its context, prior to the collapse of the Soviet Union in 1991, the function of accounting in the Soviet communist context was to satisfy certain information requirements of the centrally planned command economy. As Djatej (2006) asserts, the form and content of accounting reflected the fact that Soviet accounting was determined by the unique requirements of a planned economy. From one perspective, the Soviet national economy constituted of a single accounting entity. This perspective explains why Soviet accounting was a unified standardized system of a strict and rigid

nature set up by central legislation. The format and content of the financial reports were designed centrally and were compulsory for the whole economy. Accounting regulation and legislation were managed by the Ministry of Finance, which considered the needs of the Central Statistical Office and the Communist Party leadership. Accounting was, thus an administrative tool in the central hands in order to manage the economy. The manner in which accounting was utilized defined the social significance of accounting. As strategic planning was carried out by central government and its ministries, state enterprises did not have to face market competition. Thus, accounting was less important at enterprise level than is the case in market economy. Enterprises could not be expected to benefit in a major way from financial reporting, because accounting was purely geared to the level of state enterprises. Enterprises' financial reports were not normally published, and detailed enterprise disclosure regulation was either non-existent or not on the agenda, reflecting the lack of capital markets and the absence of private investors. Enterprises were required regularly to supply data describing their performance in relation to planned data, such that accounting in many respects served as a basic statistical tool (Djatej, 2006).

Gorbachev completely transformed the history of Russia in every way – politically, socially, economically, and in other respects. His reforms resulted in the official collapse of the USSR and the birth of a new state – Russia, which, since the collapse of the Soviet Union, has been undergoing a painful process of “self-recovery” trying to rebuild, amongst other things, its national identity, its system of social order and its economy (Billington, 2004).

Having been appointed General Secretary of the Communist Party in 1985, Gorbachev tried to accelerate economic growth using traditional mobilization campaigns. According to Party documents, the intent was to implement fundamental change in every area. In 1987, he embarked on a radical economic reform program (*perestroika*). He did not reject communist ideology, physical systems management, or state ownership of the means of production, but instead introduced market forces selectively. Coupled with a collapsing economy, Gorbachev saw perestroika as an opportunity to return the communist party to greatness. As he puts it:

“What we had to abandon was quite clear: the rigid ideological, political and economic system; the confrontation with much of the rest of the world; and the unbridled arms race [...] We came a long way in a short time – moving from trying to repair the existing system to recognizing the need to replace it. Yet I always adhered to my choice of evolutionary change – moving deliberately so that we would not break the backs of the people and the country and would avoid bloodshed” (Gorbachev, 2010, p.1).

For decades, state ownership and total control of enterprise activities represented a main ideological pillar of the Soviet economy. In order to improve the efficiency and productivity of state enterprises, the party started to reform the highly bureaucratic system of economic relations. In 1985, at a Communist party plenum, party leaders prepared their plans for economic restructuring and a comprehensive reform program outlining two main agendas: the creation of “socialist market economy” and the stimulation of private forms of business and individual entrepreneurs. As described by Samsonova (2006), this was to be achieved by involving the state in the market mechanisms of financial control. Evidently, strategic decisions, i.e. the development and implementation of national production plans, would still have to be made by the state whereas day-to-day operations would be dealt with by companies themselves. In the following years, however, the degree of proximity of the national model of economic regulation to Western prototypes increased as the scope of state-restricting economic policies was gradually relaxed and more jurisdictional authority was given to business entities (Samsonova, 2006).

However, one of the central rationales behind the decline of Gorbachev’s image and public popularity was his apparent failure to ensure long-term economic growth and raise people’s living standards (Westwood, 2002). Weak leadership and inefficient allocation of resources resulted in a shortage of public goods and services. In fact, empty shelves and long queues in the shops in the late 1980’s and early 1990’s came to represent symbols of post-communist Russia (see e.g. Sakharov *et al.*, 2010, Rosekilde and Hedlund, 2009, Samsonova, 2006).

As a consequence of the massive economic changes, accounting also had to be changed. For central government, the aim of this change was to contribute to the fulfilment of the objectives of the transition process, namely to operate in the same way as in Western capitalism. Under such circumstances, the system for accounting and reporting originally developed for Soviet state-owned enterprises was not entirely suitable for new Soviet enterprises, including joint ventures. Accounting reports were considered appropriate to provide information relevant for the management of the enterprise as a market entity (Djatej, 2006). Therefore, from 1987 to the end of the Soviet Union in 1991, the Ministry of Finance and the State Committee for Statistics (the former Central Statistics Agency) published hundreds of directives and regulations outlining set-up procedures and accounting requirements for new business enterprises in the Soviet Union.

However, in spite of countless rules and regulations related to accounting issued during *Perestroika* from 1985 to 1991, little substance was given to modernization of accounting in the Soviet Union. Whereas operational decentralization did take place, economic planning and accounting remained highly centralized in the Russian system. The accounting system lagged behind operational changes. Accounting continued to produce reports directed to users concerned with centralized economic planning and control rather than on producing reports useful for day-to-day operations (Sokolov, 1991).

Perestroika and other Gorbachev's reforms are considered a very important first step in the process of transformation from USSR to the Russian Federation.

2.2. The Yeltsin period (1992-1999)

The coup d'état of August 1991 against Gorbachev was followed by the Supreme Soviet in September the same year voting to dissolve USSR. Yeltsin received special powers to rule Russia by decree and later that year he banned all Communist Party activity and

nationalized party assets. Also amongst the key priorities of the newly emerged Russian state was the drafting of a new Constitution (adopted in 1993) and electoral procedures to underpin the development of a democratic society.

“Yeltsin’s strategy was to remove swiftly the remaining supervisory and state-incentive-regulated layers on behalf of his supporters. He launched a two-pronged administrative civilian sector decontrol initiative in 1992. First, the state cancelled 60 percent of its contracts, and ceased paying managerial bonuses. Guaranteed state purchase was rescinded, and incentives became a discretionary internal matter for enterprise managers. Second, ministries lost their directive powers. They had oversight responsibilities, but little effective control, making managers administratively independent without any external incentive to maximize output or profit maximize on the state’s behalf” (Rosefielde and Hedlund, 2009, p. 97).

At the beginning of his presidency, Yeltsin’s popularity peaked but the poor economic state of the country required drastic and urgent action (Samsonova, 2066). A comprehensive program of reform, known as “shock therapy” was instigated. The program aimed at transforming the administrative-command economy into a market economy and stipulated that the following important changes needed to be made: the abolition of price control, privatisation and restructuring of companies, the development of legislative and judiciary systems, the stabilisation of the national currency, the protection of democratic liberties and property rights, etc.

One of the key reform priorities was the privatisation of state enterprises. This and the other most important objectives of the Russian Government were articulated in a speech given by the President on Russia October, 28, 1991:

“The government plans to undertake a number of structural and systemic reforms to move towards a more open economy which is oriented to the market. These reforms [...] include a liberalization of prices, the reform of enterprises and the development of the private sector; [...] the development of the financial sector; the extension of international trade and investment...” (Nezavisimaya gazeta, Independent Newspaper, 03.03.1992)

The privatisation campaign began in Russia in July 1992 when the decree was signed by the new Russian president concerning obligatory transformation of all large enterprises into

joint-stock companies by the 1st of October 1992. This resulted in the introduction of private ownership for more than 130000 companies (Samsonova, 2006, p. 60). Millions of Russians became shareholders. In addition, the privatisation process resulted in the opening and development of the Russian securities market. In most of the privatised enterprises, privatisation did not involve any serious changes in their operations and did not result in the emergence of strong leadership to replace the state¹. However, the process of privatisation (1992-1994) was criticized by some Western and Russian analysts as having a low level of transparency of privatisation and questionable legality of some of its operations (see e.g. Judge and Naumova, 2004).

The importance of new-enterprise formation in mitigating output reductions resulting from privatization of state enterprises was reason enough to attempt to improve new enterprise economic performance via better accounting (Djatej, 2006). In post-Soviet Russia, the reform of accounting officially started when the Ministry of Finance of the USSR via order N56 issued new accounting regulations on November 1st, 1991. These regulations were modified on December 28th, 1994, and on July 28th, 1995. In 1996, the Russian government issued the Federal Regulation on Accounting. The regulation was approved in the Russian State Duma on February 23rd, 1996, and on March 20th, 1996, Russia's Federation Council ratified this. On November 21st, 1996, this regulation became law, taking effect under the official name of Federal Law N29 "On Accounting" (Bychkova and Sokolov, 2003). The new law called for the implementation of an improved accounting system, and was intended to be used by all legal entities in Russia. The law requires all enterprises operating in Russia, except for credit institutions and entities financed by the state budget, to use a new chart of accounts. The law consists of several sub-chapters, which incorporated primary objectives of this important legislation. The sub-chapters include general provisions, basic requirements for accounting procedures, accounting documents and their registration, reporting and concluding remarks. Though this law was

¹ See "Doing Business in the Russian Federation", a report prepared by the PriceWaterhouseCoopers office in Russia, 2003.

indeed a significant step, its passage took more than five years to complete following after the breakup of the Soviet Union.

One of the most noticeable effects of the transition to market economy is the fact that it has started. Some reforms did not work, even though most of measures were formulated on the basis of international experience, including that of other transitional economies.

2.3. Putin's and Medvedev's times (2000-2010)

On becoming president on December 31st, 1999, Putin proclaimed himself a continuer of Yeltsin's reforms and a proponent of moderately liberal economic policy alongside the strong role of legal institutions.

"When he [Putin] assumed the presidency, he was looking at a shipwreck. In addition to hyperdepression and a rapidly declining population, the August 1998 financial crisis left the rouble devalued and the pipeline to foreign credit closed. A miracle was needed to restore discipline, build confidence, spur domestic production, and facilitate technology transfer-driven modernization" (Rosefielde and Hedlund, 2009, p.144).

In the summer of 2000, the government presented a modernised reform programme, setting out new economic priorities, namely: reforming the tax and credit systems, stimulating compliance with the principles of corporate governance, making the national economy more transparent, and improving the investment climate. Putin advocated a strong role for government in the implementing of the economic sphere reforms (Samsonova, 2006).

At this time the authoritative power of President Putin was supported by most of the people. As Gorbachev puts it:

"I understood that in the situation where the very existence of the Russian state was at stake, it was not always possible to act "by the book". Decisive, tough measures

and even elements of authoritarianism may be needed at such times. That is why I supported the steps taken by Mr. Putin during his first term as president. I was not alone – 70 percent to 80 percent of the population supported him in those days” (Gorbachev, 2010, p. 1).

The economic recovery, which began in 1999, has significantly improved the societal gap, reduced unemployment, improved the position of ordinary people, provided a better supply of necessary goods and strengthened state discipline. Both Yeltsin and Putin also enhanced economic freedom by nurturing market institutions. They promoted price deregulation, rouble convertibility, expanded privatization, including land, established stock and commodity markets, encouraged modern banking, opened foreign trade, accepted foreign investment - all this way supported by reformed legislation (Sakharov *et al.*, 2010).

One of the most significant outcomes of this transition has been the emergence of a private business sector. Additionally, the economic transition was also intertwined with the reformation of the tax system and the very concept of “tax” itself (Gustafson, 1999). The state tightened up the rules and requirements to ensure the fulfilment of tax obligations by companies.

On October 5th, 2010, First Deputy Minister Igor Shuvalov mentioned that up to 5500 companies could be targeted for privatization over the next three years, and Finance Minister Alexei Kudrin added that Russia should reduce state and regional authorities’ ownership of business to 30 percent or less, from about 50 percent at present. However, state ownership in Russia, even after the recent increase in ownership, is still lower than in most European Union countries. Moreover, at a government meeting recently, Prime Minister Vladimir Putin acknowledged that the state had strengthened its presence in the economy during the financial crisis, but he did promise to initiate a new privatization drive.

Now Russia is again facing the challenge of change. The last few years have shown a gradual shift in the roles of the state encouraged by recently introduced economic policies

giving priority to the acceptance of international business ideologies. However, there are still a number of setbacks in this regard, or as Gorbachev points out:

"[...] All major decisions are now taken by the executive branch, with the Parliament rubber-stamping formal approval. The independence of the courts has been thrown into question. We do not have a party system that would enable a real majority to win, while also taking the minority opinion into account and allowing an active opposition. There is a growing feeling that the government is afraid of civil society and would like to control everything. We've been there, done that. Do we want to go back? I don't think anyone does, including our leaders. I sense alarm in the words of President Dmitri Medvedev when he wondered, "Should a primitive economy based on raw material and endemic corruption accompany us into the future?" he has also warned against complacency in a society where the government "is the biggest employer, the biggest publisher, the best producer, its own judiciary ... and ultimately a nation unto itself". [...] Among both the people and authorities, there is concern that a new round of modernization might lead to instability and even chaos. [...] But a great deal depends now on how the government acts" (Gorbachev, 2010, p. 1).

This research project particularly focuses on political, economic and social changes in Russia during the last 25 years. In this study the aim is to develop knowledge about how to understand what an accountant is in these different political and societal regimes. It is believed that the historical pattern of Russia represents a useful background to shed the light on such development.

Chapter 3. Purpose of the study and research methodology

The aim of this chapter is to give the reader an understanding of the purpose of this research and the ways in which this objective has been dealt from an empirical point of view in the framework of current study as well as the research methodology used. More specifically, the chapter will describe the purpose of the research. Then the chapter will proceed by characterizing the research methodology and, more precisely, the ways in which the empirical data has been collected and handled. Against this background, the important issues of ethics, gender and credibility related to the findings are also discussed.

3.1. Purpose of the study

This research project focuses on roles of the accountant in Russia in particular how they change when dramatic shifts take place in society. My research interest is to understand what it means to be a “good” accountant in such a societal context and whether and in what ways these roles are influenced by the state, the profession and market institutions.

Most research conducted in accordance with the way of thinking of accounting as social and institutional practice (Hopwood and Miller, 1994) is published in journals like *Accounting, Organizations and Society*, *Critical Perspectives on Accounting*, *European Accounting Review* and other journals. Studies of accounting and its context are an essential part of the organizational field of accounting research. This began with such publications as Burchell *et al.*, (1980), as well as Cooper (1983) and Hopper and Powell (1985). It continued with papers such as Hopwood (1987), Roberts and Scapens (1985),

Miller (1994), etc. However, an observation has been made by Burns and Scapens (2000, p. 4) about the studies when changes come about through time:

“[...] little research attention has been given to understanding the processes through which these new management accounting systems and practices have emerged (or failed to emerge) through time”.

Previous research has shown that accountants and their professional associations have been studied extensively (see e.g. Willmott (1986), Puxty *et al.* (1987), Cooper *et al.* (1989), Kurunmäki (2004), Cooper and Robson (2006), etc.). The roles of accounting and accountants have also been focused on by accounting researchers (see e.g. Burchell *et al.*, 1980; Mellemvik *et al.*, 1988, Jönsson, 1991, etc.). There is also a body of management accounting literature identifying some variables that may impact on the roles of management accountants (see e.g. Mouritsen, 1996, Granlund and Lukka, 1998, etc.). Most such literature has shown that the central aspect of the roles of e.g. management accountants in supporting managers' decision making is the information provided for this end (see e.g. Johnson and Kaplan, 1987). Management has been found to have an influence on the roles of management accountants (see e.g. Hopper, 1980), but as Byrne (2010) observes, the results of this research should be considered in a contemporary context.

Research literature about accounting and its development in Soviet Union or in the Russian Federation is quite numerous as well². In their study about accounting reform in Russia, McGee and Preobragenskaya (2005) provide an overview of accounting studies done in Western countries. Campbell (1963) published a book containing a series of essays on Soviet accounting problems. A study by Scott (1969) describes how Soviet accounting after the 1965 reforms started to place more emphasis on enterprise profitability, helping to move the Soviet economy closer to a Western market model. Bailey (1982) wrote a long

² It is acknowledged here that a significant amount of research exists devoted to accounting in former Socialist countries, which provides a good introduction to many issues arising when attempting to convert the accounting system from a centrally planned model to a market model (see e.g. Garrod and McLeay, 1996; Jaruga, 1996, etc.).

historical study of Russian accounting going back to the thirteenth century. Lebow and Tondkar (1986) describe the development and effectiveness of accounting in the Soviet Union. Motyka (1990) discusses the impact of Western Europe on accounting in Tsarist Russia prior to 1800. Shama and McMahan (1991) review the historical development of accounting in Russia from Tsarist times to Communism and also how *Perestroika* changed the nature of accounting in Russia and other Eastern European countries. Smirnova *et al.* (1995) describe accounting education in Russia. Garrod and McLeay (1996) edited a book on accounting in transition economies, which provides a good introduction to the many issues connected with transformation of accounting system from a centrally planned model to a market model. Richard (1998) wrote a book chapter that discussed Communist accounting systems in Eastern Europe in general and in the Soviet Union in particular. Enthoven *et al.* (1998) make it clear that it is by implementing directives and regulations that Russian accounting practices change and develop. High-level laws and decrees are significant if and only if implementing directives and regulations are in place. Bourmistrov (2001) discusses the development of municipal accounting in transition. Mennicken (2004) and Samsonova (2006) shed light on audit development in the Post-Soviet Russia. Timoshenko (2006) describes and analyses Russian central government accounting in times of change. Djatei (2006) wrote an extensive study of the Russian and Soviet history of financial accounting, its legislature and executive decrees and regulations, administrative and organizational structure, important individuals, etc. Alexander *et al.* (2006) use *The Soviet Accounting Bulletin* edited in 1973-1983 by Derek Bailey to investigate, largely as seen through Bailey's eyes, the concept and role of accounting in general, and the "state book-keeper" in particular, under the Soviet system. Evidently, the list of afore-mentioned studies is not complete.

However, we still know little about how the accountant can be understood and what accountants' roles consist of when drastic societal change creates tensions in the social and organizational context of accounting and when new links and connections are to be established, transformed or abandoned amongst societal institutions, e.g. the state, the

profession and the market. How do the roles of accountant change in such societal context? How does the accounting profession cope with rapid changes? What is a “good” accountant in different times? Therefore, the purpose of this research project is *to describe and analyze the accountants’ roles in times of change in order to be able to understand the development of roles of accountants in society and to give an opinion about the future development of the accounting profession*. Thus, this study focuses on what has been important for accountants from the point of view of the state, the profession and the market and how this has changed under different regimes. In addition, there has been a lack of research about accounting professionals in the Russian context.

3.2. Research methodology

“The gendered, multiculturally situated researcher approaches the world with a set of ideas, a framework (theory, ontology) that specifies a set of questions (epistemology) that are then examined (methodology, analysis) in specific ways (Denzin and Lincoln, 1998, p. 23).

Every study starts off based on certain fundamental theoretical and philosophical assumptions. In order to ensure the consistency of the research project these underlying assumptions need to be recognized. Therefore, this research project implies a choice of initial assumptions about how to view reality and how to study this reality. The nature of the reality is considered under certain ontological assumptions, while the nature of knowledge is based on assumptions of an epistemological nature (Burrell and Morgan, 1979, p.1). According to the framework suggested by Burrell and Morgan, the social world can be regarded either having empirical existence external and independent of cognitions of any individual or consisting of concepts and labels created by people themselves to explain and understand the reality (Hopper and Powell, 1985, p. 431). Respectively, knowledge about the world can either be acquired through observations or can be

attributed to a more subjective and essentially personal nature (Hopper and Powell, 1985, p. 431). The first approach presents the logic of positivism, while the latter suggests the paradigm of social constructivism. This study acknowledges that social systems are socially constructed, and therefore,

“can be changed by the activities of individuals located within a specific social context” (Irvine and Gaffikin, 2006, p. 119, citing Ryan et al.).

This research focuses not only on actual facts and events, namely the historical description of accountants’ role development in Russia, externally existing in reality, but also on individuals, on what they individually and collectively, think and feel (Easterby-Smith et al., 2002). Therefore, the basic ontological and epistemological assumptions adherent to this study, tend towards a more subjective way of understating and studying social reality.

In addition, according to Denzin and Lincoln (2000, p. 8):

“Qualitative researchers stress the socially constructed nature of reality, the intimate relationship between the researcher and what is studied, and the situational constraints that shape inquiry”.

It should be emphasized, that this project aims at knowledge about accountants and their roles, not about accounting practice. Indeed, accounting is an identifiable form of organizational and social practice (Burchell et al., 1980, Miller, 1994). However, for the purpose of this research project the different accountant’s roles in different times and how these are influenced in various ways are scrutinized. Moreover, the research focuses on a group of individuals (accountants) as the level of analysis and takes into consideration the societal dimension:

“...the individual and society are inseparable units. From this, it follows that a complete understanding of one is not possible without a complete understanding of the other. Also, society is to be understood in terms of the individuals making it up, and the individuals are to be understood in terms of the societies of which they are members [...] At the same time, it is possible to separate the two units for the sake of analysis” (O’Donoghue, 2007, p. 16).

The research project takes place in the Russian context during the last 25 years. This means that the research is embedded in time-space settings. That is, it is located in a particular context or situation and point of time. Llewelyn (2003, p. 685 citing Ahrne) states that

“...the relations between individuals and society can be best understood in terms of forms of organizational affiliation – membership, ownership, citizenship, kinship and employment... Everyday life takes place in the realms of organizations. It does not occupy a sphere of its own... One cannot communicate with a system. Concepts like power, democracy, social order, are meaningless and lose their content outside particular [...] settings. Processes such as rationalization, modernization, bureaucratization, specialization, professionalization, must be theorized and investigated in organizational terms...”

Also, as Czarniawska (1997, p. 18-19) argues, in the natural sciences, explanation is achieved when a phenomenon is located as an instance of a general law, but in the social sciences this “law” has arisen because of the existence of a human project (i.e. rationalization, modernization, bureaucratization, specialization and professionalization) (Llewelyn, 2003, p. 688).

This study is in accordance with the scientific approach that the choice of particular research methodology is defined by the nature of the studied phenomenon. For the purpose of this study, to understand accountants’ roles, or to see what it means to be a “good” accountant in the Russian context, qualitative research methodology – interviewing, questionnaire and secondary data analysis – are chosen to make thorough analysis. This research project examines the phenomenon in its settings. So, the theoretical framework (discussed in Chapter 4) is tied together with the research methods. In addition, the research strategy of close link between the empirical data and the analytical dimension is used.

The afore-mentioned methods of investigation were used to develop an understanding of the roles concerned. The methodological approach involving “multiple methods and empirical materials to add rigor, breadth, complexity richness and depth to inquiry”

(Denzin and Lincoln, 2000, p. 5-6) can be defined as triangulation. They continue that by means of triangulation it is possible to establish the creditability of qualitative data. With respect to this study, triangulation was used to display the multifaceted nature of accountants' role development. Different methods (such as interviewing, questionnaire and regulations, textbooks, journal articles, etc.) were employed to facilitate understanding of the issues connected to the shifts and transformations of accountants' roles in various times.

To fulfil the aim of understanding the development of the roles, this research studied the legislatures and regulations from the state point of view, brought in the fields of professional education and professional associations, and illuminated the expertise required of accountants over a particular period of time.

Analysis of legal, professional, regulatory and academic texts has been conducted. These documents provided an important source to analyze the accountant's roles and ways of development. The following sources of information have been examined in order to analyze the secondary data from three perspectives.

In order to be able to discuss the state perspective, official governmental acts and documents over the last 25 years dealing with descriptions of the state requirements to accountants' work have been collected and analyzed. The electronic database with full access to all legal documents in the accounting field, namely Kodeks (www.kodeks.ru), has been searched through for the time period from 1979 till 2011. Around 100 legal acts devoted to the organization of accounting work, accountant's responsibilities, and accounting regulations have been studied. Next, these regulations have been selected and analysed based on selection criteria consisted of the relevance to the purpose of the research, also bearing in mind what were the main legislative documents over the time period concerned. Additional materials available throughout the study derived from the Internet have been also utilized (see Appendix 1).

For the professional perspective the regulative documents concerning study plans and the curriculums of accounting education with higher qualifications over the time period have been analysed. In addition, articles, interviews with the main actors in the accounting profession, and feedback from professionals for the period 1985 – 2010 published in the journal *“Buhgalterskij uchet”*³ have all been used to follow the professional discussion about accounting education, its development and also the issues connected with the formation of the accounting profession. Accounting textbooks have been included in the discourse in order to present the reflections of Russian academics about their understanding of accountants’ roles over time. In addition, sources of information available throughout the study derived from the Internet have also been used (see Appendix 1).

In order to discuss the market perspective, or in other words, expectations from enterprises and companies⁴, the regulations, recommendations, analytical reviews and

³ *“Buhgalterskij uchet”* (Accounting) is the professional journal for accountants. It is published since 1937. The owner of the journal is the Ministry of Finance of the Russian Federation. Circulation of the journal before 1991 was 43000 copies, nowadays it is 145000 copies. It used to be a monthly journal, now it is published twice a month (see <http://www.buhgalt.ru/buhgalterskij-uchet/o-zhurnale/>).

⁴ It seems that the hierarchy of organizational relationships within enterprises and companies is necessary to consider when discussing the roles of accountants from the market perspective, i.e. enterprises or companies. In most cases, the organizational structure of the enterprise/company can be described as follows. The managing director (director) represents top management level. At the second level of the hierarchy there is usually a deputy director for economics and finances, a chief accountant, a chief engineer, an administrative director, etc. The third level is represented by the structural departments subordinated to the managers at second management level. So, in the case of accounting activities, the chief accountant and the accounting department report directly to the general director. Kozlova et al. (1995, p.18), for instance, observe in their textbook that based on Regulation “On Accounting and Reporting in the Russian Federation” (dated 20.03.1992 N10) directors of the enterprises of different kinds of ownership are fully responsible for the accounting organization. So, the director is required to create necessary conditions for accountants’ work and to provide that all departments met the requirements of the chief accountant with regards to presentation of data for accounting purposes. The afore-mentioned regulation also states that without the signatures of the director and the chief accountant the documents connected with cash flow and transfer of resources are not valid. According to Sysoeva and Pletnev (2003), the direct subordination of the chief accountants to the general directors can be explained by correspondence of such organizational structure to the essence of the planned economy. In addition, as researchers add, it is also due to the fact that the chief accountant has the right to be in charge of cash flows to and from bank accounts because of the legal requirement to countersign after signing by general director on the cash documents. The direct subordination of the chief accountant to the general director is stipulated in the statutes and job descriptions of most Russian companies. The subordination portrays the

reports, and articles devoted to the required expertise of accountants over time have been reviewed. For this purpose, mainly, the electronic database Kodeks (www.kodeks.ru), and additional materials available throughout the study derived from the Internet and the journal “Glavbukh”⁵ have been utilized (see Appendix 1).

Prior to interviewing, the questionnaire was drawn up to prepare the list interview questions. The questionnaire was circulated amongst practising accountants in order to obtain their opinion about accountants’ roles and how they perceive the dynamics of these roles over time. The questionnaire was distributed at the improving qualifications seminars organised for accountants by specialized retraining centres. The first seminar took place in December 2010 in Arkhangelsk (the administrative centre located in the North-Western part of the Russian Federation⁶). A total amount of 27 responses of 30 have been received. The second seminar was held in April 2011 in Moscow. 18 of 20 questionnaires have been answered. The respondents were asked to fill in the questionnaires and deliver these after the seminars. All of them were anonymous. A copy of the questionnaire is attached in Appendix 2.

Easterby-Smith *et al.* (1991) observe

“The qualitative interview is appropriate when the purpose is to understand the constructs that the interviewee uses and [...] to develop an understanding of the respondent’s world” (p. 74).

Thus, in order to facilitate insight from the respondent’s world and to reach a better understanding of interviewees’ point of view, in-depth interviews were also carried out. Interviewing took place in April 2011 in Moscow. During a one-week stay, seven semi-

place of the accountant in management lines within the company and also what roles he or she has in the relationships between different divisions and departments.

⁵ “Glavbukh” (Chief Accountant) is a mass accounting journal covering the fields of taxation and accounting. It is published since 1994. The owner of the journal is Consulting & Financial Center “Aktion”. Circulation of the journal started at 45000 copies; nowadays it has reached 162000 copies. It is issued twice a month (see <http://www.glavbukh.ru>).

⁶ For more information about the Arkhangelsk region see e.g. www.dvinaland.ru, www.pomorland.info.

structured interviews were conducted. They were done face-to-face. The average duration of the interviews was between one and two hours. One more interview was conducted after the trip to Moscow, by phone. This lasted for two hours. The interviews were tape-recorded, with prior approval to use a voice-recording device. The recording was stopping upon request from the interviewees. In addition, written notes were taken in order to highlight interesting issues in order to refer to them in detail, if necessary. The notes and voice-recordings were transcribed shortly after the trip, then translated and employed in the empirical chapters to support the secondary data, and to enable personal reflections about accountants' roles and their dynamics.

Contacts with the interviewees were established via the personal network. All of the interviewed persons were informed beforehand about the purpose of the interviews. The respondents' consent to participate meant their voluntary participation. The fact that the interviewees provided data on themselves, and such data could not be received from a third part, ensured that information was accessible with interviewees' permission. During the process of organizing interviews, there had been some refusals to take part in interviewing, for personal reasons, travel, due to unwillingness to participate in the interviews, etc. However, it should be acknowledged that for the purpose of the study such a way of organizing interviews did allow open discussions and avoided the reluctance to answer questions.

All interviews were structured around open-ended questions asking interviewees about the development of accountants' roles over time in Russia. The interviews were organized in a semi-structured format, with some general questions covered in all interviews and more specific questions formulated during the interviewee process, if this seems necessary. A list of questions asked is attached in Appendix 3.

Due to the sensitive nature of the answers, the anonymity of the interviewees in quotations has been secured. However, in order to illustrate the selection of the persons interviewed their description is provided in Table 3.1.

<i>Interviewee</i>	<i>Age</i>	<i>Education (University degree)⁷</i>	<i>Amount of years and description of practical experience as an accountant</i>
Interviewee 1	More than 60	Accounting	40 years. Accountant at a Soviet enterprise. Auditor in one of the first Russian auditing firm in the middle of 90's. During the last 17 years chief accountant in a small commercial firm.
Interviewee 2	Between 40 – 45	Accounting	20 years. Accountant, then chief accountant in a medium-sized commercial firm. Now she is the chief-accountant in a big production company.
Interviewee 3	Between 55 – 60	Engineering, then 2 nd degree in accounting ⁸	20 years. Early on she used to work as an engineer in an industrial enterprise. During last twenty years the chief accountant in several small production companies.
Interviewee 4	Between 50 – 55	Accounting	30 years. She started to work as a book-keeping clerk on graduation from secondary school. While continuing to work full-time, she obtained a university degree in accounting. Now she is the chief accountant at a municipal enterprise.
Interviewee 5	Between 30 – 35	Accounting	5 years. Accountant in a big production company, which is a part of a holding company.
Interviewee 6	Between 55 – 60	Engineering, then 2 nd degree in accounting	20 years. Before she used to work as an engineer in a military research institute. Chief accountant in a trade union organization.
Interviewee 7	Between 50 – 55	Engineering, then 2 nd degree in accounting	20 years. Before she used to work as an engineer in an industrial enterprise. Chief accountant in a big production company. Defended her doctoral thesis. She is now a professor of accounting.
Interviewee 8	Between 30 – 35	Accounting	13 years. Accountant in an international company. She is now a head of financial and accounting office at a research institute within a university.

Table 3.1. Information about interviewees, their positions, educational background and practical experience.

For the interviews, the selection of respondents was done based on their willingness to talk. It should be mentioned that it was difficult to gain access to the field and it was not easy to collect empirical data. However, the respondents represent all types of

⁷ To demonstrate educational background of the persons interviewed the main direction of the obtained diploma is presented. E.g. an university degree in accounting received in Soviet times meant being an economist with specialization "Accounting and analysis of economic activity". For more discussion see Chapter 6.

⁸ "Engineering, then 2nd degree in accounting" means the following. After getting a university degree in engineering science as their first education, for economic, personal, etc. reasons the person needs to change profession. Therefore, it is possible to enter into an additional 2-year university program in accounting, and obtain a so-called 2nd degree in accounting. For more discussion see Chapter 6.

organizations; they are of different ages, with various practical experience, and educational backgrounds. Thus, this did enable breadth and richness of personal reflections on the part of accountants.

All of the respondents were women, as the accounting profession in Russia is mainly a female profession. The majority of Russian accountants are women, or, in terms of numbers, 95% of accountants are women⁹. The male representatives mainly sit on the executive boards of professional associations or are high-ranking bureaucrats¹⁰. Moreover, the accounting job as “feminine” is observed by Czarniawska (2008), when she discusses the phenomenon of *Chief Accountess* in the Polish context. Thus, selecting respondents was in a way obvious, as there is a visible domination of women in accounting in Russia. The gender issue and the distribution of power and prestige between men and women in accounting (Czarniawska 2008) is thus considered as an essential aspect in analysis of the accountants’ roles development in Russia.

In closing this chapter, I would like to say that I believe my personal background can also enhance the creditability of the collected data and the conducted analysis. Being a native Russian, graduating from a Russian university with an accounting degree and having practical experience as an accountant in a Russian industrial company, offers me the opportunity to strengthen the data interpretation. Even though my personal voice is not shown explicitly, it is still of course there in the background. Therefore, my personal reflections may support the voices “from the field”, and can thus be seen as an advantage for this study.

⁹ This is according to the review prepared by research center of recruiting agency “SuperJob”. For more information, see <http://www.superjob.ru/research/articles/1107/buhgalter/>

¹⁰ For further discussion see Chapter 8.

Chapter 4. Theoretical framework

"Knowledge of a social phenomenon is knowledge from a particular frame of reference" (Burrell and Morgan 1979, p. 10).

The thesis describes and analyses the development of accountants' roles in Russia or to put it differently, what it means to be a "good" accountant in the Russian context. In order to study the different roles of accountants the research project starts off by making certain theoretical assumptions. In the framework of the study, the description and analysis of the changes in the roles of accountants is undertaken using three societal institutions. To start with, the standpoints of the state, the profession and the market, the guiding principles suggested by Streeck and Schmitter (1985), in relation to the roles of the accountants are explained. Firstly, state principle towards the role of accountants is discussed. Secondly, the research project characterises profession principle in relation to accountants' roles. Thirdly, the principle of market towards the roles of accountants is presented.

This research study draws on research paying attention to the organizational and social contexts in which accounting operates (Hopwood, 1978). This project concerns the reasoning round changes in accountants' roles during the socio-political and the economic drastic developments Russia has undergone during the last 25 years. Understanding of the changes in the roles of accountants can be obtained by analysing how the context consisting of state, profession and market influence accountants. Are there transitions between different roles in the different periods? Have these three institutions different effects over time? Showing the influence of these institutions on the roles of the accountants is important in order to understand in which ways these roles can shift and transform and also to see the interplay between state, profession and market. One can pose a question and make speculations in relation to the selection of perspectives and assumptions. The following discussion is meant to give the reader insight into the theoretical assumptions on which much of my study is based.

The study also responds to the recent call for more accounting research with regard to the development of accountants' roles in different societies (see e.g. Cooper and Robson, 2006). Such research projects may provide help in examining what these roles are and what feedback is from the state, the accounting profession and the market.

This research project accords the way of thinking about accounting as a social and institutional practice (Hopwood and Miller, 1994).

"Accounting has come to be regarded as a social and institutional practice, one that is intrinsic to and constitutive of social relations, rather than derivative or secondary. This concern with the social and institutional aspects of accounting has entailed a move by researchers beyond organizations as the exclusive level of research. Attention has been directed to the ways in which accounting exerts and influence on, and in turn is influenced by, a multiplicity of agents, agencies, institutions, and processes" (Miller, 1994, p.1).

Or as Chapman *et al.* (2009 citing Hopwood) put it:

"...we should pay attention to the organizational and social contexts in which accounting operates".

The social and institutional aspects of accounting are amongst others things concerned with institutions such as state bureaucracy, regulatory bodies, professional associations, multinational accounting firms and transnational organizations (Cooper and Robson, 2006; Suddaby *et al.*, 2007). "Organizational accounting" (Mattessich, 2008, p. 205) as the way of thinking assumes the following:

*"Accounting means all those spatially and historically varying calculative practices – ranging from budgeting to fair value accounting – that allows accountants and others to describe and act on entities, processes and persons. Organizations are not only those formally constituted and bounded entities – such as firms, non-for-profit, and government organizations responsible for providing service – but the plethora of less formal and less bounded associations of actors and activities, such as industry associations, inter-firm alliances, and even ad hoc advisory groups. And, institutions – are those stabilized and legitimized ideas and groupings, together with their attendant bodies of knowledge and ways of classifying, that are taken for granted and accorded authority (more or less) by common assent" (Chapman *et al.*, 2009, p. 1).*

Hopwood also argued that “external” origins of “internal” accounts should be attended to and the “context” should not be seen as something external to organizations (Hopwood, 1983; Burchell *et al.*, 1985). Accounting, organizations, and institutions should be viewed as fundamentally interrelated and interdependent, that the links among them should be viewed as mutually constitutive (Chapman *et al.*, 2009, p. 2):

“Accounting, one might say, is simultaneously social and technical. Put it differently, the roles of accounting co-emerge with the social relations that it helps make possible”.

This way of thinking, emphasizing the social and institutional nature of accounting, the roles of accounting and accountants in the context and social relations can be employed for this study. Also accounting changes and those changes are part and parcel of changing social and economic relations (Chapman *et al.*, 2009, p. 2). And as they call for

“There is need to study those changes, since accounting has changed significantly across time, adopting new forms, devices, and roles” (Chapman et al., 2009, p. 2).

Hence, three societal institutions– the state, the profession and the market – in relation to the roles of the accountants – and its interplay - are believed to offer an insightful approach with a view to understand what it means to be a “good” accountant in different times. Rather than being separated from one another, these three institutions are seen as acting in consistency for the purpose of the current research project. It is believed that the aforementioned perspectives help describe and analyse the changes in the roles of accountants in Russia from different angles in order to gain a comprehensive view. The following sections discuss the rationale for using all these elements in order to understand the development of accountants’ roles.

4.1. Three perspectives

As suggested previously, the study focuses on accounting as an organizational and social practice. This interpretive perspective follows the work of European sociologists, social philosophers, constructionists and deconstructionists (Mattessich, 2008). Also, the traditions of political science, such as power, ideology and state are interesting for accounting researchers (see e.g. Chua *et al.*, 1989). Given that accountants bear a major responsibility for the development and regulation of modern economies (see e.g. Johnson, 1980; Willmott, 1986), this research study attempts to get an understanding about how the different interests/links/connections in society towards the roles of accountants can be handled.

The research study positions itself towards Russian society as a society built up with many interests. These interests can be represented (amongst other things) by institutions such as state, profession and market. This project is concerned with understanding the roles of accountants from these three institutions. Moreover, the state, the profession and the market are linked and their interests are interrelated. Previous research has also shown that some researchers have chosen corporatism to discuss the interest representation in the society (see e.g. Streeck and Schmitter, 1985; Molina and Rhodes, 2002)

Corporatism theory has been suggested a useful tool for analyzing the relationship between state and quasi-regulatory bodies (Streeck and Schmitter, 1985). Corporatism takes as its starting point the idea that various interest organizations may be “recognized” or licensed by the state and as Cooper *et al.* (1989, p. 252 citing Schmitter) argue

“[...] granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and support”.

Streeck and Schmitter (1985) and later on Streeck and Kenworthy (2005) have identified three distinctive guiding principles for analyzing modern societies, polities or economies:

the community, the market and the state – “although it might be more accurate to label them according to the principles themselves: *spontaneous solidarity*, *dispersed competition* and *hierarchical order*” (Streeck and Schmitter, 1985, p. 119, original emphasis). Also, the corporatist approach helps to examine the role of collective actors, as organizations that cluster around and defend the specific interests of sectors and professions (Molina and Rhodes, 2002). From a corporatist position such organizations can include groups consisting of professional associations, specialist interest groups, trade unions, and representative bodies of the corporate sector. The Streeck and Schmitter’s framework has been used extensively to study power relationships in the accounting profession in advanced capitalist societies and can be found in e.g. Willmott (1986), Puxty *et al.* (1987), Cooper *et al.* (1989), Kurunmäki (2004), Cooper and Robson (2006), etc. As Cooper *et al.* (1989, p. 246) explain:

“So far as the accounting profession initiates regulations on behalf of its members and the state, then the corporatist model may clarify the relationship and suggest how the state may be involved in the regulation of the accountancy profession itself”.

Using corporatism means employing these three institutions – state, profession and market – to focus on how accountants’ roles relate to them, and to provide better understanding about what these roles are from different points of interest. Though, it should be acknowledged, that previous research in accounting has considered the corporatism mostly for the purpose of studying the relations between state and quasi-regulated bodies (see e.g. Cooper *et al.*, 1989) or the modes of regulation of accountancy, showing how organizing principles of state, profession and market vary in accordance with institutional and political structures in particular countries (see e.g. Puxty *et al.* 1987). Hence, for the purpose of this research, the model of these three institutions seems a useful way of describing and analysing the roles of accountants in the context. What is added here is a distinct division of time into specified periods. It is necessary to clarify that this research project has no intention of discussing the constituent elements of social order and its equilibrium. In the following sub-sections, the organizing principles of state,

profession and market are highlighted and it is also explained how they will be used in this study. In this matter, the understanding of these concepts for this thesis will be provided. The first sub-section deals with the state, the next section is devoted to the profession and the last subsection deals with the market perspective.

4.1.1. State

"The state, wrote Nietzsche, is "the coldest of all cold monsters ... (it) lies in all languages of good and evil; and whatever it says, it lies – and whatever it has, it has stolen ... only there, where the state ceases, does the man who is not superfluous begin ..." (Rose and Miller, 1992, p. 173).

Here the concept of the state or associated agencies as one of the interest parties in relation to the roles of the accountants in Russia during under the different regimes is tackled. There currently exists an extensive body of research literature devoted to the theory of state, definitions of the state, and the constituents of the social and political order and life. For example, Marinetto (2006) discusses that contemporary theory of state falls into three categories. The first group represents those theories for which state is represented by competing sets of interests. The second set of theories is placed under the society-centred approaches theorizing the state as a reflection towards societal relationships and interests. The third group of theories takes a state-centred view when state is a distinct institutional entity, irreducible to social interests and structures (Marinetto, 2006).

In general the concept of state implies certain rules, members and resources. Also the state maintains social order, distributes resources, collects taxes, and is the officialdom to a large number of people (see e.g. Marinetto, 2006). O'Donnell (2010) gives the following definition of the state:

“A territorially based association, consisting of sets of institutions and social relations (most of them sanctioned and backed by the legal system of the state), that normally penetrates and controls the territory and the inhabitants it delimits” (O’Donnell, 2010, p. 52).

The state, from some perspectives can be considered an organizational actor: a bureaucratically organized administrative structure empowered to govern a geographically delimited territory (Scott, 2008). However, as Streeck and Schmitter (1985) pointed out, the state is not simply another actor in the environment of an organization: its “ability to rely on legitimate coercion” makes it a quite distinctive type of actor. All organizations are correctly viewed as “governance structures”, but the state is set apart (Scott, 2008). As Scott (2008, p.98 citing Lindblom) notes:

“special character of government as an organization is simply [...] that governments exercise authority over other organizations”.

Or as Burchell *et al.*, (1991, p. x) suggest:

“Government is not just a power needing to be tamed or an authority needing to be legitimized. It is an activity and an art which concerns all and which touches each”.

Here it is important to underline that the meanings of the state and the government is essential¹¹. Also, the using of these terms can depend on the contexts and therefore, the different standpoints can be implemented.

This thesis pertains to the recognised approach that it is important to situate accounting in its social and organizational contexts (Miller, 1994), and furthermore it is in line with the sociological way of thinking about the state, when the interface between state and society or social process is an essential part in reflections about the state. It should also be emphasised that for the purpose of this research study, the concept of state is comprehended as the organizing principle of the roles of accountants, mainly providing the

¹¹ In this study, “the state” is seen as an organization and “the government” as the regulator within the state (see also Chahed, 2009). However, these terms are used interchangeably to refer to any mechanisms for steering the conduct of accounting regulations and accountants. The term “law” is used exclusively in relation to state regulations. Further on, the overview of the legal system in the Russian Federation and legislation in accounting will be presented.

regulative aspects of the state towards accountants: institutions constrain and regularize behaviour (Scott, 2008). Institutions, including state, are “systems of rules that apply to the future behaviour of actors” (Offe 2006, p. 9). They constitute actors and prescribe their scope and mode of action. These prescribed rules¹² can be sanctioned through mechanisms specified e.g. laws. These rules are, consciously or habitually, observed and complied with by actors who are aware not only of the rules, but also of the fact that these rules are being enforced and that deviant courses of action will be sanctioned (Offe, 2006). Or as Scott (2008, p. 52) puts it, “it can include explicit regulatory processes – rule-setting, monitoring and, sanctioning activities”. In this notion, regulatory processes involve the capacity to establish roles, inspect others’ conformity to them, and, when necessary, manipulate sanctions – rewards or punishments – in an attempt to influence future behaviour (Scott, 2008).

Several studies discuss “the state” concept in accounting research (see e.g. Puxty *et al.* 1987; Rose and Miller, 1992; Cooper *et al.*, 1989; Bergevärn *et al.*, 1995; Miller, 2001; Bourmistrov and Mellemvik, 2002; Cooper and Robson, 2006; etc.). Most studies of accounting and government are connected with the debate of using power and the relationship between “the state” and interest groups (see e.g. the discussion about the theories of state like pluralism, Weberian analysis of society, class-based nature of state (post – Marxist)) by e.g. Cooper *et al.*, 1989; Puxty 1990, Roslender, 1992 or governmentality studies by e.g. Miller and O’Leary, 1987; Miller, 1990; Foucault, 1991; Burchell *et al.*, 1991, Miller and O’Leary, 1994.

The guiding principle of the state, or “hierarchical control” (Puxty *et al.*, 1987), is considered a significant element in the formation of the roles of accountants and compliance with the regulative pillar. By this, the state seeks to hold accountants accountable for their behavior and ensures that accounting reports and information are

¹² For example, O’Donnell (2010) discusses the notion of such rules and defines that “these rules are not necessarily mandatory on a universal basis [...] all laws are supposed to be valid over the whole territory of a given state” (p. 56).

made available for both market and non-market actors (Puxty *et al.*, 1987). The organizing principle of the state ensures that the accountant undertakes all accounting procedures in accordance with current legislation.

The concern of this project is to investigate the roles of accountants from state, profession and market perspectives. Hereinafter, the organizing principle “spontaneous solidarity” (Puxty *et al.*, 1987) is discussed.

4.1.2. Profession

“Robinson Crusoe, having rescued a watch, ledger, and pen and ink from the wreck, begins like a true-born Briton, to keep a set of books” (Macdonald, 1995, p. 187 citing Marx).

The word “profession” can be used in quite different ways in everyday language. Some occupational groups can maintain they are professional as they possess a practically oriented but unique set of knowledge which is difficult for most other citizens to access. Others can maintain professionalism based on mastering academically oriented research. And others can claim a professional status because they control some of the mechanisms of power in society (Selander, 1990).

Burrage *et al.* (1990, p. 204) define a profession thus:

“a calling requiring specialized knowledge and often long and intensive preparation including instruction in skills and methods as well as in the scientific, historical or scholarly principles underlying such skills and methods, maintaining by force of organization or concerted opinion high standards of achievement and conduct, and committing its members to continued study and to a kind of work which has for its prime purpose the rendering of a public service”.

Also, the term “professional” denotes occupations organized in institutional form, whose practitioners are committed explicitly to serving the public interest, and who offer client services related directly to an intellectually-based body of knowledge (Lee, 1995).

A huge body of research literature exists devoted to the professions and professionalization, also with regard to the accounting profession. However, it should be emphasized that for the purpose of this research project, the guiding principle of profession is established based on the standpoint that the accounting profession includes explicit mechanisms of entry prerequisites, institutionalised programmes of academic education and work-related training and experience.

Various groups of studies have discussed the different aspects of the accounting profession. Some of these studies have tackled the relationships between state and quasi-regulatory bodies, such as accounting associations (see e.g. Willmott, 1986; Robson and Cooper, 1990; Puxty, 1990; Willmott *et al.*, 1992, etc.). Others have attempted to work on interesting and useful approaches to understanding the professional project (see e.g. Larson, 1977; Macdonald 1995; Leicht and Fennell, 2008, etc.) and the continuing evolution of professional bodies (Cooper and Robson, 2006). Many such studies have concentrated on the establishment of professional bodies (see e.g. Loft, 1986; Greenwood *et al.*, 2002, etc.). Also in their paper, Cooper and Robson (2006) provide an extensive review of research about the accounting profession since the 1970’s, focusing on the contribution of historical and comparative analyses.

Moreover, previous studies have argued that the relationship between profession and the state is interdependent or as Willmott (1986, p. 563 citing Johnson) puts it,

“[...] the professions are emergent as a condition of state formation and state formation is a major condition of professional autonomy”.

This means that the state is both the regulator of professional life and an instrument of professional advancement. It is directly or indirectly involved in every facet of professional

existence, their organization, their education and licensing, their relationships with other professions, as well as the market for their services (Burrage *et al.*, 1990).

However, it should be also underlined that for the purpose of this research project, the profession perspective also includes the professional associations of accountants in the Russian Federation. This project considers the time frame of the last 25 years and the separate description and analysis of the guiding principles of community and associations (Streeck and Schmitter, 1985) in the Russian context seems inadequate. One could say that the professional associations in Russia are quite immature, when compared, for example, with the history of the UK and the US accountancy professions (see e.g. Willmott, 1986; Loft, 1986; Robson and Cooper, 1990; Lee, 1995; etc.).

The increasing size of the accounting profession and the scope of accounting work in the Russia over this time make it relevant in the following subsection to look at the market principle in relation to the roles of accountants.

4.1.3. Market

The market of accounting services generally speaking consists of accounting units in large corporations or companies, accounting and auditing units in governments and international organizations, as well as local accounting firms and multi-national business (“professional”) service firms, currently known as the “Big 4” (Cooper and Robson, 2006). Moreover, accounting services can be provided by e.g. individual practitioners, accountants or controllers in the public sector or in industry, and auditors. Also there are different levels of responsibilities: accountants working in industry have a different sense of their responsibilities than those working in large firms, who again have different values than those working in smaller public offices or those working in public, voluntary or community sectors (Cooper and Robson, 2006).

However, this research project attempts to describe and analyze the roles of accountants in Russia over the time. For the purpose of this research project, market represents a very challenging institution, in that Russia has been transformed from a centrally-planned economy, in which the very concept of “market” was not supposed to exist at all. The Soviet state was, however, in reality competing with the West in all major fields. In *shock* times, the market became open and legal all of a sudden. In the times of the *modernized* economy, the state puts some pressure on market regulation. In such terms, the market perspective in this study considers as a field of required expertise or what the roles of accountants are expected by the employers in the different time periods.

Previous research (see e.g. Greenwood *et al.*, 2002; Cooper and Robson, 2006; Suddaby *et al.*, 2007, etc.) discusses the roles of accountants (in most cases their roles are presented and examined within the site of accounting firms) in a “changing, highly institutionalized organizational field” (Greenwood *et al.*, 2002, p. 58), or when “changes in regulatory processes affect opportunities for democratic control and legitimacy” (Cooper and Robson, 2006, p. 415), or there is “shift in the structural boundaries of professional regulations to include new actors, specifically Big 4 accounting firms and non-governmental organizations” (Suddaby *et al.*, 2007, p. 333).

The market mechanism also consists of the demand and supply of professional expertise. This means that accountants support their level of professional knowledge and sell their competence and skills. Simultaneously employers hire and “head-hunt” qualified accountants. The further discourse shows that over time the competence and required expertise differs. The discourse continues by discussing and analyzing what kinds of roles of accountants are “good” from a market perspective. In addition, for the purpose of this research, the discussion about salary levels and accounting services outsourcing is tackled because it may help us understand what competence is required from professional accountants.

The roles of accountants considered from a market principle in Russia during the last 25 years mirror the drastic changes in economic development, but it is also necessary to reflect upon, when discussing the market of accounting services, the well-publicized scandals in delivering professional services. Many of these most recent scandals involve business services such as accounting, law, and finance (Enron, WorldCom, Royal Ahold), and have resulted in the collapse of Arthur Andersen (Leicht and Fennell, 2008). These cases expose conflicts in accountants' roles, since it is believed that in the majority of the cases accountants are supposed to be independent "monitors" of financial behaviour or "interests' keeper" of companies¹³.

The market perspective or the guiding principle of "dispersed competition" (Puxty *et al.*, 1987) is considered an essential element in describing and analyzing the roles of accountants. Firstly, with respect to professional accountants, the roles of accountants can be described as "providers" or "generators" of accounting information. Then, these roles may also be illustrated in terms of "controllers" or "improvers", since the modern range of accounting services assumes that accountants are also used to controlling and improving, as well as monitoring the employee and organizational performance of different companies.

In short it seems that changes in accountants' roles from the market perspective can provide a useful approach to help gain an understanding of accountants in the Russian context.

All three afore-mentioned principles appear to have a significant bearing on accountants and their roles, and in addition, their interplay can influence the development of these roles.

Further on the theoretical discussion about what is considered to be the roles of accountants for the purpose of this research project is presented.

¹³ These cases are not considered in this research study. However, the description and analysis of the roles of accountants in conflict cases can be considered in further research.

4.2. The roles of accountants

"Seeing thereby the roles which accounting serves as being intertwined in the contexts in which it operates [...]" (Burchell et al., 1980, p. 22).

Before taking further steps to study the roles of accountants, it is relevant to speculate about what is an accountant. Conceptually, for the purpose of this research project, accountants are considered to be those dealing with accounting. Accounting is explained by its' definition. The approach used in this research project stipulates that the definition of accounting extricates what the accountant is expected to do. Thus, the discussion about the definition of accounting casts light on what it means to be a "good" accountant.

Firstly, there is a formal definition of accounting. Indeed, since Luca Pacioli (1494) there have been quite a few definitions of accounting. In 1966 the American Accounting Association in "A statement of basic accounting theory" provided one very dated, but still useful, definition of accounting as:

"[...] the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by the users of the information" (Sterling, 1967, p. 97 citing "A statement of basic accounting theory").

Modern development of accounting research also provides some definitions. According to the Accounting Principles Board Statement¹⁴:

"Accounting is service activity. Its function is to provide quantitative information, primarily financial in nature, about economic entities that is intended to be useful in making economic decisions – in making reasoned choices among alternative courses of action."

¹⁴ AICPA, "Basic Concepts and Accounting Principles Underlying Financial Statements of Business Enterprises", *Accounting Principles Board Statement No. 4* (American Institute of Certified Public Accountants, October 1970).

However, in order to narrow the focus, the following definitions suggested by Lowe and Tinker (1989, pp. 50-51) seem consistent with the purpose of the current research project:

“Accounting as a business technology, emphasizing the importance of a double-entry book-keeping system as a mode of accounting for resources and as a description of fiduciary relationships between the principal participants within enterprise: stakeholders, managers, workers, lenders, suppliers, customers, government, etc;

Accounting as a regulator of business particularly as exemplified by the advocates of Postulates, Principles and Standard Setting. [...] They emphasise the need for a de facto agreement among accounting practitioners about the appropriate rules for accounting statements, sponsored by the professional bodies of accountants...;

Accounting as an integral part of a regulator of society and as a means of planning for and co-ordinating the allocation of resources within society as a whole [...] it can also be achieved through indicative or mandatory social planning, using accounting as one of its “tools”;

Accounting is the language of business;

Accounting is not a science, it is service activity (Lowe and Tinker, 1989, p. 51 citing Peasnell);

Accounting is a mere assembly of calculative routines (Lowe and Tinker, 1989, p. 51 citing Burchell et al.)”

So, as they further observe the roles of accounting profession can be described as

“[...] for assisting in allocation and management of both financial and productive capital as a useful professional service to a capitalist society” (p.51).

In addition, one can speculate about the role of the accountant as “curator” or “trustee”; “regulator” or “advocate”; “social worker”; “translator” or “interpreter”; “serviceman” or “calculator”.

This research project co-relates to research studying accounting as social and organization phenomena in the context in which it operates (Burchell *et al.*, 1980). However, it seems relevant also to consider a definition of accounting from the point of view of normative accounting research. Here one finds the following definition of accounting:

“[...] support control and decision making by providing a faithful representation of economic phenomena” (see e.g. AAA, 1977, Watts and Zimmerman, 1986).

Based on Morgan's work (1988) it is possible to assume that since normative accounting research is considered to be technique-oriented (Mellempvik, 1997), then accountants' roles do represent organizations and their activities in terms of numbers, in other words,

“the numerical view has been equated with an objective view” (Morgan, 1988, p. 480, original emphasis).

The approach of studying accounting in its social and organization contexts provides an understanding of accounting as Mellempvik (1997, p. 191) observes, amongst other things, by using in addition Morgan's (1988, p. 481) interpretations of accounting:

“as language (Belkaoui, 1978), as mythology (e.g. Boland, 1982), as magic (e.g. Gamling, 1977), as ideology (Tinker et al., 1982), as power (Tinker, 1985), as problem-generator (Olsen, 1991), as institution (Mouritsen, 1994), as constellation (Burchell et al., 1985), or as assemblage (Miller 1991)”.

Miller and O'Leary (1987) view accounting as changing or transforming in response to pressures imposed by converging social-political and institutional environments. So, following this line of research, when accounting is approached as an agent in reality construction (see e.g. Burchell et al., 1980, Mellempvik et al., 1988, Morgan, 1988, Bergevärn et al., 1995, Mellempvik, 1997), roles of accountants can be presented as follows:

“[...] accountants are always engaged in interpreting a complex reality, partially, and in a way that is heavily weighted in favour of what accountant is able to measure and chooses to measure through the particular schemes of accounting to be adopted” (Morgan, 1988, p. 480, original emphasis).

All these afore-mentioned definitions of accounting create the background for a discussion about accountants' roles and how the roles of Russian accountants have developed and transformed over time. Obviously, all of these definitions present significant elements of what accounting is all about, and can suggest useful aspects of accountants' roles (see e.g. Morgan, 1988). However, in order to proceed further, it is necessary to tackle the concept of roles.

Roles or characteristic behaviour patterns are concerned by role theory (Biddle, 1985). Franks (2007, p. 3945) explains, that social role is a critical analytical tool because it connected social structure and individual behaviour. He then goes on to say that social structures consist of roles or performance parts that provide vehicles for the organization of selves and social relations. People have many different sides, and different roles can produce very different forms of behaviour from the same person. As Hindin (2007, p. 3951) describes:

“Role theory is designed to explain how individuals who occupy particular social positions are expected to behave and how they expect others to behave.”

Biddle (1985, p. 67) states, that role theory explains roles by presuming that persons are members of social positions and hold expectations for their own behaviours and those of other persons. Turner (2002) discusses roles as expectations from the outside and he also states that interactive development of roles occur over time. Thus, in the study of social and economic transformation in Russia, this way of thinking can be used to examine the dynamics of roles of accountants over the time.

Role can be defined as a social position, behaviour associated with social position or a typical behaviour (Hindin, 2007). The role concept refers society's expectations of individuals occupying various social positions. For example, Collins (1982, p. 110, citing Katz and Kahn) states the following:

“[...] In their pure or organizational form roles are standardized patterns of behaviour required of all persons playing a part in a given functional relationship, regardless of all personal wishes or interpersonal obligations irrelevant to the functional relationship”.

As further discussed by Collins (1982), organizational norms specify what constitutes appropriate role behaviour, and, then these norms in themselves depend on organizational values. Some norms and values are applicable only to some types of actors or positions. This gives rise to roles: conceptions of appropriate goals and activities for particular individuals or specified social positions (Scott, 2008). These normative

expectations prescribe how specified actors are supposed to behave. For the purpose of this research project, it is considered that the senders of such role expectations to accountants are the societal institutions of state, profession and market. Or as Scott (2008, p. 55) states:

“Roles can be formally constructed. For example, in an organizational context, particular positions are defined to carry specified rights and responsibilities and to have varying access to material resources. Roles can also emerge informally as, over time through interaction, differentiated expectations develop to guide behaviour”.

In the discourse on accounting in its context, several accounting researchers have discussed the different roles or functions of accounting in various contexts (see e.g. Burchell *et al.*, 1980; Mellemvik *et al.*, 1988, Jönsson, 1991, etc.). According to this view, accounting is context-dependent. Evidently, accountants are also extremely embedded in the context concerned. The discussion of accountants’ roles in the context over the time provides a fruitful background for lifting the accountant in different times and for understanding his or her roles when the context is then changed dramatically. In addition, dynamics in roles can be influenced by the context, and thus enabling a better understanding of the context itself.

With regard to the different patterns of roles, the following type of role within role theory as conceived by Turner (2002) is considered relevant for the purpose of this research project:

“Position or status roles – are linked to positions in organizations and formally organized groups” (p. 234).

Role theory has previously been used in accounting research. Some studies have examined the role conflicts of auditors (see e.g. Koo and Sim, 1999); while others have investigated role concepts in management accounting research (see e.g. Hopper, 1980). Byrne (2010) carried out an extensive study about the antecedents, characteristics, and consequences associated with the roles of management accountants in medium and large manufacturing settings. Through the theoretical lenses of management control, contingency, and role

theory Byrne (2010) discussed the roles of management accountants. One of his findings is that

“the subject matter, the roles of management accountants, is one that is as important as ever in assisting managers in performance of their roles in difficult economic and competitive environments” (Byrne, 2010, p. 383).

Furthermore, Byrne (2010, p.55) drew up a classification of the following roles of management accountants in organizations paying attention to different dimensions of the accountants’ roles based upon the studies using such titles:

Role label or classification	Study
Business Partner	IMA (1996, 1999), Siegel (2000), Gibson (2002), Siegel <i>et al.</i> (2003a, 2003b), Pierce and O’Dea (2003), Byrne and Maher (2003), Gould and Fahy (2005, 2005/2006), Byrne and Pierce (2007), Järvenpää (2007), Sorensen (2009)
Business Unit Orientation vs. Functional Orientation	Emsley (2005)
Police Officer vs. Consultant vs. Spy/Watchdog	Gibson (2002)
Involved Controller vs. Independent Controller vs. Split Controller vs. Strong Controller	Sathe (1982, 1983)
Bean-counter vs. Controller	Granlund and Lukka (1998a)
Bean-counter	Friedman and Lyne (1997)
Business-oriented	Granlund and Lukka (1998a)
Service Aids vs. Bookkeepers	Hopper (1980)
Business Advocate vs. Corporate Policeman	Jablonsky <i>et al.</i> (1993), Jablonsky and Keating (1998)
Consulting, Bookkeeping, Banking, Controlling, and Administrator	Mouritsen (1996)
Hybrid Accountants	Burns <i>et al.</i> (1999), Burns and Scapens (2000), Kurunmäki (2004), Burns and Baldvinsdottir (2005, 2007)
Business Analysts	Burns <i>et al.</i> (1999)
Problem Solving, Scorekeeping, and Attention Directing	Simon <i>et al.</i> (1954)
Local Responsibility vs. Functional Responsibility	Maas and Matějka (2009)
Business Partner, Bean-counter, Uninvited Guest, and Salesperson	Byrne (2010)

Table 4.1. Summary of role titles for management accountants (Adopted from Byrne, 2010, p. 55).

Jönsson (1991, p. 544) also states, based upon a slightly revised version of Ijiri’s (1975) concepts, that the “accountant” performs a technical function in communication between the accountee and the accountant. However, when accounting is seen from a societal

perspective it is not always clear who assumes the role of accountee - most often it is the state that intervenes.

It should be acknowledged that in most of the existing literature and studies about the roles of accountants, the notion of "role" is perceived as an element of intra-organizational relations, mostly internal organizational norms and values, and individual expectations.

This study believes that the roles of accountants seen in terms of pattern consisting of rules, norms and expectations that are not individual and outside the organizations are important to gain an overview of in times of societal change.

Also some considerations are intended to take place concerning role changes. Whether role change takes place depends on several factors. Amongst these and mentioned by Turner (1990), are: the level of support for change, including in many cases legal and juridical action, the level of desire of the profession itself for role change and the level of demand for change from business for services this role provides.

It seems that accountants can have different roles under different regimes. They can be influenced in different ways by societal institutions, such as state, profession and market. This study assumes that transition does take place between different roles in different periods, further drawing attention to accountants' roles change in relation to the context in question.

Chapter 5. The state perspective

“[...] actors in the post-socialist context are rebuilding organizations and institutions not on the ruins but with the ruins of communism as they redeploy available resources in response to their immediate practical dilemmas” (Mennicken, 2004, p. 42, citing Stark, original emphasis).

This chapter seeks to use the theoretical framework presented earlier in order to understand what is an accountant in Russia. As suggested in Chapter 4 three institutions of the state, the profession and the market have been chosen to discuss the roles of accountants in Russia in different times over the last two decades. The following chapter firstly presents a brief overview of the system of legislation in Russia, and, in particular in accounting, because accounting regulation is based on law, and for this reason constitutional change must be considered. Secondly, the roles of accountants are characterized in relation to the mentioned guiding principle during the last two decades. Hence, the regulation mirrors expectations to being good accountants and interpretations of their roles from the state point of view. Finally, I point out the development occurring at the periods of time in question in the roles of the accountants.

5.1. An overview of the legal system in the Russian Federation

This chapter concerns the understanding of the roles of accountants from the state standpoint during different regimes in Russia. Starting off therefore, it is appropriate to provide a brief overview of the legal system in Russia during the Soviet legacy & *Perestroika* (restructuring) (1985 – 1991), the Yeltsin era (1991 – 1999) and in Putin’s & Medvedev’s periods (2000 – to the present day).

In 1985 the principles of organization of the Soviet state and its officially established legal framework concerned the role of soviets and the communist party, and not least the targets of Soviet development. Principles and goals were well reflected in the Constitution (the last version being adopted in October 1977). Here it was stated that at the apex of the state administration was the supreme soviet of people's deputies; that the state's leading power was the Communist Party; and that the final goal was Communism via a transitional socialist stage, under the worker's dictatorship (see e.g. the Constitution of the USSR, 1977). Here it was also claimed that the Soviet Union had become "a socialist state of the whole people", that its target was the building of a "classless communist society", that the political system of the socialist society further developed the state and social forms of the people's power", and that the people exercised this state power through the Soviet of People's Deputies while the Communist Party continued to act as "the guiding and directing force of Soviet society" (Spulber, 2003, p. 156). The essential organs of Soviet power were the Supreme Soviet (comprising the two chambers, the Council of the Union and the Council of Nationalities) and its presidium, the Council of Ministers of the USSR along with the steering bodies of the republics, as well as the regions. The legislative power was the Congress of People's Deputies, while its governing body was the Supreme Soviet with the executive powers being held by the ministries. In practice, the dominant institution was the Communist Party: the real cabinet of the Soviet state was the Communist Party's *politburo* (political bureau), the real parliament – the Party's Central Committee (see e.g. Lane, 1992; Spulber, 2003). However, state civil servants (bureaucrats) assumed the formal responsibility of determining laws and selecting the operational goals, allocating authority and resources deploying personnel, and coordinating the processes of implementation (see e.g. Sakharov *et al.*, 2010).

Until 1993 the Russian Federation continued to be run according to the Soviet Constitution of 1977. On Yeltsin's initiative, starting in the summer of 1990, a constitutional commission began work on a new constitution aimed at building-up a powerful country presidency (Spulber, 2003). The new constitution, adopted by national referendum on December 12th,

1993, divided state power between the presidency, a bicameral legislature, the executive branch of the government, and a constitutional court (Sakharov *et al.*, 2010).

Following Yeltsin's exit from politics, Putin (who became the president of the Russian Federation in 2000) proclaimed himself a continuer of Yeltsin's reforms and a proponent of a moderately liberal economic policy including a strong role for legal institutions (Stroev, 2002). Medvedev (elected as president in 2008) continues this modernization of the national economy and supports the process of strengthening the authoritative state of the Russian Federation (Sakharov *et al.*, 2010).

The current Constitution of the Russian Federation (1993) declares that Russia is a democratic federation with a republican form of government. Power is technically divided between the executive, the legislative and the judicial branches¹⁵.

The executive branch is further divided into a president, who works through the presidential administration, and a prime minister, who works through the government of the Russian Federation; but most power rests with the president. The president commands government ministries through the cabinet, and exercises power throughout the country through his appointed envoys to the federal districts.

The legislative branch consists of two chambers, the Federation Council and the State Duma. The State Duma is the lower branch of the parliament of the Russian Federation and is responsible for creating and passing the legislation necessary for governing the country.

The Ministry of Justice administers Russia's judicial system. The ministry's responsibilities include the establishment of courts and the appointment of judges at levels below the federal district courts.

¹⁵ This section is based on overviews provided by President of the Russian Federation (www.kremlin.ru), the Government of the Russian Federation (www.government.ru), and the Institute for the Economy in Transition (www.iet.ru), Russia profile (www.russiaprofile.org), The Moscow Times (www.moscowtimes.com), etc.

The president's fundamental positions on domestic policy issues are expressed in written memoranda pertaining to draft federal constitutional legislation and draft federal legislation, as well as memoranda explaining the reasons for rejections of draft federal legislation. The president has the power to veto legislation after it has been passed by the federal legislature. To override a presidential veto, both chambers of the Russian legislature must reconsider the legislation and approve it by a majority specified by law. The president is also responsible for shaping the basic guidelines of domestic policy by issuing legal regulations and through organizational and regulatory activity, such as the issuing of decrees and executive orders. A presidential administration also provides staff and policy support to the president, drafts presidential decrees, and coordinates policy amongst government agencies. A security council also reports directly to the president.

The number of government ministries amounts to 16 cabinet - level. Eleven of the ministries report to the prime minister (including the Ministry of Finance of the Russian Federation), whilst the remaining five report directly to the President of the Russian Federation. Each ministry carries the responsibility for a number of other organizations called "agencies" and "services," certain agencies and services also report directly to the president or the prime minister.

The Russian legal system is based on statutory law rather than on case law. In general, the Russian legislative system consists of the following documents (in decreasing order of legal force): the constitution of the Russian Federation; federal constitutional laws; federal laws (consisting of codes and current federal laws); laws of federal subjects; presidential decrees; government regulations; legal acts of ministries and departments; legal acts of federal subjects (orders, instructions, etc.); legal acts of local governments; legal acts of economic entities.

As a rule, the system establishing regulations for governing regulatory oversight in any area looks like this: the ratification of federal law leads to the issue of a governmental

decree directing the preparation and adoption of the statute or regulatory act of corresponding agency establishing this regulation.

5.2. An overview of the accounting legislative framework in the Russian Federation

Further illustration of the accounting legislative framework focuses upon the following time periods: the Soviet legacy and the *perestroika* period (restructuring), the Post-Soviet period during Yeltsin's presidency and Putin's and Medvedev's times. This division of the timeline is chosen to differentiate the legislative background of 25 years in order to describe state expectations of accountants' roles in each time period.

The basic principles of Soviet accounting were stated in the Statute "On Accounting Reports and Balances" (dated 29.06.1979). The *perestroika* period of the Soviet state initiated reorganization of the centrally-planned and command economy of the USSR. In 1985, the system of accounting and reporting started to transform gradually due to the introduction of cooperatives and joint ventures, which were supposed to be guided by market forces both within and outside the Soviet economy. The Soviet government in January 1987 approved regulations for joint venture operations (decrees N48 and N49 of January 13th, 1987) and in May 1988 adopted the Law "On Cooperatives". In 1990 the Law "On Enterprises in the USSR" came into effect. This law made the rights of state-owned and private enterprises equivalent. In addition to presenting issues concerning the establishing, organization and reorganization of state-owned and privatized companies, the law contained articles dealing with accounting issues: the necessity to conduct operational accounting and bookkeeping in enterprises, the responsibility to observe accounting and tax regulations, and to participate in legalized government inspections for tax purposes. In June 1990, the Soviet Union published its first tax law (N1560-1). It incorporated the emerging forms of joint ventures and private enterprises. This law also

established the institution of tax inspectors. Tax inspectors entitled to examine financial statements, records and tax documents. If these inspectors found violations of tax law, they had the right to penalize, issue a fine, or indeed shut down the organization. Evidently, transition from a centrally planned to a market-oriented economy caused rapid changes in both the political and the economic environments. From 1987 until 1991 the Ministry of Finance published hundreds of directives and regulations outlining modifications in the accounting system (see e.g. Djatej, 2006).

In Post-Soviet Russia, or in the so-called “wild nineties” (Rosefielde and Hedlund, 2009), on November 1st, 1991, the Ministry of Finance via order N56 approved the new national Chart of Accounts, in which items such as profit and equity accounts were introduced (then the standards were modified on December 28th, 1994, and on July 28th, 1995). However, the framework of the new chart of accounts remained unchanged from the old Soviet one. In 1996, the Russian Government issued the regulation “On Accounting”. The regulation was approved in the Russian State Duma on February 23rd, 1996, and on March 20th, 1996, Russia’s Federation Council ratified it. On November 21st, 1996, this regulation became law, taking effect under the official name of N129 – FZ “On Accounting” (Bychkova and Sokolov, 2003). This law establishes the common framework for accounting systems in the Russian Federation. It includes the requirement for all enterprises operating in Russia, except for credit institutions and entities financed by the state budget, to use the Russian Chart of Accounts. The subchapters include general provisions, basic requirements of accounting procedures, accounting documents and their registration, reporting and concluding remarks. On July 29th, 1998, the Ministry of Finance of Russia issued Order N34n (revised on December 30th, 1999), “Policy on Accounting and Reporting in the Russian Federation”. This order defined the procedures for accounting and reporting by legal entities in Russia (regardless of the form of ownership, except for credit institutions and entities financed by the state budget), as well as their relations with external users of accounting information.

In the contemporary history of the Russian Federation (from 2000) the expanding diversity of business transactions continually presented new problems needing solutions. Therefore, as from 2001, the revised Chart of Accounts (Order of Ministry of Finance N94n dated 31.10.2000) for private sector enterprises was introduced. The Tax Code distinguishing between tax and financial accounting was implemented in 2002. Also, new forms of financial statements were introduced to the private sector enterprises in August 2003. Evidently, the Federal law "On Accounting" (1996) was due for improvement. The first draft of the new law was first presented to the public in October 2005. From this point in time, the project of establishing a new accounting law was continually discussed during its preparatory period. At the beginning of 2007, the law was delivered to the Government of the Russian Federation in order to bring it further to the State Duma in order to be passed as federal law. However, this law was not approved. A new version of the project of the law "On Accounting" was put by the Ministry of Finance on their web-site in August 2009. Since then, three different versions have existed for the public to discuss and comment. The expected date of the new law coming into effect is January 1st, 2012.

In accordance with Article 71 of the Constitution of the Russian Federation the official statistical and financial accounting is administered by the Russian Federation. This means that regulation of accounting is the responsibility of the state authorities. The federal law "On Accounting" (dated 21.11.1996 N129-FZ) made the Government of the Russian Federation responsible for the methodological guidance of accounting (see Article 5). The Government has, in turn, delegated this function to the Ministry of Finance of the Russian Federation. Within the finance ministry the Department for Regulation of Public Financial Control, Auditing and Accounting is responsible for preparing legal documents in the accounting field.

The legislative framework of Russian accounting currently consists of three levels. At the first level the following state documents exist. First, there is the federal law "On Accounting" (1996) setting up the common legal and methodological framework of the accounting system in the Russian Federation. Then follow the other federal laws (such as

the Civil Code, the Tax Code, the Labour Code, the Criminal Code; the federal law “Joint-Stock Companies”, the federal law “Governmental support of small business development in the Russian Federation”, etc.), as well as presidential decrees.

The second level consists of governmental regulations, such as “The Program of Accounting System Reformation in Accordance with International Financial Reporting Standards” (1998). The Regulation “On Ministry of Finance of the Russian Federation” dated 2004 sets up the mandate of the Ministry of Finance to define the way for accounting organization and for the preparation of financial statements. Then come the legal acts of Ministry of Finance, such as “On Approval of the Accounting and Reporting Development Concept in the Russian Federation in the Medium Term” (2004), “Policy of Accounting and Reporting in the Russian Federation” (1998), Russian Accounting Standards (RAS, as updated in February 2011, there are 23 standards¹⁶); etc. The Ministry of Finance is responsible for setting standards for all companies (except banks and other credit institutions).

The third level is composed of the accounting policies and internal accounting documents of any given company, to be developed on the basis of the first two levels. Each company keeps its accounting books and prepares its financial statements in accordance with its approved accounting policies (PricewaterhouseCoopers, 2009). However, for the purpose of this study, in further description this level of regulative framework is not taken into consideration because of the individual characteristics of the enterprises.

The following sub-sections discuss in detail the roles of accountants from the state’s point of view over the two last decades. Firstly, the regulations in force during the period of planned economy during the Soviet legacy and at the start of *Perestroika* are described from the standpoint of how state interprets being a “good” accountant. Then, an explanation of the kind of expectations towards accountants in accordance with state

¹⁶ See official web-page of the Ministry of Finance of the Russian Federation about Russian Accounting Standards <http://www1.minfin.ru/ru/accounting/accounting/legislation/positions/>

accounting regulations during the *shock therapy* or the Yeltsin period is presented. Finally, the description of state requirements of being a “good” accountant based upon the legislation of the *modernization of economics* is provided.

5.3. Soviet times and Perestroika

The main accounting regulation (before 1985) using basic principles of Soviet accounting was the statute “On Accounting Reports and Balances” approved on June 29th, 1979. This regulation defined the procedure of presenting accounting reports by all organizations (excluding state budget organizations) to higher organs. The types of organizations required to present financial reports and the frequency with which they had to do this were also determined. In addition, accountants were required to prepare accounting reports based upon the principle of the completeness of making accounting entries. Accountants were obliged by this statute to use only formalized source documents. In addition to the above-mentioned ordinance, the regulation “On Chief Accountants”¹⁷ (dated 24.01.1980 N59) was issued to specify the duties (functions), rights and responsibilities of accountants. This regulation described in detail the expected roles of accountants from the state standpoint.

The requirements of the regulation set out the methods by which accountants in Soviet enterprises were bound to abide.

“[...] to ensure the organization of accounting at the enterprises, to control the rational and economical use of material, labour and financial resources, to protect

¹⁷ Chief accountants were senior professionals responsible for the financial planning, management and allocation of budgetary funds, responsible for the general supervision of the accounting department. Accountants and bookkeepers were directly subordinate to the enterprise director and the chief accountant (Regulation “On Chief Accountants” dated 24.01.1980 N59). Hereinafter, the discussion of the roles of accountants will focus on accountants as a group of individuals, without differentiating between the formal status of accountants (chief accountants, accountants, bookkeepers, etc.).

socialist property [...]” (Chapter 1, paragraph 2 of the regulation “On Chief Accountants” from 24.01.1980).

It was also stated that accountants were directly subordinated to the director of the enterprise. However, accountants were supposed to discuss procedural and methodological matters related to the recording of transactions and financial statements with appropriate administration, ministry, or other superior organ. The enterprise director with the consent of the chief accountant of the ministry of the industrial branch carried out the selection and firing of the enterprise’s chief accountant. In addition, the regional or central office of the branch ministry resolved disputes between enterprise directors and accountants. Also, under the conceptual framework of accounting provided by the federal organizations, chief accountants:

“[...] had to institute proper accounting procedures and practices, maintain accounting books, and submit accurate and complete reports” (Djatej, 2006, p. 319 citing Weitsman).

Obviously, the regulation “On Chief Accountants” described the duties (functions), responsibilities and rights of accountants. This ordinance consisted of state requirements with regard to what it meant to be a “good” accountant. The regulation mirrored expectations towards accountants and interpretations of accountants’ role from the state standpoint. Now we continue by describing the rules from the Soviet State’s point of view.

Amongst the duties (functions) of accountants were the following: the accountant was expected to use data processing automatization to a large degree. Also, he or she was supposed to ensure the total recording of transactions connected with monetary, inventory and fixed assets inflows and outflows. Moreover, the accountant was responsible for recording accurately all transactions dealing with the costs of production and distribution, as well as the financial results. In addition, accountants were required to calculate and transfer on time payments to the state budget funds, state social security funds, etc. Besides, they were expected to:

“[...] actively participate at the legal service activities dealing with recording the results of embezzlement and shortage of cash and inventories [...]”

as well as to take part in the analytical activities of the enterprise:

“[...] implementation (jointly with other services) of the economic analysis of enterprise activities and assistance to the line production meetings with identification of internal economic reserves (Chapter 2, paragraph 10 of the regulation “On Chief Accountants” dating from 24.01.1980).

Then, the accountant was supposed to prepare and compile accurately the financial statements based upon the source documents and accounting entries. And, also, he or she was to participate in all activities connected with state discipline compliance and the security of accounting books.

During this period of time the official daily newspaper of the Communist Party and the Soviet Government, “Pravda”, acted as mouthpiece for the Party. Therefore, publication in this newspaper was considered to be the main message coming from the Party. In 1977 a major article devoted to the role of the Soviet book-keeper was published in Pravda. It stated:

“[...] The book-keeper is required to be unrelenting and steadfast in the struggle against waste and mismanagement. He is empowered to refuse to act upon and record documents contravening current legislation. The book-keeper is not a passive official recorder of figures. He is required to appraise correctly the essence of economic processes. The prime responsibility of the book-keeper is ensuring that stock and financial discipline is observed strictly in all sections of production. [...]” (Pravda, 20 April 1977, transcribed in Alexander et al., 2006).

Thus, the duties of accountants in the regulation “On Chief Accountants” accorded with the aforementioned authoritative statement.

In addition, the accountant was required to monitor thoroughly the acceptance and distribution of inventories. He or she was supposed to ensure the accuracy of salary payments and the setting of official salary rates. The accountant was further responsible for strict adherence to personnel, financial and cash discipline. Accountants were expected

to keep the schedules and procedures for stocktaking of the monetary assets, inventories, fixed assets, payments and liabilities. Moreover, they were required to collect receivables and repay payables in due time. He or she was supposed to control the legality of write-offs of shortages, receivables and other losses. Also, in cases when enterprises had financial services, the accountants were responsible for the financial, payment and credit transactions, their legality, timeliness and accuracy.

According to this ordinance the accountant was required to notify management about illegal actions (such as inflating data or “window-dressing”, etc.) in writing that such actions would constitute a violation of law. Moreover, they were required to refuse to carry out any criminal act. If he or she received orders requiring actions violating regulations, or accounting and reporting practices in writing from management, then accountants were obliged to do this, but then to inform their superior organization and Communist Party organs (see e.g. Weitsman, 1978, Djatej, 2006).

Further on, in the regulation, the rights of the accountants were also discussed. As a leader the accountant was responsible for defining the duties of all members of the accounting department and of assuring that all members knew the range of their duties. All services and departments of the enterprise were obliged to follow requirements given by accountants concerning the recording of transactions and reporting practices. Moreover,

“[...] selection, release and transfer of persons responsible for inventories, goods and other valuables (cash officers, stock keepers, etc.) is approved by the chief accountant (Chapter 3, paragraph 18 of the regulation “On Chief Accountants” from 24.01.1980).

In addition, all contracts and agreements dealing with the release of goods or other valuables from the enterprise and with the setting of the official rates of salaries and paying of bonuses were demanded signed by the accountant (Sokolov, 1991).

As the national newspaper of the Communist Party maintained in an article:

“Book-keepers can truly be called state controllers. Upon them have been bestowed wide powers in the field of accounting and control for the proper expenditure of monetary and material resources” (Pravda, 20 April 1977, transcribed in Alexander et al., 2006).

Thus, accountants had the right to require from the enterprise director, all heads of departments, line managers, etc. to ensure the safety of socialist property. They had the authority to revise overstated rates of use of valuables and to change, if necessary, the stock measurement devices. In addition, he or she had the right to inspect all departments with the purpose of checking how monetary, inventory and other valuables were recorded, stored and consumed. Moreover, the accountant also had the authority to propose the reduction of bonuses for those heads of departments, line managers, etc. unable to provide accurate source documents, primary recordkeeping and other requirements needed for the organization of accounting and control (see e.g. Kozlova et al., 1995).

In addition, accountants' responsibilities were described in this ordinance. Accountants were supposed to have control over an adequate accounting system, and if he or she did not fulfil this condition, then the charge of carelessness of maintaining the accounting system and misrepresentation of financial reporting could be brought against him or her. Accountants were responsible for recording transactions concerning accepted, stored and consumed monetary, inventory and other valuables, in compliance with the rules applying. They were also answerable for the timely and correct adjustment of bank account transactions and payments of debtors and creditors. The accountant was intended to be in control of write-offs shortages, receivables and other losses. He or she was responsible for conducting timely inspections and revisions at the departments. It is quite clear that accountants were answerable for the accurate preparation of the financial statements and accounting reports. In addition,

“[...] the accountant along with the enterprise director is responsible for keeping the accounting system in accordance with economic and financial rules, for the timely collection of penalties from the heads of departments and line managers, and for the timely presentation of monthly, quarterly and annual accounting reports”

(Chapter 4, paragraph 23 of the regulation "On Chief Accountants" from 24.01.1980).

According to this regulation, on receiving from officials of the enterprise instructions infringing current legislation or violating the authorized methods of performing accounting and reporting work, the accountant was obliged to notify the enterprise director in writing. Should the accountant then receive a written directive confirming the original irregular instruction, he/she was required to advise higher organizations and organs of national control. Upon receipt of an instruction to perform criminal action the accountant was required to notify immediately the higher organization and, in appropriate cases, the investigatory organs. In performing the role of state controller the accountant was expected to behave like a mastiff dog (sniffing out inefficiencies) and a watchdog (drawing attention to irregular goings-on) (Alexander et al., 2006).

The aforementioned ordinance presented an authoritative statement from the state perspective concerning the role of the Soviet accountant. Most of all, accountants were required to maintain state and financial discipline. As, the official daily newspaper of Soviet government "Pravda" described:

"The Soviet book-keeper is a protagonist for the economic policy of the Communist Party and the Soviet Government. It is the sacred duty of this great contingent of specialists to direct its efforts to the successful realization of the tasks adopted at the XXIV Party Congress, to struggle to implement the state plans with the least amount of labour and material expenditures, strict observance of the regime of economy and to cherish and augment their social responsibility" (Pravda, 20 April 1977, transcribed in Alexander et al., 2006).

Still, Enthoven et al. (1994, p. 8) states that

"The financial results of business activities were calculated carefully although the management and employees of an enterprise were not particularly interested in the results".

Furthermore, the results had no practical effect on the economic and financial position of the enterprise and its employees. Incidents of falsification of profit calculation were quite

rare in the centrally planned economy because the amount of profit did not influence staff incomes.

Accountants were also required to work as agents for the superior organization and control agencies. These authorities closely monitored and controlled the activities of the accountants, in particular the chief ones. To maintain efficient control and exercise administrative control, party officials and superior organs monitored the process of appointment of chief accountants and the size of their compensation. Thus, the chief accountant ended up in a position where his loyalties and responsibilities were divided between the enterprise and superior organizations (see e.g. Weitsman, 1978, Djatej, 2006).

During the Soviet legacy accounting had been described as

“the establishment of the presence of the thing, the measurement and registration of its quantitative and qualitative aspects” and “provides continuous information about all spheres of economic activities and social life” (Alexander et al., 2006 citing Bailey).

The accountant at that time was fulfilling the aims of national economic accounting which

“presents a qualitative reflection, and the particular features of economic activity for the purposes of control and guidance, [...] to take into consideration and to control the fulfilment of the plan¹⁸, to disclose and analyze the reasons for hindering or promoting its fulfilment, to uncover untapped reserves in respect of an under-fulfilled plan and to promote in every possible way an increase in efficiency of social production” (Mazdorov, 1972, p.122).

So, from the state standpoint, the “good” accountant fulfilled the plan with the least consumption of allotted resources, thereby yielding a “profit” on the realized output (see e.g. Alexander et al., 2006). From the point of view of planned economy, the accountant’ role was not just an official recorder of figures. He or she was expected to appraise the essence of the economic processes, in other words, represent the economy in numerical terms.

¹⁸ Five-year plan, i.e. the National Technical and Economic Plan.

The accountant's role in Soviet times provides evidence that this role was not only useful in making reasoned choices and interpreting plan fulfillment, but also, as the state regulation emphasized, in order to behave like a mastiff sniffing out inefficiencies and as a watchdog when drawing attention to irregular goings-on. However, as one interviewee states:

"During Soviet times we all knew what to do and how to do it, everywhere there was an order. Being a good accountant meant to do your part of work in accordance with the rules and in due time. We did not participate in making decisions or discussing how to represent the accounting information. We had the plan and we knew what we should do".

This picture portrays that the role of the accountant from a state perspective during Soviet times was nothing else than book-keeper with some privileges and without many possibilities to be of use in providing a professional service.

However, at the beginning of 1985, when *Perestroika* arrived, and the transition from planned economy to a market-oriented one was announced, accounting also became subject to restructure. The adoption of legislation regulating the activities of joint ventures opened up the Russian market for the foreign direct investments. At this time the term "auditing" was first mentioned in governmental decrees issued on January 13th, 1987¹⁹ regulating the activities of joint ventures (Samsonova, 2006). These documents in addition contained articles stating that reporting data about the company's activities, its assets, as well as information on profits and losses, was required presented to the participants of the joint ventures in accordance with its constituent documents. Then, joint ventures were supposed to have operational, financial and statistical accounting in compliance with the accounting regulation for Soviet state enterprises. In addition, based upon Soviet

¹⁹ The following decrees were: Decree of the USSR Supreme Soviet No.6362-XI "On formation and activities of joint ventures, international organizations and associations with participation of Soviet and foreign companies, organizations and institutions"; Decree of the Council of Ministers of the USSR No. 48 "On the formation and activities of joint ventures, international associations and organizations of the USSR and other countries which are members of the Council for Mutual Economic Aid"; Decree of the Council of Ministers of the USSR No. 49 "On the formation and activities of joint ventures with the participation of Soviet organizations and companies from the capitalist and developing countries".

legislation, joint ventures, with the help of accountants, were required to keep records and to ensure the reliability of accounting data and reports. Finally,

“Checks of financial, economic and commercial activities of joint ventures on the correctness of tax calculations are to be carried out by a Soviet self-financing audit organization for fee” (Chapter 5, paragraph 46 of Decree of the Council of Ministers of the USSR No. 49 from 13.01.1987).

In the late 1980s and early 1990s, the Soviet government led by Gorbachev lowered the trade barriers between Soviet Union and western countries and ratified regulations on joint ventures and cooperatives to also support the formation of new – private – forms of businesses (Mennicken, 2004). The appearance of new types of business, such as cooperatives, corporations, unions, commercial banks, and public organizations as well as the privatization of state-owned enterprises resulted in the need to present to enterprise management with the financial reports for decision-making processes instead of supplying the higher organs with information about costs and production. Through the ratification of these regulations in response to new economic conditions, the role of accountants from state controllers to preparers of financial reports for decision - makers gradually shifted. However, further on, the new state of the Russian Federation inherited the Soviet legacy, dramatically changed the economic system.

5.4. The Yeltsin period

After the putsch of August 1991, Yeltsin came into office and the new state of the Russian Federation emerged. Yeltsin attempted to promote a complex, and often contradictory, process of political reforms. In addition to political reforms, Yeltsin presided over a period in which his government tried to transform Russia into a market economy (Djatej, 2006). However, the winds of change were blowing not only through the Post-Soviet economic system itself, but also through the system of accounting (Liberman and Eidinov, 1995).

During this period, national economic plans were abandoned, price mechanisms reactivated, and spontaneous business activity throughout the market was permitted. The state economy was in a process of dissolution (Bailey, 1995). And, in response, accounting reform was initiated by state authorities. A great number of government acts for improving accounting were adopted, increasingly influenced by new laws on business activity and international practices. Moreover, since the commercial banks, financial institutions, stock exchanges, trading and communication networks were either absent or, if in the course of creation, functioning inefficiently, changes in regulations, additions or comments to the legal acts were introduced almost on from day to day. Thereby, accounting regulations continued to be state determined.

1991 was also a crucial in accounting development in Russia due to publication of the new chart of accounts, a new set of financial statements (closely resembling Western accounting) and *"the beginning of preparations for the radical change in accounting and auditing regulation"* (Enthoven *et al.*, 1994, p. 9).

The principal ordinance for this period of time was the Regulation "On Accounting and Reporting in the Russian Federation" (dated 20.03.1992 N10). Enthoven *et al.* (1994) provide a detailed description of all four chapters of this regulation²⁰. This document presented the state point of view concerning the methodological and organizational aspects of accounting in Russia. State expectations towards the role of accountants were also explained. According to this regulation, three main roles were assumed for accountants. Firstly, he or she was required to maintain control over the availability, movement, and use of material, manpower, and monetary resources according to the approved norms and estimates. Secondly, the accountant was expected to prevent in a sufficient manner negative events in business activity, as well as mobilization of interim reserves. And, finally, he or she was supposed to provide full and reliable information about the performance and financial results of an enterprise, which is indispensable for

²⁰ Translation of chapters of the regulation as presented in Enthoven *et al.* (1994) is used in this subsection.

operational management as well as for investors, suppliers, customers, creditors, tax, financial and bank authorities, and others interested in the financial and business activity of the enterprise (Enthoven *et al.*, 1994).

The main difference between Gorbachev's and Yeltsin's periods with regard to accounting regulations²¹ is that each enterprise obtained the right to establish independently its own organizational chart and accounting procedures, as well as the technology of data processing, though within limits fixed in the regulation. Also based upon the Law "On Enterprises and Entrepreneurial Activities" (dated 25.12.1990 N445-1) it was stipulated that the enterprise director carried out independently the selection and dismissal of the accountant. Moreover, for the first time in Russian accounting regulation, it was also stated, that enterprise directors were responsible for the correct organization of accounting of enterprises and that they were allowed to make decisions about their own accounting department. Alternatively, this could be done by either an individual or a company specializing in such services. In addition, these regulations contained paragraphs devoted to the revised roles of accountants. In comparison with Soviet times, the current role of the accountant was *controller* of enterprise property, not *state controller* of socialist property.

According to this ordinance, the accountant was required to ensure a proper organization of accounting at enterprises. He or she was supposed to make timely entries in accounting books. Accountants were responsible for reliable and timely accounting of production and operation expenses. Furthermore, they were required:

"[...] to ensure transmission of operational accounting data to the persons concerned (such as enterprise management, investors, suppliers, customers, creditors, taxation, financial and banking bodies, etc.), preparation and timely submission of financial statements and organization of performance analyses" (Chapter 3, paragraph 22 of

²¹ Here the documents referred from the Gorbachev period are the Statute "On Accounting Reports and Balances" (dated 29.06.1979), the Regulation "On Chief Accountants" (dated 24.01.1980 N59) and for Yeltsin's period are the Regulation "On Accounting and Reporting in the Russian Federation" (dated 20.03.1992 N10) and "On Accounting and Reporting in the Russian Federation" dated 26.12.1994 N170.

the regulation "On Accounting and Reporting in the Russian Federation" dated 20.03.1992 N10).

In general, this regulation²² and the subsequent one²³ were intended to provide reliable and timely information in order to increase confidence amongst decision - makers within the enterprise and enable them to make good decisions directly affecting growth and profitability (see e.g. Hahonova, 2003, Djatej, 2006). Russian officials hoped that such accounting information prepared by accountants for *persons concerned* would help the public to understand company activities (Bychkova and Sokolov, 2003).

Moreover, accountants were supposed to approve all transactions dealing with valuables:

"All the documents serving as justification for acceptance and delivery of pecuniary assets, goods, and material valuables, as well as credit and account obligations are signed by the enterprise director and the chief accountant [...]. These documents, unless signed by the chief accountant, [...], are invalid and should not be accepted for execution by responsible persons or employees of the accounting department of the enterprise" (Chapter 3, paragraph 23 of the regulation "On Accounting and Reporting in the Russian Federation" dated 20.03.1992 N10).

Also, accountants were forbidden to accept for execution and registration documents concerning operations contrary to law and to the established order of accepting, maintaining, and spending pecuniary assets, goods, materials and other valuables (Enthoven *et al.*, 1994). They were supposed to inform in writing the enterprise director about the facts or documents that were not valid. And upon receipt of the director's order to accept such kind of facts or documents for registration, the accountant was obliged to follow the order. In such case, the enterprise director bore the entire responsibility.

In addition, according to the ordinance, the accountant was supposed to control and approve the appointment, dismissal and transfer of the materially responsible persons (such as cashiers, managers of warehouses, etc.).

²² The Regulation «On Accounting and Reporting in the Russian Federation» dated 20.03.1992 N10 was in force with three revisions: 04.06.1993, 13.12.1993 and 28.07.1994.

²³ The subsequent regulation «On Accounting and Reporting in the Russian Federation» dated 26.12.1994 N170 was also in force with three revisions: 19.12.1995, 28.11.1996 and 03.02.1997).

During the years of Yeltsin's leadership, the passage of accounting rules and regulations was done, as mentioned earlier, almost on an everyday basis. The interviews and results of questionnaire show that at this period of time the role of the accountant as legal advisor able to follow - up constantly the changing accounting legislation had appeared. This meant the accountant shifting roles from the person who knows and follows the legislation unchanged for years, to the accountant with the ability to follow the 10000 daily updates²⁴ and to choose which ones were appropriate for the business. Thus, the state introduced this role based upon the transformational character of the economic relations, although it was absorbed by accountants themselves from the changing legal environment of profit-oriented business.

Nevertheless, in 1996, the federal law "On Accounting" (dated 21.11.1996 N129-FZ) was ratified. The law consists of several subchapters. They include general provisions, basic requirements of accounting procedures, accounting documents and their registration, reporting and concluding remarks. The separate article 7 of this law "Chief accountant" defines the state standpoint concerning the roles of accountants.

Firstly, it is formally confirmed that the (chief) accountant reports directly to the enterprise director, and is assigned or dismissed by the enterprise director. Thus, the accountant is recognized as the employee of the enterprise and is supposed to follow the requirements of the employment contract as stated by the regulations of the Labour Code.

Further, the law states:

"The chief accountant is responsible for [...] formulation of the accounting policies, organization of accounting system, timely presentation of complete and reliable financial statements" (Chapter I, article 7, paragraph 2 of the Federal law "On Accounting" N129-FZ dated 21.11.1996).

²⁴ See e.g. the web-site of company "GARANT – Legislation with comments", it includes specialized databases on all branches of the federal legislation and 145 sections on the regional legislation <http://english.garant.ru/>

This paragraph contains descriptions of the accounting work decided on by the enterprise, or in other words, what the accountant is expected to do. He or she is supposed to work out accounting policies based upon the up-dated financial, tax and commercial directives and instructions of federal, regional and local authorities. Here, the role of the accountant as legal advisor is presented by state. Then, the law states, that the accountant is responsible for organization of the accounting system. By doing this, he or she is perceived by the state as the departmental manager responsible for the internal organization of the accounting system as a department within the structure of the enterprise and the flow of information to external and internal users. The preparation and presentation of complete and reliable financial statements requires the accountant to have the simultaneous role of financial analyst, economic advisor and auditor.

The next paragraph of the article 7 deals with the statement that the accountant ensures compliance of all business transactions related to the legislation of the Russian Federation and control over the flow of assets and liabilities. Here, it is expected that the accountant fills the role of public controller, keeping an eye on the compliance of enterprise business in relation to legal acts. Thus, the accountant becomes responsible for each violation of the legislation done by other employees at the enterprise. Therefore, the accountant is supposed to refuse to register source documents connected with business transactions not in compliance with legal acts. Then, it is stated that all employees are obliged to follow the requirements of the accountant concerning the registration of source documents for business transactions and presentation of all necessary documents and data to the accounting department. So, the accountant from the state perspective is supposed to provide a description for all departments and then to control the transactions' document circulation and its registration in the accounting system. The next issue concerns signing authorization by accountant of all pecuniary documents:

"[...] All pecuniary documents without the signature of chief accountant are invalid and should not be accepted for execution" (Chapter I, article 7, paragraph 3 of the Federal law "On Accounting" N129-FZ dated 21.11.1996).

Thus, the accountant is expected to have the role of manager of enterprise property, at least when related to pecuniary transactions. The obligatory signature of the chief accountant of the financial and accounting documents can be considered to be as sediment remaining of the Soviet accounting system, when all documents dealing with the flow of valuable goods had to be signed by the chief accountant, and when the accountant had the role of state controller over the use of socialist property.

The last paragraph of article 7 concerns the role of the accountant in resolving disputes with the enterprise director. It states:

“If there is a dispute between the enterprise director and the chief accountant about the execution of some business transactions, the source documents can be accepted for accounting registration only with the written permission of the enterprise director, who has full responsibility for the consequences of such transactions” (Chapter I, article 7, paragraph 4 of the Federal law “On Accounting” N129-FZ dated 21.11.1996).

Thus, the accountant as enterprise employee is supposed to follow the orders of the director and to register the illegal transactions if there is written authorization. When one compares this paragraph with the previous regulations of Soviet times, the role of accountant in resolving disputes was always as the *informant* and “*silent witness*”, since he or she was required to inform the heads of the superior organizations in order for them to make the decision when taking place in Soviet and *Perestroika* times or in the Yeltsin period to inform the enterprise director, and then to register *silently* the transaction if there was written permission.

Also, the role of tax defendant had been included in the roles of accountants by this Federal law, because it distinguished between financial accounting and tax accounting. State regulations on tax accounting during the *wild 90's* made most businesses vulnerable for numerous tax inspections or tax police interrogations. One interviewee says:

“The tax inspections were done on a regular basis. However, the results of the previous inspection could not be considered that everything has been done in accordance with the tax rules, since the rules changed on a daily basis, and it was

required to be done according to the newly ratified regulations. The challenge lay in the fact that many of the tax inspectors had been mainly retrained on the short-term courses, and sometimes they didn't know themselves what was in accordance with the rules and what was not. Therefore, every report after the tax inspections had to be checked again by me [as chief accountant] and in most cases a statement of disagreement had to be prepared and defended in the tax inspection".

In some cases, up-to-date knowledge of tax legislation was not the issue when the misuse of power and corruption by tax police took place. One interviewee says:

"After the results of the tax inspection, I [as chief accountant] had prepared and written a statement of disagreement based upon the current status of the legislation. This was the time when we had just installed the legal software providing us with daily updates. The statement had been sent to the office of tax inspection. After some time, our statement had not been approved by the tax authority and since we didn't agree with their decision, the case was sent to the office of the tax police. Firstly, the managing director and I had been interrogated by officers together, and then we had been separated and questioned in different rooms. When the interrogation was over, we discovered that the reason for not approving our statement of disagreement was the fact that we, as a building construction company, were forced to provide an apartment for one of the tax police officers".

The afore-mentioned Federal Law "On Accounting", then "The Program of Accounting System Reformation in Accordance with International Financial Reporting Standards" (N283 dated 06.03.1998) with ratified Russian Accounting Standards and "The Policy on Accounting and Reporting in the Russian Federation" (N34n dated 29.07.1998) form essential parts of the state accounting legislative framework of the Russian Federation.

5.5. Putin's and Medvedev's times

With Yeltsin's presidency over, Putin's administration started the process of rebuilding the authoritarian state and "promoted a model of regulated democracy" (Djatej, 2006, p. 358 citing Brown and Shevtsova). Shortly, after Putin's election as president, the government of the Russian Federation presented a modernized reform program developed by the

Ministry of Economic Development and Trade headed at that time by German Gref. This document set out a strategic program of social and economic development for the Russian Federation for the period 2001 – 2010. It declared new economic priorities such as reforming the tax and credit systems, stimulating compliance using the principles of corporate governance, making the national economy more transparent and improving the investment climate. In conjunction with these financial and macroeconomic mechanisms this program introduced measures that could be employed to “improve competitiveness, transparency and accountability”, “enhance the development of the private sector”, “encourage foreign investment” and “achieve the efficient protection of ownership rights”²⁵. It was also stated in that program:

“[...] The state should find an optimal balance with regard to its relations with private entrepreneurship – gradually withdraw its unnecessary interventions into business affairs, and thus, it will clearly define the scope of state regulation and increase its effectiveness” (“Basic directions for the social and economic development of the Government of the Russian Federation for long-term perspective”, 2000, p. 73-74).

In accordance with the afore-mentioned priorities, reform of the accounting system was also required. Thus, this program expressed state expectations towards accountants and their roles in the period when

“[...] deregulation of the economy, the guarantee of property rights and equal conditions of competition should constitute the basic objectives of economic policy” (“Basic directions for the social and economic development of the Government of the Russian Federation for long-term perspective”, 2000, p. 74).

In this program it was stated that the accountant is expected to ensure the increase of financial and organizational transparency of enterprises. He or she is supposed to support the implementation of new national accounting standards that meet the requirements of the market economy and are compatible with international standards. Accountants are required to prepare financial statements in accordance with the economic content of

²⁵ “Basic directions for the social and economic development of the Government of the Russian Federation for long-term perspective”, 2000.

business activities' data. The accountant should be aware of the civil, tax and other kinds of legislation in order to prepare such accounting reports. In addition, he or she is expected to be able to provide separate data on tax accounting based upon financial accounting information by making the necessary adjustments. Also, in this document it is required that accountants are supposed to disclose information in accordance with current legislation under strict state control.

This program forced the Ministry of Finance to ratify the necessary accounting regulations in accordance with the afore-mentioned "Basic directions for the social and economic development of the Government of the Russian Federation for long-term perspective". During the following years the fundamental regulations were put into force, such as a revised chart of accounts for private sector enterprises, the Tax Code, which distinguishes tax and financial accounting, and also, new forms of financial statements to be used for private sector enterprises. The regulation "On the Ministry of Finance of the Russian Federation" (N329 dated 30.06.2004) establishes the mandate of the Ministry of Finance to define the ways to organize accounting and prepare financial statements. The regulation "On Approval of the Accounting and Reporting Development Concept in the Russian Federation in the Medium Term" (N180 dated 01.07.2004) called for improvements in the existing law "On Accounting" (1996). Basic requirements for accounting procedures, documents, reporting and state requirements towards accountants' roles are presented. These were discussed in the previous sub - section.

However, in addition to the regulations devoted to the organization of accounting, the duties of accountants, etc., the state expects accountants to obey the rules. In this context it means that the description of being a "good" accountant from the state point of view also includes the legal responsibilities of accountants, or in other words, for what is a "good" accountant legally liable?

There are several types of liabilities that accountants can be legally liable for. To begin with, the accountant has disciplinary liability. This means that the "good" accountant is

liable for the non-performance of his or her duties. If this happens, the accountant can be administered a rebuke, a reprimand and even termination of the employment contract. Also, the contract with an accountant can be terminated when he or she has made an *unreasonable* professional decision causing damage or loss of company property. However, as court practice and precedence has shown (Bashkatov, 2010), it is necessary to prove the cause – and – effect relationship between the decision taken and unfavourable consequences for the business or that another kind of decision would have helped avoid such consequences.

The next type of liability is the material one, or putting it differently, paying fines. This can take the form of restricted or full liability. The restricted type of liability makes the “good” accountant materially responsible in terms of his or her average monthly salary for incorrect decisions or actions causing the payment of fines for tax violations or penalties for untimely and erroneous tax payments. The full type of material liability only applies when there is a signed agreement between the employee, namely the chief accountant, and the employer (Bashkatov, 2010). If such agreement exists, then cases of this type of liability when the accountant becomes materially responsible (full amount of loss in money terms) are for example cash or resources shortage, causing malicious damage to company property, disclosure of classified (state, confidential or commercial) information, etc. Since 1980²⁶ the accountant with the right to sign cash documents does not have full material liability.

The third type of liability, which the “good” accountant must be able to handle, is administrative liability. This means that the accountant is legally responsible for administrative infractions. For example, the accountant is liable for violation of cash regulation and procedures relating to cash transactions. Then, the “good” accountant is expected to follow the deadlines of registration for tax inspections and for presentation of tax declarations, and to provide the necessary data for fiscal control purposes. Also, gross

²⁶ Regulation “On Chief Accountants” dated 24.01.1980 N59 (amended in 04.06.1988 and 17.04.2002) is still effective regulation.

violation²⁷ of the rules of accounting and financial reporting makes the accountant administratively liable²⁸.

The fourth type of accountant liability relates directly to tax. Here, being the “good” accountant means following up tax legislation regulations. He or she is supposed to *register in the proper way* expenses and revenues, to calculate the correct tax base in order *to avoid* tax evasion, and to pay taxes in due time to the budgetary authorities. If tax violations are detected, then the company is required to pay the amount of evaded tax as well as penalty (Bashkatov, 2010). If these violations have been approved by the accountant, then he or she in addition becomes administratively or materially liable. Also, tax authorities can call on the accountant to testify as a *witness* about transactions that can have importance for implementation of fiscal control.

The fifth and the last type of liability is criminal liability. In Chapter 7 of this research project the articles of the Criminal Code that can be applied to the accountant and also some examples of criminal acts that the accountant can be convicted for are discussed from the employer’ standpoint or, in other words, what the market requires from an accountant. Obviously, the “good” accountant also has to bear criminal liability. This means that he or she can be convicted guilty in cases of economic criminality. However, accountants may violate the law both involuntarily or intentionally. If involuntary violation of the law occurs, then it is supposed that the accountant may not be aware of incorrect or invalid information when he or she signs the accounting documents. In accordance with court practice (see e.g. Bashkatov, 2010) the signature does not make the accountant guilty. An intentionally committed act is when the accountant is aware of the fact that he or she is dealing with false information. Most articles in the Criminal Code of the Russian

²⁷ Gross violation means when there is more than 10% distortion of the amount of taxes.

²⁸ According to Article 15 of the Code of Administrative Offences of the Russian Federation (N195-FZ dated 30.12.2001) the size of the penalty for cash violation is between 4000RUB and 5000RUB; for missing deadline of registration in the tax inspection is between 500RUB and 3000RUB; for not presenting tax declarations and necessary data for fiscal control is between 300RUB and 500RUB; gross violation of accounting rules and financial reporting is between 2000RUB and 3000RUB.

Federation are devoted to tax crimes. However, it is a matter of fact that not all tax crimes are criminal crimes (Bashkatov, 2010, p. 110). There are differences between the tax authorities and the law-enforcement authorities in how they deal with violation of tax legislation on detection of tax crimes. If it is confirmed that the tax crime was done intentionally, then the accountant will be prosecuted. If the tax arrears did not come about intentionally, but due to, for instance, unawareness or gaps in current tax legislation, then the accountant will not be prosecuted. So, if the accountant followed to written explanations given by the financial or tax authorities and as a result tax arrears have arisen, then he or she will not be convicted and he or she will still be considered a "good" accountant.

The draft of the federal law "On Accounting" was presented for discussion by the Government of the Russian Federation at the May 20th, 2010 meeting. This draft law accords with all activities of federal programs implemented in 2009²⁹ and as defined by the "Concept of long-term socio-economic development of the Russian Federation until 2020" (N1662-r dated 17.11.2008), as well as the "Main activities of the Government of the Russian Federation for the period until 2012" (N1663-r dated 17.11.2008).

In the name of dynamic innovation economics, creating a favourable environment for business, in particular an accounting and auditing system is recommended. Here again, the state has expressed its point of view also concerning the expected roles of accountants.

In the "Main activities of the Government of the Russian Federation for the period until 2012" it is stated:

"[...] to improve further the transparency of the enterprise business activities"
(Extract from Chapter 2, Article 2, decree of the Russian Federation Government
N1663-r dated 17.11.2008).

²⁹ The Federal Programs of the Government of the Russian Federation are aimed at addressing the priorities of state policy in the following directions: "For strengthening and expanding the competitive advantages in traditional sectors (energy, transport, agriculture, processing of natural resources)"; "Structural diversification of the economy based on innovation technological development "; "Human development "; "Transition to a new model of spatial economic development".

For the purpose of improving transparency, as this document puts forwards, the accountant will become more responsible for the timeliness and content of disclosed information. Also, he or she is supposed to know the improved rules and procedures of accounting, reporting and auditing based on internationally recognized standards³⁰.

The new edition of the law “On Accounting” seeks to regulate the accounting system in accordance with the changed economic environment. As stated here accountants are supposed to ensure the creating and disclosing of reliable and useful information regarding the enterprise’s financial status and financial performance.

This draft law for the first time sets out the state expectations about accountants being responsible for the accounting systems in listed companies, insurance companies and non-state pension funds. They are supposed to have:

“[...] higher professional education; work experience in accounting, financial reporting or auditing for at least three years in the last five years, and higher professional education not in the field of accounting and auditing for at least five years in last seven years; and no convictions of economic criminality” (Chapter 7, paragraph 3 of the draft federal law “On Accounting”).

The new edition of the law presents a corrected version of the federal law “On Accounting” (1996) and in a way provides the legal basis for the state approach to the accounting regulation (Visslogouzov, 2010). Thus, the state also specifies its standpoint that accountants should be professionals.

Accountants are supposed, independently, to formulate and prepare the accounting policy of the enterprise based upon the Russian Federation legislation, national and sectoral standards of accounting. They are expected to specify the method of accounting with regard to accounting objects in accordance with national standards. Here the state

³⁰ For the purpose of this research project, the discussion about the development, the driving forces and process of implementation of Russian accounting and auditing standards (principles) in accordance with international standards is not tackled here. A large number of publications, both applied research and practical implementation, with respect to this topic are currently available (see e.g. Mennicken, 2004, Samsonova, 2006, OECD Economic Surveys: the Russian Federation, 2004, Djatej, 2006, PricewaterhouseCoopers, 2009, etc.).

assumes that accountants are knowledgeable about national and sector legislation and have a full picture of state-of-the-art of accounting in their field.

The accountant is expected to register every event of business activity by using corresponding basic documents. The law contains requirements concerning documents pertaining to the organization and the keeping of accounts. In the name of traceability, accountants are supposed to control and check that every basic document has

"[...] the name of the document, date of the document, the name of the economic entity, the description of the business transaction, the measures (natural or monetary), positions and names of the persons who signed the document" (Chapter 9, paragraph 2 of the of the draft federal law "On Accounting").

Also, the accountant is supposed to record data in the accounting registers in due time. He or she is expected to present the forms of accounting registers to the director of the enterprise in order to approve them. Thus, the accountant faces the historical role of "book – keeper". The traditional roles of *book-keeper* and *controller* are still in the text of the document, however with more freedom now to choose between existing accounting instruments and techniques. An interviewee says:

"Being an accountant nowadays from the state point of view means to be able to trace all documents that are in the documentation flow of the company. This gives me [as chief accountant] the possibility to control all recorded transactions and to choose which ones will be used for the purposes of financial accounting, and which ones will be kept for tax accounting".

In addition, accountants are expected to make an inventory of all assets and liabilities by having a complete list of items such as property, goods in stock, liabilities, etc. and check its correspondence with data from accounting registers. Moreover, the amount of inventory, inventory deadlines and lists of items subject to inventory are to be decided by the accountant with the exception of obligatory inventories defined by the Russian Federation legislation. Here the state assumes the accountant to have the role of a person who knows what assets and liabilities the enterprise has at any given point of time and controls the property flow.

Further on, in accordance with the “Main activities of the Government of the Russian Federation for the period until 2012”, the draft federal law states the requirements for accounting (financial) reports. When preparing accounting (financial) reports accountants are supposed

“[...] to provide fair presentation of the financial status of the enterprise as at the reporting date, and about the financial result and cash flow of its business activity during the reporting period” (Chapter 13, paragraph 1 of the of the draft federal law “On Accounting”).

The new edition of the law also contains the “controller” role for accountant. It requires that accountants must organize and provide internal control of business transactions. And when there are disputes between the accountant and the enterprise director, then the accountant is supposed to follow the orders of the director and register the transactions, if there is the written authorization. Here, the role of accountant as “order follower” provides immunity against charges for economic criminality with regard to the information that can be created because of such orders.

However, in this draft of the federal law the requirement to countersign the financial statements by the (chief) accountant is abolished. So, the role of the accountant is to provide and prepare transparent financial statements, but not to bare the legal responsibility for the prepared documents. As one interviewee states:

“This requirement of the new law diminishes the role of accountant by taking away the possibility to participate in the process of decision making and providing professional opinion. I [as chief accountant] will no longer have the formal responsibility for the result of my work. It is a known fact that, nowadays, even when a signature is required from the chief accountant for the financial statements this does not guarantee the provision of faithful information. However, my personal opinion is that for the further development of the accounting profession under our [Russian] circumstances, state authorities need to recognize the fact that we [accountants] can be responsible for our professional opinions as expressed in the financial statements”.

This picture of accountants’ roles of the during the period of modernization described by state regulations portrays accountants as being required to express their professional

opinions when it comes to transparent financial reporting and disclosure of reliable accounting information, but without any formally binding obligations (counter - signature).

This chapter described and discussed state expectations with regard to the role of accountants in the Russian Federation over time. The accounting regulations that were and are in force during the turbulent *perestroika* period, the reform programs of economic liberalization and privatization in the “*wild nineties*” and the stabilization period involving the modernization of economic system have been presented. The afore-mentioned description of legislative documents tried to define the roles of accountants, indicating how they were and are supposed to perform from the point of view of the Russian state to contribute to political, social and economic development. Summing up then:

- In Soviet times and during *Perestroika* the day-to-day roles of accountants were planned and documented. The “good” accountant was the one with detailed overall control and able to provide continuous information about all spheres of economic activities of enterprises.
- The Yeltsin period made accounting work very challenging. The accountant was supposed to be able to follow - up constantly the daily updates of changing accounting and tax regulations.
- Putin’s and Medvedev’s times with the new modernization policy have made accountants more professional in their decisions, in particular with respect to providing transparent financial information and disclosing this information to external users.

Chapter 6. The profession perspective

“What of accountants? If accounting has to do with bad conscience and a future day of doom, what are they? Priests or hangmen? Are they the ones who execute the sentence or are they there to coax managers into repentance and improvement? In the latter case they had surely better get out there among the people and spread the word. It seems as though they have remained in the halls of power too long. The academic accountants have not been much help, preaching that systems and analyses are solutions rather than everyday actions. When systems and analyses are focused, rational choice amongst constructed alternatives – in a world in abundance of interesting choices – is called forth. A more realistic image would be that of people doing what they usually do without realizing that there are problems or choices, and even if they realize, they would be someone else’s problem” (Jönsson, 1996, p. viii).

This research project aims to develop an understanding of the roles of accountants in the Russia under the different regimes using three perspectives: the state, the profession and the market. In Chapter 4 the theoretical background for the choice of the above-mentioned principles is discussed. Chapter 5 presented state expectations with regard to accountants’ roles based upon regulations and legislations. The following chapter gives a description of what it means to be a good accountant from the professional point of view.

Firstly, the education of accountants is tackled over time. The educational process is described as the main part of what the professional accountants have to go through in order to be qualified. Higher education provided by universities and research in the accounting field as well, as professional training and retraining, form important environments for formulation of principles and norms of professional behaviour amongst professionals (see e.g. West, 2003). In the following subsections I provide description about of Russian professional education of the accountants during Soviet times and *Perestroika* (1985 – 1991), the Yeltsin period (1991 – 2000) and Putin’s and Medvedev’s

times (2000 – until the present day). Secondly, the development of professional accounting and auditing associations, as well as self-regulation in Russia is described. Professional associations, particularly, in the accounting field, are important for maintaining the status of the profession (see e.g. see Macdonald, 1995). Thirdly, I reflect on the roles discussed by Russian accounting academics in order to describe how the research community perceives the accountant's roles.

6.1. Academic education

The following subsection deals with the description of the educational process of accountants with higher education qualifications. In order to tackle the training system of qualified professionals the frame of description used in the curriculums of higher education institutions with requirements with regards to the skills, abilities and competences of the professional accountant is used. The educational system of the Russian Federation is regulated by the state authorities. However, decisions about the content and amount of teaching hours for each speciality of higher professional education is taken by the state authority based upon the recommendations of the Education and methodological department organized for each speciality. Usually this department authorized by the Ministry of Education and Science consists of the leading professors, practitioners and researchers in their particular field³¹. Therefore, for the purpose of this study, the state educational standard for accountants with higher qualifications is considered as the point of view of the profession itself. It is believed that the aforementioned frame helps to describe what qualified accountants are supposed to go through in order to achieve their professional education. Moreover, such a description of curriculums under different regimes provides opportunity to follow the changes in the

³¹ See e.g. the official web-page of the Education and methodological department in "Accounting, auditing and analysis", <http://www.fa.ru/umo.asp>.

education process, and by doing this, to describe how the expectations of the profession to the role of accountants have developed over time.

6.1.1. Soviet times and Perestroika

[...] accounting work is specialized, organized hierarchically, subject to stringent time constraints, standardized, increasingly automated, and facing proletarianisation (Booth and Cocks, 1990, p. 400).

Prior to the collapse of the Soviet Union, the function of accounting in the Soviet communist context was to satisfy certain requirements of the centrally planned economy (see e.g. Djatej, 2006). Accounting regulations and legislation were managed by the Ministry of Finance, which considered the needs of the Central Statistical Office and the Communist Party leadership. Accounting education providing higher professional qualification was controlled by the State Committee of Higher Education.

As Djatej (2006, p. 359) states:

“The perception of accounting as a “mere” tool of economic record-keeping in this [centrally planned] context impacted heavily on the nature of the accountancy profession in the Soviet Union. The high social status that the accounting profession has acquired prior to the revolution ceased to exist, and the capitalist accountant was replaced by a book-keeper perceived as fulfilling a simple clerical task. This “bookkeeping” profession lacked professional status and prestige. Accounting, largely limited to bookkeeping, became a “woman’s job” (i.e. an inferior job), which required knowledge of a detailed set of basic rules and regulations and their mechanical and monotonous applications.”

During the 1980’s the study program for higher accounting education³² lasted five years. Usually this consisted of forty weeks of class studies, six days a week, and generally six

³² For the purpose of this study, higher accounting education refers to the higher professional education system in accounting or training of accountants with higher qualifications. However, some of the material also applies to the training of accountants with secondary qualifications.

hours a day. Approximately half all class hours devoted to each subject were used for lectures, delivered by a professor or an assistant professor to approx. 100 students in a large lecture hall. The other half was allocated to laboratory work, workshops and seminars conducted in classrooms with smaller groups of 20-25 students (Ash, 1985). The education of higher qualification accountants was provided based upon the curriculum giving the degree of *economist* with the speciality "Accounting and analysis of economic activity". This curriculum for professional accountants in industry was revised and approved in 1984 by the USSR Ministry of Higher and Secondary Special Education. Here it is stated that the accountant with higher qualification

"[...] is for accounting and economic, controlling and revision, analytical, organizational and research activities in the sectors of national economy in accordance with the chosen main specialty and specialization" (Valouyev, 1984, p.183).

The curriculum also specified what knowledge accountants with higher qualifications were supposed to possess. These accountants were expected to know the basics of general theoretical courses in the amount of hours required for decision-making in planning, financing, accounting and credit, economic analysis, control and revision, and also in conducting research in this field. Ash (1985) illustrates, that accountants with higher qualifications were also supposed to have courses of general economics, for instance, statistics, the planning of economic and social development of USSR, finances, money circulation and credit, analysis of economic activity, basics of management, etc. There were also special courses in the theoretical and practical implementation of accounting. Accountants were required to know the technology and economics of the national economy sectors as well as the financing and credit related to sector enterprises. They were supposed to learn the methodology of planning and forecasting enterprise coefficients, the features of and rules for business transactions, analysis of economic activity, financial reporting, controlling and revision reporting. In addition, it was obligatory to know about econometric methods, computerized sources of gathering, processing and transferring information, and organization of automated control systems. Moreover, the

basics of Soviet law, scientific organization and planning of labour; issues of job safety and environment protection were included in the curriculum.

In his article Ash (1985) also gave the official curriculum of Moscow Institute of Finance as an example of the education of accountants with higher qualifications:

<i>Political and ideological courses</i>	<i>N of hours</i>
History of the Communist Party of the Soviet Union	170 hours
Marxist-Leninist philosophy	90 hours
The political economy of Marx	300 hours
Scientific communism	80 hours
Fundamentals of scientific atheism	24 hours
Critique of non-communist theories in the social sciences and the history of economic doctrines	70 hours
<i>General courses</i>	
Higher mathematics	180 hours
Theory of probability and mathematical statistics	70 hours
Mathematical programming	100 hours
Use of the computer	160 hours
Soviet law, including financial law	100 hours
Foreign language (English or German)	280 hours
Physical training	140 hours
Military training	430 hours
<i>General economic and technological courses</i>	
Economic geography of the USSR and foreign countries	110 hours
General theory of statistics	70 hours
Economic statistics	110 hours
Industrial economics (macroeconomics)	90 hours
Organization and planning of the industrial enterprise (microeconomics)	140 hours
Automation of management systems	60 hours
Budgetary planning for the national economy	100 hours
Technology of industrial production	120 hours
<i>Accounting courses in the field of specialization (e.g. sector of national economy)</i>	
Introduction to accounting	36 hours
Theory of economic information	70 hours
Theory of accounting	90 hours
Finance in the USSR and abroad	140 hours
Financing and credit in industry	100 hours
Circulation of money and credit	140 hours
Prices and price formation	40 hours
Accounting in industry	280 hours
Cost accounting	100 hours
Economic analysis	280 hours
Revision and control	80 hours
Data processing of economic information	180 hours

<i>Electives, special courses and seminars</i>	
Accounting in Socialist countries, Scientific foundations of management, Economics of resources supply, etc.	300 hours

Table 6.1. Curriculum for economists with the speciality "Accounting and analysis of economic activity" (Ash, 1985, p. 38-39).

Ash (1985) also writes that in addition to lectures, laboratory work and seminars students specializing in accounting were supposed to complete 23 weeks of practical work in their field of specialization under the supervision of an instructor and, what is more, defend three or more course papers.

Smirnova *et al.* (1995, p. 836) state:

"In Soviet times the educational system was viewed as an "industry". Its institutes served as "assembly lines" producing all sorts of specialists for the national economy. The "output" and "mix of specialists" were both determined by the relevant ministry in strict accordance with the current five-year plan. Furthermore, methodological councils for specific subjects determined a uniform curriculum (or study plan) to be followed at all universities offering degree programs in those subjects. Success in applying for a degree program was therefore constrained by the needs of the national economic plan and no discretion to select courses within a degree program was allowed".

Study program for education of qualified accountants consisted of standard education plans, curriculums, time schedules, course programs and specialism certificates³³. So, based upon this certificate, at the end of their education accountants with higher qualifications were supposed

"[...] to know how:

- to organize and be responsible for accounting, revision and financial control, to use and disseminate progressive forms and methods of accounting, controlling and revision activities;*
- to provide rationalization of accounting process;*
- to control reliability of information;*
- to ensure validity in monetary and material assets expenses;*
- to prepare control and revision statements and financial reporting;*

³³ The specialism certificate lists the skills and competence of the specialist (Smirnova *et al.*, 1995, p. 837)

- to prepare letters of instructions and other regulations about accounting, controlling and analysis of economic activity for its further improvement;
- to carry out accounting assessment and filling claims;
- to coordinate analytical work of different financial and economic services and to implement measures to strengthen discipline;
- to conduct automated processing of economic information;
- to use econometric methods, information sources of automatic control systems, modern technical sources of management;
- to carry out research work within the research speciality chosen and to use rational techniques for the search of scientific-research information" (Valouyev, 1984, p.184).

The above-mentioned curriculum and description of its general provisions stated that accountants as graduates with higher qualification could be used in 3 different fields: accounting, control and revision, and analysis. Here from the professional point of view accountants were expected to have the role as *multifunctional* specialists. The afore-described curriculum defined the volume of knowledge necessary for the professional accountant, and also provided guidance in the studying process. Based on the curriculum, graduates were supposed to "*be guards of state interests by controlling the safety of socialist property*"³⁴. Furthermore, it was included there that accountants were expected to follow the regulations. Also this role of multifunctional accounting professional meant being able to adapt quickly to any kind of organizational environment in order to fulfil accounting functions, to keep the capacity for further improvement of accounting and analytical work.

³⁴ It is further interesting to note that historically, as Djatej (2006, p. 317 citing Shevelev *et al.* and Kondratjeva) states: "The prime function of Soviet accounting and related entities was to control operations in order to achieve the plan targets through the prudent use of state resources, and to preserve and protect socialist property. Soviet authorities imposed harsh punishments on those found guilty of such economic crimes such as embezzlement, squandering state resources, and theft of socialist property. According to regulation passed in 1932, "On protection of state property", individuals found guilty in attempting to undermine "socialist property" were considered "enemies of the state" and sentenced to anything from 10 years imprisonment to capital punishment with expropriation of all private property. [...] According to a report published by the Ministry of State Security, covering the period January to June 1951, Soviet security apparatus solved 88721 cases of economic crimes. Chief accountants and other members of management teams masterminded and carried out the overriding majority of all economic crimes".

In other words, accounting education focused on fundamentals and general knowledge in order to train specialists who could work in any sector of the national economy. One of the interviewee says it like this:

“When I graduated from the economic faculty, I was hired at the economic department of one the ministries. 25 of us worked in one room dealing with accumulated accounting information concerning materials accounting from all regions of the USSR supervised by this ministry. Since my education was as an economist with the speciality in accounting and analysis, I became responsible for the control of this accumulated information. It was considered that those with a university degree had more knowledge in the automated processing of information and were more aware of the organization of accounting, revision and financial control. But in reality, everything was purely learnt on a day-to-day basis. General accounting knowledge helped me to get the position, but at the same time practical experience I gained from trial and error learning”.

Thus, graduation of accountants with higher qualification based upon the curriculum of economist with the speciality “Accounting and analysis of economic activity” gave them the profession of *economist*. In the USSR this title signified that the individual holding this title had completed a certain level of education in one or more economic fields of specialization (Ash, 1985). This was only granted to an individual after completing studies at an institution of higher education. Professional accountants were trained for specific branches of accounting, such as accounting in industry, construction, agriculture, the service sector, transportation, trade, government, etc³⁵. The afore-mentioned curriculum offered students in-depth knowledge of accounting methods in one area of their chosen field of speciality. Despite this being so, accountants trained for one branch of the national economy were quite often qualified for employment in other branches. They attained the

³⁵ In order to integrate practice and research, the content of higher professional education for specific branches of the national economy had strong connections with relevant academic research in the field concerned. Throughout Soviet times, accounting professors and academic scholars were required to maintain close connections with practitioners. Djatej (2006, p. 344) states: “Accounting researchers frequently visited individual enterprises to supervise the implementation of new methods; to investigate applied methods of accounting; to participate in the introduction of new principles and forms; to improve and enhance the existing accounting system”. Thus, as Ash (1985) says, this system led to a phenomenon by which accounting scholars possessed more knowledge of the application of certain methods and principles to operations and productions than qualified accountants and book-keepers.

specific knowledge necessary to work in the new field through practical experience (Ash, 1985). Here, the role of the accountant from the point of view of professional education requires him or her being a “*quick learner for different branches*” managing to handle new practical experience based upon basic accounting knowledge.

It was believed that the system of education in the USSR was fundamental, proper and precise. Thus, the amount of hours devoted to the ideological and mathematical courses was almost half the whole curriculum of the economists in accounting and analysis. Accounting courses in the field of specialization, i.e. in the national economy sector, amounted to almost the other half of the total hours of education for accounting specialists. Some professors in accounting state that students interested in mathematics and economics chose to study accounting (see e.g. Kizilov, 2009).

In addition, since the overall goal of accounting was to guard state interests by controlling the safety of socialist property, the role of the accountant as a controller was included in the curriculums both in the ideological and accounting courses. The academic education during Soviet times pictured the roles of accountants as ones defined by state expectations, but also determined by the accounting professionals themselves, i.e. the professors, assistant professors, lecturers in accounting, who were responsible for constructing the degree programs. Since the education system itself was considered to be an industry, the graduates were supposed to fulfil the needs of the national economic plan.

6.1.2. The Yeltsin period

The major political, economic and social changes in the former USSR and in the new state of the Russian Federation also resulted in changes in the system of education and research, amongst others, in the accounting field. However, major institutions and systems

cannot be completely changed overnight (see e.g. Roland, 2005). Therefore, in the so-called transition period, the educational and academic systems in Russia were simultaneously rapidly changing and yet still retained the “skeleton” and major features from the past (Smirnova *et al.*, 1995).

Accounting education at the beginning of the 90's was actively reviewed. However, the structure remained fundamentally the same as during the planned economy. Accounting education at that time existed at universities, colleges, vocational schools, directly at workplaces and on specialized courses and seminars (Smirnova *et al.*, 1995). However, for the purpose of this research, the professional education of accountants at universities and other institutions of higher education are focused on as this is where the most comprehensive studies took place.

In Russia, at that time, anyone with ten years' education from secondary schools could enter into higher education institutions after passing entrance examinations. A five-year degree (or ten semester) program was required for professional accountant education. Still, during this period of time, graduates received degree diplomas with their speciality stated as an *economist*, with the additional special designation as “Accounting and analysis of economic activity”.

From 1991 till 1996 the accounting curriculum consisted of the courses, listed in Table 6.2:

General courses	N of hours
Twentieth-century political history	250 hours
Political economy	482 hours
History of economic theories	74 hours
Philosophy	130 hours
Theory of modern socialism	120 hours
Economic history	72 hours
Law	130 hours
Advanced mathematics	473 hours
Foreign language	320 hours
Physical training	604 hours
History and theory of world cultures	36 hours
History of religion	26 hours
Modern forms of cooperation	88 hours
Psychology and professional ethics	36 hours

Electronic data processing and informatics	232 hours
Computer practicum	106 hours
Technological systems in economy	126 hours
General economic courses	
Economic geography	128 hours
Planning in Russia	172 hours
Fundamentals of management of economic entities	122 hours
Price information	86 hours
General statistics	92 hours
Statistics of a particular branch of the national economy	122 hours
Socio-economic statistics	92 hours
International economic relations	74 hours
Economics and sociology of labour	72 hours
Economics of enterprises, branches and intersectoral complex	190 hours
Ecological economics	54 hours
Special economic courses	
Introduction to specialism	52 hours
Finance	102 hours
Money and credit	106 hours
Theory of accounting	120 hours
Accounting in a particular branch of the national economy	534 hours
Theory of economic analysis	94 hours
Economic analysis	284 hours
Control and revision	242 hours
Financing and credit of capital investments	92 hours
Economic and mathematical methods and models in accounting	68 hours
Electronic data processing in accounting	241 hours
Basics of information systems	102 hours
Cost accounting and calculation	124 hours
Production technology in a particular branch of specialization	428 hours
Accounting in other branches than the chosen specialization	116 hours
Accounting – material expertise	112 hours
Accounting and control organization	80 hours
Accounting in automated managerial systems	76 hours
Secretarial administration and business correspondence	80 hours
Foreign economic operations	78 hours

Table 6.2. Curriculum for economists with the speciality "Accounting and analysis of economic activity" (Smirnova *et al.*, 1995, p. 835-836)³⁶

The wind of change of *perestroika* and the transition to market economy had changed the system of education. The afore-mentioned curriculum represents an attempt to adapt to these inevitable changes. The most obvious of these changes was that guaranteed

³⁶ Educational institutions were allowed to make revisions in the curriculum based on their personnel and methodological provision. Smirnova *et al.* (1995) use as an illustration the curriculum of St. Petersburg Institute of Commerce and Economics that was worked out in accordance with the general curriculum.

employment as it has been the case during planned economy was simply no longer feasible (Smirnova *et al.*, 1995). In addition, ideological courses were put away at once. Attempts to include courses corresponding to the transition to market economy were undertaken, e.g. *“Fundamentals of management of economic entities”*, or *“Financing and credit of capital investments”*. However, at the same time courses like *“Control and revision”* or *“Accounting and control organization”* still remain.

At the end of their education, accounting graduates with higher qualifications were supposed to:

“[...] be able to:

- organize the accounting process and financial control of enterprise based on different types of property;*
- use and increase modern accounting knowledge;*
- ensure cash and material are used legitimately;*
- prepare timely reports and controlling documents;*
- set up instructions and rules to improve the organization of accounting within an enterprise;*
- control the organization and the techniques of accounting within enterprise;*
- introduce electronic data processing systems;*
- make independent decision on all issues and control;*
- organize the continuing education of subordinate employees;*
- conduct research and present analytical papers” (Smirnova et al., 1995, p. 838).*

The afore-mentioned example of curriculum and specialism certificate mirrored from a professional point of view what roles accountants were to have in response to the ongoing demise of the planned economy, the emergence of the market economy and the implementation of the privatization process. Accountants were supposed to be for instance, “organizers”, “controllers”, “innovators”, “instructors”, “decision-makers”, “researchers” etc. The multifunctional approach used in the Soviet system still ensured numerous roles for accountants, and yet taking into consideration the changing political, economic and social environment.

One of the interviewee says:

“When I graduated from secondary school in 1991, there was no other choice for me than to enter university to get a degree in accounting. It was a very difficult time in terms of everyday living and all newspapers were full of job vacancies for accountants. It was in a way kind of easy: if I wanted to be paid I needed a job as an accountant. And this was the main reason for most of my classmates starting. When we had been enrolled we started to look for a job almost immediately after we had learnt some basic accounting. During our final year of education some of us were earning more money than our teachers. Also, since we had had the day-to-day practical experience, in some accounting issues we were more professional. However, this did not apply to theoretical understanding of accounting or giving a professional opinion, it mainly concerned the handling of everyday financial and tax accounting issues”.

So, further adjustments of the curriculums at the end of 90’s were done, amongst other things, based upon experience gained from previous years of teaching accountants.

In their article, Smirnova *et al.* (1995, p. 842) state that the scale of the education in Russia during this period was very significant. They continue:

“In Russia alone, it is believed that some 1.5 million book-keepers need to be retrained. The overall demand for professional accountants is estimated to be 500000 each year for the next three years, mainly as a result of the policy of privatization” (Smirnova et al., 1995, p. 842).

Thus, the period of transition to market economy had indeed revealed the growing awareness of the importance of accounting, auditing and finance. Also, the development of capital market institutions (such as stock exchange), the necessity of accounting information for external and internal users, banks, etc. strengthened the trend towards educating accounting professionals with distinct areas of knowledge. Therefore, on January 1st 1996, the state standard of higher professional education in training specialists with a degree in “Accounting and auditing” was ratified by the State Committee of Higher Education of the Russian Federation³⁷: This standard presented the obligatory

³⁷ The standard of 1996 had also allowed education institutions to make revisions in the curriculum with respect to personnel and methodological provision. Here the illustration of Arkhangelsk State Technical University is used as worked out by the Chair of Accounting, Auditing and Analysis of the Institute of Economics, Finance and Business.

requirements to the content of the study program for accountants' education. An example of a curriculum for training accountants with higher qualifications is presented in Table 6.3.

<i>Humanitarian and socio-economic courses</i>	<i>N of hours</i>
Philosophy	198 hours
Foreign language	764 hours
Culturology	128 hours
History	128 hours
Physical culture (training)	260 hours
Culture of speech	96 hours
Political science	102 hours
Safety of life activities	102 hours
<i>Mathematical and natural science courses</i>	
Mathematics	264 hours
Theory of relativity and mathematical statistics	128 hours
Mathematical programming	256 hours
Informatics	264 hours
Concepts of modern natural sciences	128 hours
Economic geography	128 hours
Economics of nature use	96 hours
Industry (branch) technology	192 hours
Economics of branch	192 hours
<i>General professional courses</i>	
Economics	264 hours
History of economic theories	96 hours
Financial mathematics	64 hours
Investments	102 hours
Finances, credit and money circulation	170 hours
Securities market and stock exchanges	144 hours
Prices and price formation	136 hours
International economic relations	136 hours
Taxes and taxation	102 hours
Insurance	128 hours
Statistics	204 hours
Management	238 hours
Marketing	128 hours
World economy	102 hours
Automated information technologies in economics	204 hours
<i>Special professional courses</i>	
Accounting	340 hours
Source documentation in accounting	68 hours
Management accounting	170 hours
Business correspondence	64 hours
Auditing	160 hours
Economic analysis	238 hours
Trade accounting	170 hours
Public accounting	128 hours

Practical auditing	180 hours
Accounting in banks	108 hours
Insurance accounting	108 hours
International financial reporting standards	108 hours
Automated workstation of accountant	108 hours

Table 6.3. Curriculum for an economist with the speciality “Accounting and auditing” of Arkhangelsk State Technical University, developed based on the State standard of higher professional education dated 15.01.1996.

The aforementioned curriculum illuminates that the outline of accounting education started to become more professional. The amount of general, mathematical and economical course still remained significant but all of these courses now focused on the new economic reality. Specialized courses in accounting and auditing were also allocated a considerable amount of work hours and were required for different areas of accounting. This kind of curriculum was also used in retraining programs for unemployed or in so-called second higher education programs oriented towards people with other backgrounds than higher education in economics. The attractiveness of accounting jobs from the point of view of being well-paid made most unemployed specialists consider retraining. One interviewee says:

“I was working as an engineer in one of the state institutions. When the shock therapy³⁸ reforms happened, our institute was closed, and I became unemployed. Since I had a university degree in engineering, I thought that an accounting job would be good for me, first of all, I had good mathematical background, and secondly, it was a profession modifying quite quickly to the new economic needs. I joined a university retraining courses. Most of my classmates were former engineers, teachers, and military officers. Apparently, it was quite interesting to study general economic and accounting courses. Most of our assignments and tasks were connected with mathematical calculations. We learnt how to represent the company’s activities in terms of numbers with taking into consideration the going regulations: follow the rules and fill in the documents in accordance with existing legislation”.

The professional standpoint towards accountants’ roles ‘ in the 90’s portrays that the profession did respond to the needs brought about by transition to market economy, with

³⁸ Known as “shock therapy”, the range of neo-liberal reform measures, sought to minimize direct state intervention and included the removal of price controls, privatization, the cutting of government spending, etc. (Mennicken, 2010).

the drastic increase in the amount of private companies, by providing training of accounting specialists in all forms of education.

The state standard of higher professional education also contained characteristics of professional activity for accountants with higher qualifications after graduation. The graduate as *economist* with speciality “Accounting and auditing” was supposed to carry out professional activities in all branches of the national economy. He or she was meant to provide professional services to all kinds of economic entities, government agencies and non-governmental organizations. In addition, the graduate was required, based upon professional knowledge, to ensure the generation and application of information about assets, liabilities, revenues and expenses pertaining to the economic entity. Also, the accountant with higher professional education was supposed to support rational financial and economic relations of entities. He or she was required to safeguard the economic interests and property of the economic entities. The graduate was required to conduct such professional activities as organizational and managerial, control and revision, information and analytical, normative and methodological, as well as foreign trade. Thus, this state educational standard for training accountants with higher qualifications represented the professional standpoint regarding the expected roles of accountants in the changing environment of the transition period to market economy. The graduate accountant was supposed to be the “rational organizer” of the accounting system, the “developer” of legal activities and “provider” of strength of entities’ economics. He or she was expected by the profession to act as “controller” of accurate accounting and reporting, to be an “inspector” of source documents and to be an “economic analyst” to enable effective decision-making.

6.1.3. Putin's and Medvedev's times

The development of professional accounting education is inextricably linked to the transition of Russia's economy from planned economy to market economy. The curriculums during Yeltsin's presidency were indeed reviewed, but still remained more or less the same as during the planned economy. By signing the Bologna Declaration (19.09.2003) regarding the mutual recognition of diplomas and the two-tier system of education, bachelor and master education, Russian state education authorities had to rearrange their curriculums. Still, the ways in which Russian accounting education has developed is largely channelled and influenced by state structures. However, as previously mentioned, the specific requirements for the professional education of accountants are defined by educational and methodological departments, consisting of academics, researchers and practitioners.

Thus, the state standard of the Ministry of Education of the Russian Federation was ratified on 17.03.2000. This standard is considered to be the transition between the 5-year *economist* speciality in "Accounting, analysis and auditing" and the master degree in *economics* in the program "Accounting, analysis and auditing" (14.04.2000).

Listed in Table 6.4 are the courses, from an example of a transitional curriculum, obligatory for accountants wishing to achieve professional qualification.

<i>Humanitarian and socio-economic courses</i>	<i>N of hours</i>
Philosophy	82 hours
Foreign language	340 hours
Culturology*	
History	72 hours
Physical culture (training)	408 hours
Political science*	
Law	138 hours
Psychology and pedagogy*	
Russian language and culture of speech*	
Sociology*	
Economic theory	300 hours

<i>Mathematical and natural science courses</i>	
Mathematics	600 hours
Informatics	200 hours
Information systems in economics	180 hours
Concepts of modern natural sciences	100 hours
Econometrics	120 hours
<i>General professional courses</i>	
Business economics	136 hours
Management	100 hours
Marketing	80 hours
Statistics	220 hours
World economy	170 hours
Financial management	102 hours
Finances	102 hours
Insurance	102 hours
Money, credit, and banks	170 hours
Securities market	54 hours
Taxes and taxation	102 hours
Theory of accounting	102 hours
Theory of economic analysis	102 hours
Control and revision	74 hours
International standards of accounting and financial reporting	60 hours
International auditing standards	48 hours
Business communication	36 hours
<i>Special courses</i>	
Financial accounting	482 hours
Management accounting	152 hours
Financial (accounting) reporting	54 hours
Economic analysis of financial activities	256 hours
Analysis of financial reporting	54 hours
Audit	300 hours
Practicum on accounting (end-to-end problem solution in financial and management accounting)	162 hours
Accountancy	90 hours
Courses of specialization	840 hours

(*) The amount of the hours for these courses is defined by the educational institutions themselves based upon their staffing and methodological provision.

Table 6.4. Example of a curriculum for economist with the speciality “Accounting, analysis and auditing” (adopted from the State standard of higher professional education dated 17.03.2000).

This transitional state educational standard of higher professional education presented the expectations of the profession to accountants’ roles and corresponds to the political, economic and social context of the time. The afore-mentioned curriculum illuminates that more advanced courses in accounting and auditing for professionals, with an amount of 800 hours were allocated to these courses - mainly in the last 2 years of education. Still,

mathematical and general courses constitute around 1200 hours presented for students during their first 2 years' higher education.

Thus, having graduated the graduate - accountant was supposed to be able to carry out professional activities in all fields of the national economy. He or she was required to provide professional services to all kinds of economic entities, also in government and non-government sectors. What the graduate - accountant had to be able to ensure remained the same as in the previous state education standard (dated 16.01.1996). However, it was added, that he or she had to be able to analyze the information and use it to improve the of entity's economic potential. The professional activities defined by the requirements of the state educational standard that the graduate was supposed to conduct were accounting and analytical, control and revision (including auditing and consulting), organizational and management, normative and methodological. In addition, the standard stated that the graduate - accountant was supposed to adapt to such professional activities as managerial and economic, finance and credit, expert and advisory (in taxation and property evaluation), foreign trade, methodological, legal, research and educational.

The afore-mentioned requirements presented in the specialism certificate (in connection with the curriculum of the year 2000) for the graduate-accountant describe the professional expectations for training of new accountants. It is written in the specialism certificate that the accountant with a higher qualification is supposed to be a *"researcher"*, a *"human resource specialists"*, an *"information specialist"*, and, finally, a *"professional practicing accountant"*.

The *"researcher"* role of the graduate-accountant requires that he or she is skilful carrying out research work, possessing the ability for abstract-logical thinking, in using induction and deduction methods and in critical analysis. Also, he or she is required to possess skills to reveal and overcome unstructured problems in unknown conditions and to know how to use these skills to solve emerging issues. In addition, the graduate is supposed to have skills to prioritize in conditions of scarce resources and to plan the workload in accordance

with a tight time schedule. Finally, he or she is expected to have the ability to adapt to new conditions.

The *“human resource specialist”* role of an accounting graduate assumes that he or she had skills to interact with other people, to communicate with them, in particular as a team. He or she is supposed to be able to formulate and delegate tasks, to encourage people in their personal development and help them to solve conflicts and interact with different people and agencies. Also, the graduate-accountant is required to have the ability to negotiate in order to achieve the relevant professional decisions. He or she is expected to be skilful at working in diverse cultural environments.

The *“information specialist”* role of an accountant with higher qualifications assumes that he or she possesses obligatory knowledge of how to state, discuss and effectively defend one’s own opinion in formal and informal situations both in writing and verbally. He or she is supposed to be skilled in listening and in analytically apprehending the written information. In addition, the accounting graduate is required to have skills to search, receive, systematize, present in writing and use information accessed from verbal, written and electronic resources. Also, the graduate is expected to know and be able to use information technologies, including data bases, and at least one type of accounting software.

The *“professional practicing accountant”* role of the graduate with a diploma of higher education assumes that he or she understands the identity and social importance of the accounting profession, and improves regularly their professional qualifications. In order to fulfil the expectations of the professional community the graduate accountant is required to possess necessary knowledge (in accordance with the curriculum). He or she is supposed to have the skills to develop for a particular economic entity a rational organization system of accounting and financial reporting. The accounting graduate is supposed to be able to carry out book-keeping of kinds of assets, liabilities, expenses and revenues. In addition, the graduate is expected to be skilled in the use of practice

principles and the rules of auditing. He or she is also required to have the ability to know how analytically to process accounting and financial reporting data in order to make business decisions and to estimate the efficiency of economic entities' business activities.

The educational standard of higher professional education of *economist* in the "Accounting, analysis and audit" has so far constituted the main standard for most Russian educational institutions in the field of training accountants with professional qualifications. Since 2000 a few educational institutions have provided higher professional education at bachelor and master levels in the field of accounting. This was an educational experiment organized and controlled by the Ministry of Education in order to test the two-tier model. Some of these institutions still provide this type of education; some of them were forced to stop their programs after ministerial assessment of the educational process. However, the state educational standard for both bachelor and master level education was indeed ratified. The institutions were licensed and accredited by the Ministry of Education.

Thus, the training of accountants with higher qualifications currently consists of the following three levels³⁹:

- bachelor degree,
- specialist degree,
- master degree.

³⁹ The regulations of the Ministry of Education explain that the difference between bachelor, specialist and master degree is firstly, in the proportions of competence elements, and secondly, in its content. Bachelor education mainly focuses on general and professional knowledge. Master training foresees more in-depth professional knowledge, and also additional skills and abilities in the field of practice. Specialist education always places the emphasis on strong theoretical training with good knowledge in a specific branch. The difference in competences between bachelor and master education is that the bachelor candidate is trained to be skilled in the performance of traditional professional tasks with the help of standard technologies. Master education assumes non-typical decision-making with the help of innovative technologies, or even with technologies or methods that are self-developed. The master student candidate is also trained to be able to integrated resource and process management, consulting the company's management about different company activities, and to do research to identify the challenges and perspectives of business development. The difference between master and specialist education lies not in the set of competences, but in the degree of their development, i.e. in the qualification level.

The afore-mentioned description covers the existing curriculum of specialist education of accountants with higher qualifications. The two-tier degree of training of accountants with professional qualification as bachelor in *economics* and master in *economics* (with profiles)⁴⁰ was ratified by the Ministry of Education and Science on 21.12.2009 (Ministerial decree N747) and 20.05.2010 (Ministerial decree N543).

The curriculum of the bachelor educational program (dated 21.12.2009) was developed based on the requirements of the Bologna Declaration and therefore uses the ECTS study points instead of academic hours. The total workload for the bachelor degree amounts to 240 ECTS⁴¹. The curriculum assumes that bachelor candidates in *economics* can to take part in professional activities in economic, financial, marketing and analytical services of companies in different fields and types of ownership; in governmental and municipal agencies; in financial, credit and insurance organizations; and in academic and research institutions. Bachelor candidates need to be skilled in offering their professional opinion concerning the behaviour of economic entities, their costs and benefits, operational markets, financial and information flows, and production processes.

The ministerial decree concerning the professional qualification of bachelor in *economics* was signed in December 2009 and the educational institutions involved in the training of accountants in the system of higher education introduce the new curriculum starting in from September 2011. However, the Ministry of Education and Science has introduced requirements concerning the structure of the curriculum in bachelor education⁴². The

⁴⁰ The educational institutions built profiles for their bachelor and master degree programs based upon licenses received from the Ministry of Education and Science. For the purpose of this study, only the master degree in *economics* with profile "Accounting, analysis, auditing" is considered.

⁴¹ 1 ECTS equals 36 academic hours (see e.g. Decree N747 dated 21.12.2009 issued by the Ministry of Education and Science of the Russian Federation)

⁴² Educational institutions have the right to provide bachelor education in *economics* based upon the curriculum consisting of a core part (presented at the Ministerial decree N747 dated 21.12.2009) and the elective part (in accordance with the professional profile of the educational institution), e.g. as in "Accounting, analysis, auditing".

structure of the obligatory part requires the following content of the professional education as illustrated in Table 6.5:

Humanitarian and socio-economic courses	38 – 48 ECTS
Core part: History Philosophy Foreign language Law Sociology* Psychology* Logics* Culture of language and business communication* <i>* educational institutions themselves choose two courses from the marked subjects</i> Elective part: <i>(is defined by educational institutions)</i>	
Mathematical courses	40 – 50 ECTS
Core part: Mathematical analysis Linear algebra Theory of relativity and mathematical statistics Methods of optimal decision* Game theory* <i>* educational institutions themselves choose one course from the marked subjects</i> Elective part: <i>(is defined by educational institutions)</i>	
Professional courses	130 – 140 ECTS
Core part: Macroeconomics Microeconomics Econometrics Statistics Safety of life activities Accounting and analysis* Money, credit, and banks* Institutional economics* History of economic theories* Corporate finances* Macroeconomic planning and forecasting* Marketing* Management* World economy and international economic relations* Theory of industrial markets* Finances* Labour economics* Public sector economics* <i>* educational institutions themselves choose eight courses from the marked subjects</i>	

Physical training	2 ECTS
Study and practical training	8 – 12 ECTS
Final state assessment	12 ECTS
Total workload of basic educational program	240 ECTS

Table 6.5. Example of a curriculum for a bachelor degree in *economics* (adopted from the ministerial decree of the Federal state educational standard of higher professional education dated 21.12.2009 N747)

The federal educational standard also requires that, at the end of their 4-year education, the bachelor in *economics* as a professional is supposed to be able to calculate economic and socio-economic indicators of activities of economic entities, to prepare the source data for such calculations and take into account current legislation. He or she is required to be skilled in preparing economic development plans for the economic entities of different types of ownership. The graduate is expected to carry out analytical and research work.

In addition, the bachelor *in economics* is supposed to possess the skills to search for information based upon a received task, and further to gather and to analyze such data in order to conduct economic calculations. He or she is required to do array processing of economic data in accordance with the assigned task, and then to analyze, evaluate, interpret the received results and draw conclusions. The graduates are supposed to be skilled in the theoretical and econometric models used in research processes, as well as the events and subjects connected with the professional activity of the graduates.

Moreover, the bachelor *in economics* is expected to conduct analysis and interpretation of the socio-economic indicators characterized the processes and events of the micro and macro level both in Russian Federation and abroad. He or she is required to prepare information reviews, and analytical reports. The graduate is supposed to possess skills with regard to statistical surveys, questionnaires, and in the primary processing of results.

Also, the bachelor candidate *in economics* is expected to possess ability to participate in project preparation in the professional field, to be competent in making the necessary suggestions and conducting the activities necessary for implementing such projects. He or she is required to have skills in organizational and managerial activities. Graduates are supposed to participate in the preparation of managerial decisions, to be able to justify the

choice of the decisions based on socio-economic efficiency criteria allowing for the risks and possible socio-economic consequences of such decisions. He or she is required to have the ability to organize fulfilment of the assigned task.

Besides this, the bachelor *in economics* is supposed to be able to manage effectively small groups or teams in order to implement specific economic project. The graduate is required to be able participate in preparations and decision-making process connected to management of organizations and improvement of the economic services and departments of economic entities with different types of ownership by taking into consideration the legal and administrative restrictions, amongst other things.

Graduates with a bachelor degree in *economics* are also expected to possess pedagogical skills and to give lecture on economic courses in educational institutions providing secondary and higher education.

The above description of the requirements to the curriculum of bachelor education in *economics* concerns the skills and abilities of the graduates, who after the 4-year education have the right to join the master degree program with the profile “Accounting, analysis, and auditing”⁴³.

The decision about the state requirements towards a master degree in *economics* was put in force by the Ministerial decree N543 dated 20th May 2010. The federal state educational standard of higher professional education in *economics* with a master degree requires the workload of 120 ECTS⁴⁴. The profiles of the master degree in *economics* (such as “Accounting, analysis, and auditing”) are defined by the higher educational institutions themselves. The master candidate in *economics* is trained to provide professional services

⁴³ It is foreseen by the Ministerial decree N747 and the Ministerial decree N543 that graduates with a bachelor degree in *economics* are allowed to join all profiles of the master degree programs in *economics* based upon the entrance requirements set out by each educational institution in accordance under current legislation.

⁴⁴ 1 ECTS is equivalent to 36 academic hours (see e.g. Decree N543 dated 20.05.2010 by the Ministry of Education and Science of the Russian Federation).

concerning the behaviour of economic entities, their costs and benefits, functioning markets, financial and informational flows, production and research processes. In general, the master graduate is supposed to be educated to provide professional activities in research, project, analytical, management and pedagogical fields. State requirements towards the curriculum of master degree *economics* consist of the following:

General scientific module	10 – 20 ECTS
Elective part (<i>is defined by educational institutions</i>)	
Professional module	40 – 50 ECTS
Core part	
Microeconomics (advanced level)	
Macroeconomics (advanced level)	
Econometrics (advanced level)	
Elective part (<i>is defined by educational institutions</i>)	
Practical training and research work	45 – 50 ECTS
Final state assessment	10 – 15 ECTS
Total workload of basic educational program	120 ECTS

Table 6.6. Example of a curriculum for master degree in *economics* (adopted from the ministerial decree regarding the federal state educational standard of higher professional education dated 20.05.2010 N543).

After finishing courses in the professional module of master education, the graduates will possess skills in research methodology in their professional field. Moreover, they will need to have acquired skills in independent research work. Graduates will be required to know the mathematical tools for economic decision making. The graduate will be expected to be able to forecast economic processes at micro and macro level using econometric modelling.

The courses belonging to the elective part of the professional module are defined by the educational institutions themselves. Most institutions state their aim of master education in *economics* with the profile “Accounting, analysis and auditing” as the training of qualified economists in the field of accounting, analysis and auditing highly adaptive in the constantly changing conditions of the labour market. The elective part of master programs with profile in “Accounting, analysis and auditing” provides the opportunity to deepen the knowledge, skills and competences of graduates in the professional field concerned (as illustrated in Table 6.7).

General scientific module	13 ECTS
Elective part:	10 ECTS
Philosophy of knowledge	2 ECTS
Professional foreign language	6 ECTS
Informational technologies in economic science and practice	2 ECTS
Electives	3 ECTS
Professional module	50 ECTS
Core part:	15 ECTS
System research methods of economic processes	3 ECTS
Microeconomics (advanced level)	4 ECTS
Macroeconomics (advanced level)	4 ECTS
Econometrics (advanced level)	4 ECTS
Elective part:	35 ECTS
Electives choices within elective part	6 ECTS
Master program with profile "Accounting, analysis, auditing in economic entities (except banks and other credit institutions)"(*)	23 ECTS
<i>Financial accounting (advanced level)</i>	4 ECTS
<i>Accounting and analysis in bankruptcy (advanced level)</i>	2 ECTS
<i>Accounting, analysis and auditing of foreign economic activities</i>	2 ECTS
<i>Management accounting (advanced level)</i>	3 ECTS
<i>Economic analysis (advanced level)</i>	2 ECTS
<i>Professional values and ethics of accountants and auditors</i>	2 ECTS
<i>International financial reporting standards (advanced level)</i>	4 ECTS
<i>Auditing (advanced level)</i>	4 ECTS
Electives of master program' profile	6 ECTS
Practical training and research work	45 ECTS
Research work	33 ECTS
Research seminar	6 ECTS
Pre-diploma practical training	12 ECTS
Final state assessment	12 ECTS
Total workload of basic educational program	120 ECTS

(*) The educational institutions can offer master programs in *economics* with different profiles based on their educational license. E.g. the Financial University under the Government of the Russian Federation has the following program profiles: "Auditing and financial consulting", "Accounting, analysis and auditing of intellectual property"; "Financial analyst", "International standards of financial reporting, accounting and auditing", "Accounting and financial management", "Accounting and legal support for business", "Accounting and taxation". However, for the purpose of this study only the description of the master degree in *economics* with the profile "Accounting, analysis, auditing in economic entities (except banks and other credit institutions)" is taken into consideration.

Table 6.7. Curriculum for master degree in *economics* with profile "Accounting, analysis, auditing" (adopted from the curriculum of the master degree offered by the Financial University under the Government of the Russian Federation).

After graduation qualified accountants with a master degree are assumed to have gained competence in formulating and solving problems they face during their professional, research and pedagogic activities by using in-depth knowledge. They are required to possess skills to choose from research methods, to modify existing ones and to develop

new methods, based on concrete research problems. The graduates are expected to have the ability to process the obtained results, to analyze them and to interpret them by using published data. Graduate students with a master degree need to have attained skills in presenting the results of their work as summaries, research reports and articles. They will be required to be able to change, if necessary, the direction of their professional activities within the scope of *economics* as the field of knowledge and practical skills.

The above description of master degree programs in *economics* provides a reflection of the expected roles of accountants from the profession's point of view. The core part of the professional module of the program shows that qualified accountants are mainly supposed to be *economists* and *econometrists*, being able to use micro- and macro economics methods and economic modelling for their professional activities. The elective part of the professional module of the program provides in-depth knowledge of the main courses connected with professional accounting activities. The requirements of master graduates are that they are also qualified *researchers* and *teachers* having finished their studies. In addition, the required skills for master students in *economics* with the profile "Accounting, analysis and auditing" render graduates as *multifunctional* professionals in the field of economics.

The signing of the Bologna declaration forced the change from a 5-year specialist education to the new bachelor and master degree programs. There was academic discussion concerning the pros and cons of two models of education for accountants amongst accounting professionals and researchers⁴⁵. The main argument presented by the research community and professionals was their concern about the level of education of accounting professionals. What would the quality of professional knowledge actually be for those only taking a 4-year bachelor degree, and how would graduates with other bachelor degrees in *economics*⁴⁶ going to choose the master degree with the profile "Accounting,

⁴⁵ See e.g. Sokolov, 2006, Romanov, 2007, Tsyplenkov, 2007, Palij, 2008, Sokolov, 2008.

⁴⁶ It is foreseen by the Ministerial decree N747 and the Ministerial decree N543 of the Ministry of the Education and Science of the Russian Federation that graduates with bachelor degree in *economics* are

analysis and auditing” will be able to fulfil the professional requirements (see e.g. Sokolov, 2008)?

It is argued here that the professional module of the master degree for the education of professional accountants mirror that the expectations of the professional community about what it means to be a “good” accountant follow the political and economic situation in Russia of the time period concerned and also correspond to the requirements of employers with regard to theoretical training of professional accountants. One of the interviewees says:

“When I [as chief accountant] participate in the selection of job applicants for work in my accounting department, I always choose those who have the higher economic education. For me it doesn’t matter if she or he has the speciality “Accounting, auditing and analysis”. I believe that general education in economics, mathematics, statistics, and econometrics that everybody takes during their first 3-4 years at university provide a very good platform for comprehensive understanding for the accounting specialist. If she or he has this background, then for me to teach her or him the practical specificities of our accounting work is much easier”.

Another interviewee states:

“Even though I myself had the a university degree in economics with the speciality in “Accounting, analysis and auditing”, after several years of practical accounting work, I think that Russian curriculums for higher professional accounting education provide deep theoretical knowledge, letting students know where to find answers, however, sometimes graduates do have difficulties working independently. Yes, they know where to find the answers but please decide this by themselves finding the solution, using their knowledge and imagination; do not come to my office and say that there is nothing I can find, or there is nothing about this or that question in the textbooks. If there is an issue concerning accounting work in our company, there should also be a solution”.

So, the profession point of view concerning accountants’ roles in the 2000’s indicates that the profession did take into consideration the stabilization and internationalization of Russian political, social and economic development. However, the understanding of the

allowed to join all the profiles of the master degree programs in *economics* based upon entrance requirements decided on by each educational institution in accordance with current legislation.

accountant as the person providing quantitative financial information for making economic decisions still dominates the content of professional education.

The educational system for training accountants with higher qualifications shows what accounting professionals have to go through. This provided a fruitful background to describe accountants' roles from profession point of view. Also, the professional organizations are themselves the part of the professionalization process and it is necessary to illuminate their expectations about accountants' roles. This will be done in the following subsection.

6.2. Professional associations ⁴⁷

The previous subsection discussed the system of professional education and training of qualified accountants. However, in order to ensure a sound and strong accounting and auditing profession, professional associations and self-regulation are also considered essential elements (see e.g. Macdonald 1995, Cooper and Robson, 2006, etc.). The following subsection describes the development of professional associations in the Russian Federation under different regimes. The historical development of professional organizations of accountants and auditors as chosen frame of description is considered here. This development of professional associations is regarded as a fruitful background for describing accountants' roles from the point of view of the profession.

One of the oldest professional accounting organizations in the USSR is considered to be the Leningrad Accountants' Club (Sokolov, 1991)⁴⁸. It functioned from 1946 up to 1992 in St.

⁴⁷ This section is based on overviews provided by the web -pages of the Association of Accountants and Auditors - "Sodruzhestvo" (Commonwealth) (<http://www.cisaaa.org>) and the Institute of Professional Accountants of Russia (<http://www.ipbr.org>). These two professional associations have been chosen being the largest with fruitful historical backgrounds and active participation in the development of the accounting and auditing profession.

Petersburg (called Leningrad back then)⁴⁹. The Club embraced chief accountants, ordinary workers, students taking accounting and economic education as well as pensioners. Most discussions took place in the evenings, after working hours, and dealt with such questions as the subordination of accounting departments in the Soviet Union, the rights and duties of chief accountants, the education and training of accountants, the specifics of accounting, book-keeping forms and methods (see Alexander *et al.* 2006). Much attention was paid to educational accounting programs. Meetings were arranged as follows: first, there was a brief recount of what was new in the sphere of economics and accounting, followed by news about books published, pamphlets, essays and articles by members of the association, and finally a word or two about the participants in current sessions. Everybody was free at the club. Some club meetings were attended by up to 300 people. This club had built firm links with all educational institutions and technical schools teaching accounting in Leningrad at the time concerned. Also such activities as conferences, meetings and exhibitions were arranged by the club. Anyone could bring their manuscripts to the sessions, put forward their own ideas for the other members to study, analyze and thoroughly discuss (Alexander *et al.* 2006 citing Sokolov). At this period of time the same type of interest clubs existed in other cities and republics of the USSR. At the beginning of the 80's a discussion started about the idea of establishing an All-Union society of accountants working in close co-operation with the scientific and technical society⁵⁰. Sokolov (1991, p. 369) states that "the clubs was organized as propaganda style professional societies". They were generally used to attract new specialists and increase the prestige of accounting work amongst young people.

⁴⁸ Professional associations of accountants existed in Russia since 1889. After the revolution in 1917 professional associations were reorganized, but continued their existence. All of them were dissolved in 1937 (see Sokolov Y., 1991, p. 369).

⁴⁹ During Soviet times, in addition to labor organizations, where members were supposed to pay a small membership fee, most professions were organized as interest clubs and were connected to "palaces" or "houses" of culture. Most activities were organized on a voluntary basis. E.g. the Leningrad Accountants' Club was attached to the Palace of culture named after the "First five year plan".

⁵⁰ Most professional organizations in the USSR were established under the umbrella of the scientific and technical society (NTO) which was an umbrella organization responsible for the arrangement of the professional activities of various occupation groups.

The currently existing professional association of accountants was organized in 1989. This was called the Association of Accountants and Auditors of the USSR⁵¹. The main task of this association at the time was to provide methodical assistance to accountants and controllers. It was foreseen that the association would participate in the preparation and development of regulations in the field of accounting, control, and economic analysis for economic entities and also clarify these regulations to practicing accountants.

The Association of Accountants of the USSR was not a narrowly professional but more a mass organization. Its statutes allowed two types of membership: individual (for individual members) and collective (for legal entities). To be an individual member the person was supposed to have citizenship of the USSR, to follow the charter of the organization, to participate in the activities of association and to pay the membership fees. Representatives from all economic fields, researchers, and lecturers were able to become members regardless of age, level of education and practical experience. Also, students from higher educational institutions and secondary professional institutions were allowed to join. Most of the organizations, institutions and enterprises, including ministries, agencies, research and educational institutions could be collective members of the association.

In 1991, with the dissolution of the USSR, the association was renamed to the Association of Accountants and Auditors of CIS (Commonwealth of Independent States). In 1993 the accounting associations of most of the new independent states joined as collective members to the association. The appearance of professional structures was necessitated by the growing demands from and the changing nature of the market of accounting and auditing services.

In the 90's the necessity to train and retrain accountants for other types of property than state property in accordance with changing economic conditions was very high. There was a huge demand for professional accountants who were able to work in non-state owned

⁵¹ The Association of Accountants and Auditors of USSR was founded in 1989 by the Economic committee of the Soviet Council of Scientific-Technological Development.

entities, in particular with foreign investments coming in, so the owners could trust to the system of accounting of property and liabilities. Thus, in 1993 a new concept of accounting education development in Russia was suggested by the Ministry of Education of the Russian Federation. It specified that the training of accountants should be provided in the following directions: accountant with primary professional education (accountant – *clerk*), with secondary professional education (accountant – *technician*), with higher professional education (accountant – *economist*) and in addition to the higher professional education practical skills (*professional* accountant and auditor). Thus, during 90's, the Association of Accountants and Auditors of CIS mainly held its activities in the educational field to provide training, retraining and improving professional qualification courses, seminars and workshops for accountants and auditors. This was generally arranged at university - based professional learning centres.

When the Association of Accountants and Auditors - "Sodruzhestvo" (AAAS) was registered instead of the Association of Accountants and Auditors of CIS in 2002, it announced the following mission⁵²:

- "1) promotion of advancement of economic science and implementation of new forms and technique of accounting, audit and economic analysis that meet the requirements of the current level of production and management;*
- 2) assistance to the accounting, audit and economic analysis personnel in formation of economic thinking suitable for market relations;*
- 3) presentation and protection of rights and legal interests of the members of the organization [AAAS], assistance in protection of their professional interests;*
- 4) promotion of improvement of the professional competence of the members of the organization [AAAS] and raising the prestige of the profession".*

According to this Charter, the major functions⁵³ of this professional accounting organization include the dissemination of advanced national and foreign experience in organization of accounting, audit and analysis of economic activity. In addition, it contains the organization of professional programs, workshops and seminars. The developing of

⁵² See Charter of AAAS, paragraph 2, article 1.

⁵³ See Charter of AAAS, paragraph 2, article 2.

educational programs and study plans for professional training of accounting and audit practitioners also numbers amongst the functions of the association. AAAS is actively involved in the methodological work that concerns improving the professional competence of accountants and auditors. In addition, it organizes work devoted to the entry requirements to the profession. The Association can publish educational materials, journals, periodicals in the field of accounting and auditing. One of the functions of AAAS is to formulate and approve the various aspects of professional ethics, and also to monitor compliance with the code of professional ethics by members. This professional association can organize work-related training for its members at the national and foreign companies and institutions, and also invite accounting specialists from abroad. AAAS is in the process of establishing and developing relations with national and international professional accounting and auditing bodies, as well as participating in their activities.

To be a member in AAAS⁵⁴ it is necessary to be at least 18 - years old, be a citizen of the Russian Federation, or a foreign citizen, or a stateless person or to be a legal entity – a public association following the charter of the association. The decision about admitting members of the association is done by board of directors, based upon written applications from applicants. Such an application includes personal information, education, practical experience, job title and whether one holds a professional certificate of accountant or auditor. Membership includes participating actively in the work of developing and improving accounting, auditing and economic analysis. Members are required to enrich and upgrade their professional competence by mastering new techniques of accounting, auditing and economic analysis. It is obligatory for members to pay membership fees annually.

The development of profession associations continued in 1996, when the Regulation “On certification of professional accountants” (N16-02-26-02 dated 15.02.1996) was approved by the Methodological Council for Accounting, which was in turn subordinated to the

⁵⁴ See Charter of AAAS, paragraph 4, articles 1 & 4.

Ministry of Finance of the Russian Federation. Certification was also approved by the Association of Accountants and Auditors of CIS (dated 08.02.1996). This ordinance stipulated that professional certificates confirmed the profession standing of the accountants. However, obtaining the certificate at that time did not guarantee accountants professional privileges. In order for accountants to gain professional privileges, that is to say, to engage accountants in the professionalization project, the Institute of Professional Accountants and Auditors of Russia (IPAR) has been organized⁵⁵.

The Association of accountants and auditors - "Sodruzhestvo" became one of the founders of the Institute of Professional Accountants and Auditors of Russia (IPAR)⁵⁶. The members of IPAR are certified accountants, financial managers, auditing companies and associations, individual auditors, industrial enterprises, regional institutes of professional accountants and teaching centres⁵⁷. The legal entities are supposed to support the implementation of the aims of IPAR activities and pay membership fees in due time. Individual members can be citizens of the Russian Federation or come from foreign countries. They are required to follow the charter of the institute. It is also supposed that individual members have passed the qualification exam for certificate of professional accountant or auditor⁵⁸ before becoming a full member of IPAR. Also, those with doctor (or candidate) of science

⁵⁵ During the process of development of professional association in Russia it is possible to observe the structural elements of professionalization, such as specialization, centralization and standardization (see e.g. Harries-Jenkins, 1970; Larson, 1977; Macdonald, 1995). One can say that the explicit mechanisms have been created through a process of professionalization of Russian accounting and auditing profession: entry prerequisites, institutionalized programs of academic education and work-related training and experience.

⁵⁶ The English name of IPAR is presented at Institute's web-page as "Institute of Professional Accountants of Russia" (see <http://www.ipbr.org/?page=english>). However, the Russian name (if to translate) is stated as "Institute of Professional Accountants and Auditors of Russia" (see <http://www.ipbr.org>).

⁵⁷ At the end of 2010, IPAR consisted of 160 000 certified accountants (including more than 1 000 lecturers, and more than 4 000 auditors), around 1 000 auditing companies, 6 chambers of auditors, 72 regional institutes of professional accountants, more than 100 industrial enterprises, and more than 400 teaching centers.

⁵⁸ See Charter of IPAR, paragraph 7, article 1 (http://www.ipbr.org/documents/documents.norm.company_rules.2010.pdf)

degrees⁵⁹ in economic/legal studies and/or with certificate of professor (associate professor) in economic/legal studies can become members of IPAR.

According to the charter of the IPAR, this professional accounting organization is engaged in⁶⁰:

- *joining professional accountants and auditors in a professional organization, raising the status and prestige of the profession;*
- *improving accounting, financial reporting and auditing in accordance with the “Accounting and Reporting Development Concept in the Russian Federation in the Medium Term” (N180 dated 01.07.2004);*
- *assisting the members in elaborating the standards and rules of professional activity, in developing the legal and regulatory framework for accounting, in auditing and in financial management;*
- *developing the system of professional education of accountants based on the international education standards of the International Federation of Accountants (IFAC)⁶¹;*
- *involving young accountants in the professional community;*
- *representing and protecting IPAR members’ rights and their legitimate interests, and assisting in protecting their professional interests*
- *providing qualified consultancy services on accounting and taxation.*

Since 1998 the certification of professional accountants is under full responsibility of IPAR. Those wishing to obtain a qualification certificate of professional accountant are supposed to join IPAR as candidate - members. IPAR, through its system of regional teaching centres (certified by IPAR), assists these candidates in improving their qualifications in accordance with the educational program approved by regulation “On certification of professional accountants” (N16-02-26-02 dated 15.02.1996) regarding specially organized courses and in preparing to pass the exam for the certificate of professional accountant on a regular

⁵⁹ For the discussion about the comparison between the Russian degree of candidate of science and the Norwegian PhD degree in accounting see Bourmistrov and Mellemvik (2007).

⁶⁰ See Charter of IPAR, paragraph 3, article 1 (<http://www.ipbr.org/documents/documents.norm.company.rules.2010.pdf>) and web-page of Institute of Professional Accountants of Russia (<http://www.ipbr.org>).

⁶¹ The Institute of Professional Accountants of Russia (IPAR) became accepted as a professional association and full member of IFAC in 2001.

basis. When the professional certificate has been awarded, it is possible to become a full member of IPAR.

The certification of professional accountants was further promoted by the state regulation aimed at increasing the legitimacy of the professional certificate and justifying the necessity for it being obtained. This was done in 2003 when the Ministry of Finance of the Russian Federation together with the Ministry of Labour and Social Development of the Russian Federation issued in addition to the existing qualifications⁶² a new description of qualifications for positions such as “chief accountant” and “financial director”. This amendment made by the Ministry of Labour (dated 12.12.2003 N75) states that these specialists are required to have higher professional (economic) education, practical skills in economic and financial departments, also in managerial positions, at least 5 year education and the certificate of professional accountant. It is quite clear, that this regulation is only used as a recommendation by employers, since not all companies need an accountant with higher qualification. Thus, the Ministry of Labour had considered it important to draw the attention of employers to hire or to continue to work with chief accountants with professional training, constantly improving their qualifications and following the code of ethics of professional accountants. Here, the professional community (with the assistance of state agencies) by furthering the development of the status of the accounting profession tries to show that the role of accountant is now the *very well educated specialist with practical experience and professional knowledge* certified by an international recognized professional association.

In 1998, IPAR also began actively to participate in the rule-making process pertaining accounting, financial reporting and auditing. This same year when the “Program of Accounting System Reformation in Accordance with International Financial Reporting Standards” (N283 dated 06.03.1998) was approved by the Government of the Russian

⁶² The Resolution of the Ministry of Labor and Social Development “Qualification manual for managers, professionals and other employees” (dated 21.08.1998 N37).

Federation. It was supposed that a professional association will be more actively involved in the regulation of the accounting, so the ordinance states⁶³:

“During the period of formation of the accounting profession that meets the needs and requirements of the market economy, the level of participation of professional organizations in the accounting regulation will increase. At the same time, the historical and cultural traditions of regulation of social life in Russia will be taken into consideration”.

This regulation devoted to the accounting system reformation has provided a possibility for IPAR to represent the interests of professional accountants – its members – in the rule-making process. So, IPAR has participated in the development of Russian accounting principles (standards). The institute was also involved in the preparation of the Chart of Accounts including guidelines for its use (Order of Ministry of Finance N94n dated 31.10.2000). Also, IPAR has prepared commentaries to the Chart of Accounts and published a Manual for correspondence of accounts. In addition, the institute has made numerous explaining instructions, recommendations and regulations ready for use by economic entities from different industrial branches.

In 2003 when the administrative reform⁶⁴ of the executive branch began in the Russian Federation, one of the key objectives was to improve state control (supervision) functions within state authorities, including the Ministry of Finance. Therefore, in October 2003, the Government of the Russian Federation decided to delegate part of the functions of the Ministry of Finance in the field of accounting regulations to professional associations. This decision was implemented in the ordinance “On approval of Accounting and Reporting Development Concept in the Russian Federation in the Medium Term” (Order of Ministry of Finance N180 dated 01.07.2004). The table below shows the distribution of responsibilities between state authorities (namely the Department for Regulation of Public

⁶³ See Article 2 of the “Program of Accounting System Reformation in Accordance with International Financial Reporting Standards” (N283 dated 06.03.1998).

⁶⁴ For more information about the governance reforms, including administrative reform, see Administrative Reform in the Russian Federation http://www.ar.gov.ru/en/main_menu_en/general/

Financial Control, Auditing and Accounting of the Ministry of Finance of the Russian Federation) and professional associations in the field of the accounting regulation (Table 6.8):

<i>Administered by state authorities</i>	<i>Administered by professional association</i>
<ul style="list-style-type: none"> • State policy in the field of accounting, reporting and auditing; • Improving the legal platform of the field of accounting, reporting and auditing; • Establishing approval procedures of IFRS and its introduction for implementation in the Russian Federation; • Organization of preparation and approval of Russian accounting principles (standards) and other legal acts in the field of accounting, reporting and auditing; • State control (supervision) of compliance with legislation in the field of accounting, reporting and auditing; • Monitoring risk factors that determine the stability of the accounting and reporting system; • Interaction with interstate and intergovernmental organizations in the field of accounting, reporting and auditing. 	<ul style="list-style-type: none"> • Representing and protecting interests of the professional community; • Formulation and submitting suggestions regarding improvement of legal aspects of accounting, reporting and auditing; • Participation in the formulation or initiation of Russian accounting, reporting and auditing standards and regulations development, as well as its interpretation; • Professional public expertise of IFRS in the process of approval in the Russian Federation; • Developing and disseminating practical guidelines, recommendations and information materials (including for the sectors of national economy) in the field of accounting, reporting and auditing; • Compilation and dissemination of best practices in accounting and preparation of financial statements; • Developing the code of professional ethics and ensuring its compliance by members of the professional community; • Monitoring the standards' compliance by members of the professional community in the field of accounting, reporting and auditing • Improving qualification of members of the professional community; • Monitoring risk factors that determine the stability of the accounting and reporting system; • Interaction with international non-governmental organizations in the field of accounting, reporting and auditing.

Table 6.8. Extract from the "Accounting and Reporting Development Concept in the Russian Federation in the Medium Term" (Order of the Ministry of Finance N180 dated 01.07.2004, pp. 9 – 10).

The above-mentioned distinction in responsibilities between state authorities and professional association in the field of accounting regulation was also included in the

discussion of the draft of the federal law “On Accounting”⁶⁵. Chapter 3 of the draft law discusses the regulation of accounting in the Russian Federation. Describing the principles of accounting regulation, it is stated that it is not allowed to combine responsibilities held in the approval of national accounting standards with state control (supervision) in the field of accounting. Thus, Article 22⁶⁶ of the draft law is devoted to accounting regulation bodies. It says that state regulation is under the responsibility of the authorized federal body [the Department for Regulation of Public Financial Control, Auditing and Accounting of the Ministry of Finance of the Russian Federation]. It also contains information that the regulation of accounting in Russia can be done by non-state bodies of accounting regulation interested in taking part in the rulemaking process. Amongst these can be self-regulative organizations of entrepreneurs, other users of accounting (financial) information, auditors and their associations (pursuing the aim of furthering the development of accounting). It is necessary that these professional associations are included in the corresponding state register of self-regulative organizations⁶⁷. Only the professional auditing associations are allowed by state authorities to be considered as non-governmental professional bodies authorized to participate and work out accounting regulations and standards. Therefore, most joint professional associations of accountants and auditors founded and registered an affiliated legal entity in the form of a self-regulated association of auditors. This self-regulated association is then included in the state register of non-governmental professional bodies allowed to take part in the process

⁶⁵ The draft of the federal law “On Accounting” has been presented for the discussion by the Government of the Russian Federation at the May 20th, 2010 meeting.

⁶⁶ For the purpose of this research, in this sub-section, mainly a description of the functions of the professional organizations in accounting regulation (based on the draft law “On Accounting”) is presented.

⁶⁷ For the purpose of this research project, only self-regulating organizations and their associations in the field of accounting and auditing are considered here. The state register of self-regulative organizations of auditors consists of the six professional organizations allowed to be the non-state bodies of the accounting regulation. These six organizations are the Audit Chamber of Russia, Institute of Professional Auditors of Russia, the Moscow Audit Chamber, the Institute of Professional Accountants and Auditors of Russia, Russian Collegiate of Auditors and Association of Accountants and Auditors “Sodruzhestvo”. The state register of self-regulative auditor organizations (dated 31.12.2010) was obtained from the web-site of the Ministry of Finance in January 2011 (http://www1.minfin.ru/ru/accounting/reestr_selfreg/).

of accounting regulation. The “daughter” auditors’ association deals generally with legislative issues, while the “parent” association mainly focuses on training and retraining.

According to the draft law, the major functions of such non-state bodies of accounting regulation include⁶⁸:

- *Formulating the drafts of national standards, arranging public discussion and then presenting the drafts to the authorized federal body;*
- *Preparing the development program of national standards;*
- *Participating in the expertise of the drafts of national standards;*
- *Ensuring conformity of the draft of national standard to the international standard, used as the basis for draft’ development;*
- *Formulating and approving recommendations in the field of accounting;*
- *Compiling the best practices of national and sector standards application, and formulating suggestions on for improvement;*
- *Participating in the formulating of international standards.*

Thus, the professional self-regulating organizations are supposed to take part in the rule-making process and consider the role of an accountant as *active participant in formulating and preparing for discussion* of the regulations pertaining to the field of accounting.

In addition, the draft law “On Accounting” contains an article devoted to the accounting standards board⁶⁹. The purpose of the board is to provide expertise to drafts of national standards. This board is organized under the authorized federal body. The board consists of ten representatives from non-state bodies of accounting regulation and research community (at least three members should be rotated during a three year period), and from five representatives of state bodies for accounting regulation. It is also required that the candidates for membership of the board should hold higher professional education qualifications, have an impeccable (professional) reputation and also have practical experience in the field of finances, accounting and auditing. So, the professional community is not only taking part in formulating accounting regulations, but also assume

⁶⁸ See chapter 3, article 24, and paragraphs 1-7 of the draft law “On Accounting”.

⁶⁹ See Chapter 3, article 25 of the of the draft law “On Accounting”.

the role of accountants as *decision-makers* during an open discussion of regulations in the accounting field.

Anyway, the path of the development of the professional community of accountants and auditors moved from a mass organization to a self-regulating organization operating as a non-state body of accounting regulation⁷⁰. However, professional associations of accountants and auditors in Russia, even though this is mentioned as the mission of the organizations, are not actively involved in setting the level of required professional knowledge for their members and in following up the professional careers and ethical behaviour of their members (see e.g. Romanov, 2005). Still, membership of professional association is not yet reckoned to constitute an essential part of being professional. One interviewee says:

"I know about the professional associations. But I don't feel that they are the voice of all of the accountants. I don't see that they actually represent my interests as a professional organization. I understand that they do some work in cooperation with the Ministry of Finance. But the current development of the legislation shows that the professional interests of accountants are not taken into consideration".

Also, in most cases, the professional accountant's diploma does not count as being so important for the accountants themselves or for employers when on hiring an accountant. One interviewee comments:

"If I want to have a professional certificate, I have to pay to be a member of the professional association. Then I have to pay for the preparation seminars to take exams for the certificate. Then I pay for the exams. If I want to have my professional certificate next year, I have to pay membership for the next year and to participate once in a while at improvement qualification courses, for which I have to pay and also to find time to go because I have a full-time job".

A reason to exclude professional members can be non-payment of membership fees. If a member is excluded from professional accounting and auditing associations, this means that he or she will be able to find a job as an accountant anyway.

⁷⁰ See the draft of the federal law "On Accounting" presented for discussion by the Government of the Russian Federation at the May 20th, 2010 meeting.

In addition gaps with regard to the regulation of accounting *and* auditing profession in Russia offer challenges to developing the professional community. The Ministry of Finance is responsible for the certification and licensing of the auditors who do audits. This ministry also registers the self-regulating organizations of auditors allowed to act as non-state bodies of accounting regulation in accordance with the draft law “On Accounting”. It seems that the auditing profession is becoming stronger and enjoys growing support from the state authorities. This distinction separates the accounting and auditing professions, and not supporting a common dialogue between accountants and auditors with regard to the roles and interests of accounting *and* the auditing profession respectively⁷¹.

Against this background, the professional accounting associations seem to be nominal leaders of the professional accounting community. One of the interviewees says:

“I really would like to have a professional body that will fight for me as an accountant, will listen to my problems, will support me in my everyday accounting work, and will give me a chance to do my work professionally”.

The current number of accountants⁷² in Russia shows that the professional body expressing their interests and continuing its dialogue with state regulation bodies is essential for keeping the status of the profession.

6.3. Academic reflections

It seems relevant to look upon the role of accountants in Russia from the point of view of the accounting research community. The following overview is based upon accounting textbooks that have been or are still being used in educational programs for accountants.

⁷¹ For the purpose of this research study I do not enter the discussion about the relationship between the accounting and the auditing professions. However, further research can consider the interrelations between accountants and auditors and their respective professional organizations in the Russian context.

⁷² According to some observers, there are, currently, approximately 7.2 million accountants in Russia (see e.g. Kizilov, 2009, www.consult.ru).

Weitsman (1978) describes the main roles of the accountant in Soviet times. First and foremost, he claims that the accountant was the state controller. He or she was supposed to control and follow implementation of the technical and economical plans of the enterprise. In addition, the accounting department of an enterprise was subject to a series of different external controls (see e.g. Mennicken, 2010). The department was also subject to controls from the relevant ministry branches. At the same time, Gosbank (the Soviet Central Bank) would send out its own inspectors to ensure that the prices used by accountants were in accordance with those fixed by the government. In addition, the Ministry of Finance sent controllers who came in to check that

“the payments and revenues were made in line with the overall finance plan” (Mennicken, 2010, p. 341).

So, as Weitsman notes, the accountant was one of the main employees of the enterprise. Thus, the relationship between the director and the accountant was quite important and was to function on a business-like basis. Both the director and the accountant had one main task, namely, to stimulate the effective running of the enterprise concerned. The main task of the director was to ensure fulfilment of the enterprise techno-economical plan that was the part of the state economic plan. As Weitsman (1978, p. 16) puts it:

“Plan is law for the enterprise, and every effort of the employees of the enterprise led by the director must be applied in order to implement the plan rigorously”.

In turn, the accountant was at the same time required to be aware of all decisions and actions taking place at the enterprise and to use all available forms of control in order to follow all possible deviations from terms and norms of the technical and economical plan. When deviations had been defined, then the duty of accountant was *to facilitate quick and painless elimination of such deviations*.

The communication between the director and the accountant was expected to be on-going and in close dialogue. According to Weitsman (1978), common decisions on principal matters between director and accountant were assumed made in a coordinated manner.

However, due to the obligatory plan fulfilment, and in order to avoid plan deviations, the director was required to be insistent and decisive. So, the accountant was supposed to accept the director's opinion, but simultaneously he or she had the right, one might say even the obligation to supervise that allowable deviations did not detriment plan fulfilment. In addition, the accountant was not only an informant but also an in-depth analyst. While inspecting source and supporting documents and registering accounting information, he or she was able to define their analytical importance and the possibility to analyze this information in order to comply with planned economic efficiency indicators.

According to Weitsman (1978) another role of the accountant was to act as manager and tutor of the accounting department. He claims that in order to have full control of accounting and to follow up the techno-economic plan implementation, the accountant needed qualified assistance from his or her accounting colleagues. The tutoring role of the accountant consisted of involving the young employees and instructing them during the working process in order to ensure the quality of the accounting work and to have continuity. Discussing the roles of the Soviet accountant, Weitsman (1978) notes that the accounting profession held high prestige. He writes (p. 37):

“Being accountant is respectful and at the same time very dynamic. The primary concern is that the flow of enterprise’ resources is in compliance with regulations and that it is safeguarded. Accountant is required to be always on the alert. The Soviet accountant is the state controller [...]. The importance of his role, also as analyst, appears everywhere, and namely when the state interests are to be strictly observed, the property is to be safely guarded, the quantity and quality indicators of enterprise performance are made in the right combination, and the increased economic efficiency is not supposed to be achieved by deviations in relation to the techno-economical plan, and that faked accounting numbers and padded expenses are not making difficult to understand the actual state of affairs of the enterprise”.

When the Soviet Union collapsed, one of the first laws passed by the new state Russian Federation was the federal law “On enterprises and entrepreneurial activity” (N445-1 dated 25.12.1990) in which the definitions of entrepreneurial activity and types of business entities were given. Amongst other things, it is stated that the enterprise plans its business

activity independently and identifies its business development prospects based on demand. Apparently, the transition to the market economy, privatization of state-owned enterprises, and introduction of new types of business entities necessitated an adjustment of the aims and purposes of accounting information for *new types of* management, control and analysis. So, accountants, as Kozlova et al. (1995) suggest, are supposed, simultaneously, *to be creative* and *to know current legislation* in order to provide unbiased, reliable, and understandable and secure accounting information - both for external and internal users.

In accordance with regulation "On Accounting and Reporting in the Russian Federation" (dated 20.03.1992 N10) all departments have to present the required accounting data. So, during the 90's, accountants were expected to obtain accounting information from most services or departments of the enterprise or company concerned.

In their textbook Kozlova et al. (1995) write that at a quite big industrial enterprise, the accountant was supposed to receive from workshops –documentation containing cost production reports, from warehouses –documents regarding the flow of materials, from the planning department –information about cost estimates and planned indicators, from the personnel department –documents about hiring, firing and transfer of employees, from the mechanical engineering department –documentation containing information about the flow of equipment, etc. Thus, accountants were required to be aware of most stages of production, its features, the kind of documentation produced and the information necessary for accounting registration. Based on the data collected accountants were expected to prepare systematic information reports about the enterprise performance and its structural units for presentation to enterprise management and the company's board.

Babaev et al. (2001) state, in their textbook, that accounting information provides the basis for making managerial and financial decisions. In addition, accounting information is necessary for the implementation of management functions such as information, planning,

control, safety and analysis. In other words, based on the afore-mentioned statement, the roles of a “good” accountant are supposed to be *informant, planner, controller, overseer of property safety and analyst*.

To be *informant* means to present information about the financial and economic activities of the enterprise timely and of good quality in order to make reasoned management decisions. As *planner* the accountant is supposed to be able to set the objective, find the ways to achieve this objective and choose the optimal to implement the objective. He or she is required to set up a plan of current and expected financial and material expenses and the estimated profit. The role of *controller* assumes defining the actual fulfilment of a plan, where the accountant is supposed to compare actual revenues and expenses as against planned revenues and expenses. The accountant is required to control the business transactions and the company assets’ and liabilities’ flow in order to *prevent* negative deviations in the business activity of the company. There are three types of internal control in organizations: preliminary (before the business transaction has taken place), current (when the business transaction is done), and final (after the business transaction has taken place). In addition, as the *controller* accountant should be aware of and prepared for external financial control conducted by investors, creditors, the chamber of accounts, banks, treasury, state controlling and revision department, tax inspectors and tax police. To be *overseer of property safety* means to use the chart of accounts (or working chart of accounts) enable one to oversee the flow of cash, resources and payments, and thus providing safety of company’s property. By being *an analyst* the accountant is supposed to know how far the company’s goal has been achieved and to use analytical tools in order to define the reasons for planned goals not being reached.

It has been previously observed that Soviet accounting consisted of three types of accounting: operational, statistical and accounting verification. In his textbook about the theory of accounting in the Russian Federation, Babaev (2004) defines the following three

types of economic accounting: operational, statistical and enterprise accounting⁷³. The ordered system of collecting, registration and synthesis of information concerning enterprise activity in value terms is accounting. Thus, the overall role of the accountant is

“to collect all the necessary source and supporting documentation, to keep the accounting process going continuously and comprehensively, and to process accounting information using accounts, double-entry, balance sheet, etc.” (Babaev, 2004, p. 9-10).

There are three types of accounting: financial accounting, management accounting and tax accounting⁷⁴. When dealing with financial accounting, the accountant is supposed to collect and make a synthesis of accounting information in order to process and register business transactions and then prepare financial statements. The results of this accounting work are used by internal users such as management or by external users such as creditors, investors, banks, etc. The role of the accountant in keeping management accounting is to provide the management responsible for achievement of production goals with accounting information. Here accountants are supposed to create a synthesis of planned, expected and analytical information for managers to use. It is believed that this information, prepared by accountants, is better and more precise in the observation, measurement and registration of accounting transactions. When it comes to tax accounting, the accountant is required to collect information in order to register the correct taxes and levies for taxation purposes, and then prepare the tax statements. However, based on the Tax Code of the Russian Federation, tax accounting uses its own separate calculations and adjustments for correct tax estimation, in addition to the accounting data provided⁷⁵. So, accountants are supposed to collect and record the source

⁷³ Here the term “enterprise accounting” is used interchangeably with the term “accounting”.

⁷⁴ Tax accounting has been included as part of accounting after the introduction of the 2nd part of the Tax Code of the Russian Federation (01.01.2001). Tax accounting being part of accounting is the system of collecting, registration and the processing of business and financial information for correct and objective estimation of tax liabilities and the preparation of tax statements of companies.

⁷⁵ According to Article 25 of the Tax Code of the Russian Federation tax accounting considers as separate part of accounting. It means that when accounting ledgers contain insufficient information to determine the profit tax base, taxpayers are required to maintain separate tax accounting ledgers. The tax base is

information necessary for the correct estimation of tax liabilities. They are also required to register information from source documentation in the financial accounting and tax accounting ledgers on time. The accountant is expected to estimate the correct amount of tax liability and prepare reliable tax reporting. He or she is also supposed to have control over the flow of tax information and tax statements.

Novodvorsky and Sabanin (2004) discuss in their textbook the challenges of going into business and state that for some directors and owners it is not immediately obvious that accounting is carried out for profit-oriented purposes, and not for tax inspectors. They tend to forget, that in the organization's management system accountants play a *feedback role* providing information to the director about what he manages and what the results are. Some directors, when deciding what part of accounting, namely, financial, management or tax one should focus on, prefer to concentrate on tax accounting because of their "*unshakable faith*" (Novodvorsky and Sabanin, 2004, p. 14) that accounting is done purely in order to calculate tax liabilities. In other words, these directors consider accountants as "instruments" to be used solely for tax calculation purposes. The performance of accounting work is evaluated in inverse proportion to the sum of tax payments, i.e. *the less taxes* the company has paid, the better work the accountant has done. So, the "good" accountant should be the best in legal tax minimization or tax optimization. It is worth noting, that the economic situation in the 90's in the Russian Federation led most directors and accountants believe that "*only the lazy ones pay taxes*" (Novodvorsky and Sabanin, 2004, p. 29). Moreover, tax evasion became indeed a feature of successful business.

However, it is necessary to mention that at that time the tax system in Russia suffered very serious shortcomings, such as an excessive tax burden, weak tax legislation allowing ways

calculated based on tax accounting data in relation to income and expenditure. The system of tax accounting should be organized by the taxpayer independently, based on the principle of the consistent application of the norms and rules of tax accounting. The procedures for the maintenance of tax records should be formally established in a taxpayer's accounting policy (see e.g. Doing Business in the Russian Federation by Ernst&Young, 2005).

for tax evasion and a lack of experience on the part of tax officers when carrying out company tax inspections. Nevertheless, since that time, a lot has been done by the state to remove such shortcomings. For example, it has become quite difficult to evade taxes, and the risks connected with tax evasion are greater now than before. So, directors looking for tax evasion see a “good” accountant as being able to deal professionally with tax inspections. It is possible to speculate that changes in tax legislation engendered the idea that being a “good” accountant means organizing accounting in such a way that to pay taxes could be just as beneficial as evading taxes. There are also indications that accountants need to improve their professional level in the constantly changing legal environment⁷⁶ and bearing in mind the scarce financial resources allocated by companies for professional training. The professional opinion of academics based on the current situation of tax regulations is expressed by Novodvorsky and Sabanin (2004, p. 30):

“In such circumstances it is better to follow tax legislation than constantly to evade the law”.

The academic reflections presented above provide a mixture of expectations from state, profession and market over time. However, they shed light on how the roles of the accountants were perceived by academic researchers during this period of time.

This chapter has reviewed the development of the accounting education and professional associations in the field of accounting and auditing in the Russian Federation from Soviet times till Medvedev’s period (2010). It has been shown - using the frame of description of the curriculums of higher education institutions and the frame of historical development of professional associations – that the accountants’ roles from the profession’s point of view are inseparably linked with the transition of Russia from a planned economy to a market-oriented economy. The revision of curriculums and also the stages of development of

⁷⁶ As a matter of fact, the quantity of legal documents issued in the Russian Federation is huge. Weekly up to 10000 new documents can be added to the legal databases (<http://english.garant.ru/>).

professional associations during this period of time were done as part of the broader social-economic reform going on in the Russian Federation. It has been described that the changes in the curriculums were done primarily by state authorities, in particular by the Ministry of Education, though the decisions were driven by the education and methodological departments organized for each speciality and consisting of leading professors, practitioners and researchers in the field. Thus, these changes were done based on the recommendations from accounting professionals by taking into consideration the demands of new conditions and showing up the *new* roles of accountants, but, on the other hand, the *old* roles did not automatically disappear. With regard to the professional associations, it was shown that the changes in the Russian economy and society also resulted in the reformulation of accountants' roles from a professional community point of view. The formation of the professional role has moved from considering accountants who participate in professional association as extra *hobby* to the *legitimized right to formulate, discuss and make decisions* about accounting regulations as members of the professional community. To sum up:

- In Soviet times and during *Perestroika* the engineer-economist with accounting knowledge was a necessary specialist for the Soviet economy in order to implement economic plans.
- The Yeltsin period represented the “golden age” when the accounting profession really flourished. The boom in private companies meant that the accounting profession needed to conduct accounting for the new types of economic activities regulated by accounting and tax legislation.
- Putin's and Medvedev's times show the accountant being a competent well-educated accounting professional with more practically oriented knowledge in the accounting field especially related to the transparency of business transactions.

This chapter shows that the change in the expectations of accountants' roles from the point of view of the profession was promoted by state authorities introducing and

implementing long-term programs of socio-economic development for the Russian Federation as well as by challenges brought about by the new economic conditions. Therefore, the market requirements also form an essential part of describing the roles of accountants. The expectations of the market with respect to accountants' roles are to be described in the following chapter.

Chapter 7. The market perspective

"[...] What is quite clear by now is that Russian transition did not follow the path planned for it by the many western advisors, bankers and technical specialists who exerted such a powerful influence on policy in transition years. The Russian economy has not become a Western type of market [...]" (Kurkchiyan, 2000, p.93).

The research project provides a description and analyses the roles of accountants from three standpoints, the state, the profession and the market. It is believed that this blend of principles mirrors the expectations towards accountants' roles in Russia under different regimes. In Chapters 5 and 6 the roles of accountants from state and professional points of view are shown and it is also argued that the changes in the roles are inseparably linked with the transition of Russian society and economy. The three principles of order, as it is stated by Puxty *et al.* (1987), i.e. hierarchical control, spontaneous solidarity, and dispersed competition, function in capitalist societies. For Russia, the processes of stagnation, privatization, stabilization and modernization are important elements of the transition of the Russian market economy from the planned economy of state socialism to *nomenklatura* capitalism⁷⁷ and an economy based on the export of raw materials, and then to the "innovative model of economic growth connected with new mechanism of social development based on balance of entrepreneurial freedom, social justice and national competitiveness"⁷⁸.

⁷⁷ In 1992, the Russian government led by Yegor Gaidar started the radical economic reforms often known as "shock therapy". His government realized that privatization in the Soviet aftermath was not creating a "rational, healthy market" but what he called "*nomenklatura*" capitalism. By *nomenklatura* Gaidar refers to industrial directors, ministerial officials, generals of KGB, the secretaries of regional and district Party committees, etc. (Humphrey, 2000, p. 177 citing Gaidar).

⁷⁸ Extract from Chapter 1, article 4, decree of Russian Federation Government N1662-r dated 17.11.2008 "Concept of long-term socio-economic development of the Russian Federation until 2020".

The following chapter looks into the roles of accountants from using a market perspective, namely from the point of view of what the market expectations are towards accountants as discussed in Chapter 3. Markets refer to situations in which “some good or service is sold to customers for a price paid in money (a generalized medium of exchange)” (Fligstein, 1996, p.658). It is argued here that it is possible to describe the market of accountants in Russia during Soviet times and *Perestroika*, the Yeltsin period and Putin’s and Medvedev’s times, or in other words, during the processes of stagnation, privatization, stabilization and modernization. In the planned economy times when everything was centrally planned, *inter alia*, how many and the kind of accountants the official Soviet economy needed, a market of favours, both personal and economic, existed and this market also had expectations towards accountants. The commercialization of different kinds of property made the market for accountants grow constantly. It opened a market of accounting services for Russian accounting firms and individual practitioners, and also for multinational professional service firms, currently known as the Big 4 accounting firms (see e.g. Cooper *et al.*, 1998). During the last decades the market for accountants has passed through “black”, “grey” and “white” schemes. Fligstein (1996) notes there are rules defining the legal and illegal form of how firms can control competition. All the above-mentioned schemes of the Russian market require their own professional skills and generate expectations towards accountants. This description is based on the historical development of these requirements and the expectations towards accountants from the point of view of enterprises and companies, as it is believed to be a significant market perspective defining the “good” accountant.

7.1. Soviet times and Perestroika

“Who’s the boss: us or the law? (Galeotti, 2000, p. 273 citing Nikita Khrushchev).

All enterprises in the Soviet Union operated as state-owned organizations in the centrally planned economy. The Soviet enterprise corresponded quite closely to the divisionalised branch of a western company, rather than the company itself, as argued by Alexander *et al.* (2006, citing Bailey). It was the Soviet industry ministry itself, rather than the individual enterprise, that could in some ways be compared to a Western company. The Soviet ministry managing an industry could be compared to a Western company with a number of production units (Alexander *et al.*, 2006). So, the prime role of the Soviet accountant was on-going monitoring of performance of economic activities⁷⁹. The best accountants were those who

“were able to take over the account keeping function and actually wrote up the accounts simultaneously with the execution of the enterprises’ obligations under the 5-year state plan and periodically reported thereon to his superior organization, namely the ministry” (Alexander et al., 2006, p. 7).

Most enterprises were stable, formalized, and bureaucratic. There used to be closed connections between enterprises and superior organizations concerning necessary resources, targeted suppliers, contracts with customers, managing and allocating of budget funds, recording and presenting statistical data to assess plan fulfilment, etc. According to Michailova (2000), their cultures were monolithic and dominated by

⁷⁹ There were three types of accounting in Soviet times: operational accounting used for the managerial purposes of running the enterprises in all aspects of scheduling, producing, sourcing materials, selling, shipping and borrowing; statistical accounting reporting to the central state statistical office (namely Gosplan) data about prices, quantities produced, types of employees, impacts for the economy and society; and accounting verification consisting of a complete and continuous reflection of the enterprise’s activity, in which completeness implies a mandatory verification of all property, inventory, production, funds received and borrowed, and in which continuity implies a substantiation of all records by documents (see e.g. Mazdorov, 1972; Bailey, 1995, Petroff, 2000).

enterprise directors. She also states that top-down management and one-man authority was combined with strong and lasting relationships amongst organizational members. Furthermore, Djatej (2006) observes that, during Soviet times, the chief accountants also possessed a considerable amount of power. Party officials and superior organs were closely involved in the process of appointments of chief accountants and the size of their remuneration. In addition the selection, transfer, and dismissal of the chief accountant were carried out not only by the enterprise director but were supposed to be done with the consent of the superior organization. So, the activities of chief accountants were monitored and controlled by superior organizations, state authorities, etc. Thus, the enterprise directors tried to create a close, loyal network between key persons in the enterprise, including the chief accountant, and ministry representatives (see e.g. Weitsman, 1978).

As discussed in the previous chapter, the education system in Russia was and is regulated by state authorities. In the Soviet times and also during *Perestroika* the training of specialists with higher qualifications was centrally regulated, used standardized curriculums and in accordance with the chosen field of specialization, in other words, graduates were trained based on the priorities of the national economy⁸⁰. The Regulation also states, that young specialists were guaranteed a job through the centralized system of placements for graduates. Thus, on the one hand, the constitutional right of the citizens of the USSR to work was secured. On the other hand, it was the civil duty and obligation of the young specialist to work in accordance with the specified job placement⁸¹. So, higher educational institutions were required to provide graduates with practical training during the process of education, and with their first job placement after graduation. Special

⁸⁰ See Resolution of Council of Ministers of USSR N64 dated 22.01.1969 (with amendments) "On approval of Regulation about higher educational institutions in the USSR".

⁸¹ See article 1 paragraph 2 of Regulation "On placement and use in the national economy of the graduates from higher and secondary professional institutions" (by State Committee of Education of USSR N286 dated 22.08.1988).

placement committees at the education institutions were responsible for the organization of placements.

The procedure was the following: four months prior to graduation, the young specialist had a personal meeting with such a committee. The committee informed every graduate about the available job placements, position, salary, and provision of accommodation. The job placements could be in different enterprises located both in cities and rural areas within the respective sector of the national economy in all of the Soviet Union (it did not matter at which city the higher education institution was located, since it was an all-union centralized system of placements). In turn, the graduates had presented their personal data, the recommendation of the educational institution about his or her placement, and also their individual needs. In relation to these meetings there was a kind of market of job placements, and there was a kind of competition, since graduates with higher grades were given the priority to choose amongst placements on offer. Lower grade graduates had to make their choice based on the remaining positions, including evaluation of the job description, payments and other tangible benefits.

The committee made decisions based on the field of specialization of each graduate, the required qualifications, health conditions and marital status⁸². After the young specialist had accepted the job placement, he or she was required to work at this enterprise for at least three years. However, if the graduate had medical restrictions, family issues, etc. and/or the committee was not able to find a job placement in accordance with the qualifications of the young specialist, then the graduate could obtain a certificate giving the right to find employment by him- or herself.

⁸² See article 2 paragraphs 10 – 22 of Regulation “On placement and use in the national economy of the graduates from higher and secondary professional institutions” (by State Committee of Education of USSR N286 dated 22.08.1988).

It was forbidden for enterprises⁸³ to hire young specialist without a certificate of job placement. It was also stated by the Resolution that staff vacancies supposed to be filled up by the current years' graduates were not allowed to be opened for other applicants. In addition, the enterprises were prohibited from firing young specialist without written permission from the corresponding Ministry⁸⁴.

In spite of compulsory job placement, this centralized system of education and employment was operational: the state budget paid for the education of specialists with higher qualifications specified in the five-year plans. The State Planning Committee (or *Gosplan*) was responsible for preparing the five-year plans, as well as annual plans based on the feedback it received from ministries and enterprises (Djatej, 2006). It issued regular annual and quarterly plans that were binding on the economy as a whole and its ministerial sub-branches. So, *Gosplan* provided higher educational institutions (via State Committee of Education) with plans to fill up the staff vacancies at the enterprises of the corresponding ministry of the sector of the national economy. These vacancies were accumulated at *Gosplan* based on information from the relevant ministries about the staff list of enterprises that were part of the ministry. Thus, if the enterprises demanded new specialists, they were required to inform the personal department of the respective ministry, and then the necessary young specialist was supplied.

This official procedure of employment was regulated and controlled by state authorities. It also concerned the recruitment of accountants. Most accountant careers started with an obligatory job placement at the respective enterprises based upon obtained accounting qualifications in the chosen sector of the national economy.

⁸³ There was also the possibility for enterprises to send their employees to study in higher educational institutions within the quotas provided by the respective ministry. In this case, graduates were supposed to come back to their respective enterprises and be hired to the positions that they were qualified for.

⁸⁴ See article 3 paragraphs 34 – 35 of Regulation “On placement and use in the national economy of the graduates from higher and secondary professional institutions” (by State Committee of Education of USSR N286 dated 22.08.1988).

Most accounting students were aware where they would work when they graduated, what kind of accounting job they should expect and what the requirements were for graduates with a university degree in accounting. At the same time, the head of the accounting departments or chief accountant knew beforehand what knowledge and practical skills the graduates would possess, and what kind of work they would be able to perform.

However, as described in the previous chapter, one of the accountants' roles from the point of view of professional education in Soviet times was to be a *"quick learner for different branches"*. In other words, the existence at that time of curriculums and a study process allowed accounting specialists trained for one branch of the national economy quite often to be qualified for employment in another branch. Also, when graduates were placed based on the certificate of self-employment, it usually took place at an enterprise of another sector of the economy than he or she was trained for. Thus, this role gave them the possibility to attain specific knowledge necessary to work in the new field through practical experience.

With regard to accountants with secondary professional education, their career was regulated in the same way. They could be placed at the enterprises of the respective industry based on the list of staff defined for each enterprise. They were given responsibility for one part of the accounting system. Even if during a life-long career, they were able perform all the regular stages in accounting career, if they did not have the relevant higher qualification degree they were not allowed to be promoted for the position of chief accountant⁸⁵.

The positions of accounting clerks were also filled based on the staff list approved by the respective ministry; however, in some cases, such vacancies were announced through the

⁸⁵ See article 1 paragraph 5 of Regulation "On chief accountants" (by Resolution of Council of Ministers of USSR N59 dated 24.01.1980 with amendments). However, this paragraph also states that "when necessary, it is allowed to assign as the chief accountants, a person without higher qualification, but with practical experience at least 3 years".

state employment centre, which was responsible for the placement of people without higher or secondary professional education.

Most career development during this time took place in accordance with the ruling Party lines (see e.g. Bundina and Kozlov, 2001). These careers mainly unfolded in vertical line, from the very bottom positions to the top, over many years. It did not matter whether the person was from a rural area or from Moscow. The important driver was their eagerness to learn and their ability to work, however, generally speaking – in line with the ruling Party. In most cases, it did not matter much whether or not the person graduated from a prestigious higher educational institution or not, the most important thing was the ongoing commitment to increasing their own professional level (Bundina and Kozlov, 2001). Indeed, top positions were considered to be in enterprise management or the party elite. However, these managers or officials, who were able develop such careers, were quite talented and constituted indeed the very backbone of the Soviet management cadres. Thus, they could create their own management teams from professionals, including accountants that worked in accordance with the five-year plan setting the planned, medium-term increases in output for each sector of economy, ensuring the full utilization of local material and labour resources, and indicating major capital investments for the next five years (see e.g. Dybtsyn, 1982).

It was very important for enterprises to fulfil their own techno-economical plans that were the part of the state economic plan. The technical and economic plans of all enterprises were supposed to be implemented in order to meet the goals of the national economic plan. However, some strains could appear in the process of realization of enterprise plans. So, at one point, the economic system could experience shortfalls in output or delivery, adversely affecting with wider cycle of enterprises. Under these circumstances, the centrally-controlled distribution of funds turned into a competition for resources between enterprises (Kurkchiyan, 2000). Therefore, short-term production plans were supposed to be rescheduled in order to make possible the realization of the targets of the national economic plan. For making the necessary corrections to the commitments placed upon

enterprises by the superior organization or by the respective ministry, it was required to get the necessary statistical and accounting information about the performance of each enterprise (Djatej, 2006). So, an enterprise director, with the consent of the superior organization was always looking for a chief accountant with experience and qualification in reporting on enterprise performance at any point of time and ensuring that the main rules and regulations managing the enterprise were observed (Alexander *et al.*, 2006). As previously mentioned, the Soviet government set production targets which were sometimes missed or not fulfilled. The government strategy was to stimulate plant output by calling on the civic duties of employees, and giving honorary recognition as well as some bonuses, for good performance. At each convention of the Communist Party, enterprise directors were urged to achieve their quotas, and promised special recognition for exceeding them. So, the accounting department of an enterprise was in some cases involved in meeting Soviet government demands by recording as completed certain finished production that laid unaccounted for as such in warehouses (see e.g. Petroff, 2000).

In addition, Soviet accounting was extensively regulated. Forms and other types of documents were prescribed by regulations, accounts were unchangeable (see e.g. Bailey, 1995). Also, entries into accounts were only those predetermined and procedures for inventory taking and verification were also specified in detail. All legal expenses were regulated as amounts to be paid (for instance, the hourly salary of an employee or the allowable spending on a business trip). So, in addition, to the job of reporting enterprise performance at any point of time, accountants were supposed to find creative ways of getting things done in spite of expense restrictions, and yet still complying with state regulations. For example, as Petroff (2000) describes, the management of an enterprise was not able to find anyone to fill a vacancy (e.g. it was in the middle of the academic year, and the graduates had not yet finished their studies), and the enterprise risked of falling behind production quotas in accordance with its techno-economic plan. There were employees who would be willing to work overtime to fulfil the vacant position, but they

were not interested in getting the state imposed maximum of half the hourly salary that the position was normally paid, because the overtime was mainly paid at half the regular hourly rate. The solution here was officially to hire a person who never showed up at work, and he or she paid the salary over to an employee who already worked at the enterprise, and who actually performed the assigned duties. Similar accounting creativity was said to be necessary in many other aspects of running an enterprise: from obtaining supplies on time, speeding the approval of documents, reporting output produced to the government, etc. (see e.g. Baryshnikov, 1995; Petroff, 2000).

However, some research has been done also about informal regulations in the Soviet Union (see e.g. Ledeneva 1998, Michailova and Worm, 2003, etc.). Most of it is devoted to informal networking and using personal connections in command economies. For example, Ledeneva (1998) writes about Russia's economy of "favours". Michailova and Worm (2003) discusses personal networking in Russia and China. Personal networking and social connections with appropriate authorities and individuals were often more important than the price and quality of product or service offered (Michailova, 2000). The term *blat* appeared to be essential in the discourse about the exchanging the favours of access. The concept of *blat* worth to considering in addition to the described formal system of job placement and recruitment of "white collars", in particular, accountants with higher qualifications, in the Soviet Union.

*Blat*⁸⁶ means the use of personal networks and informal contacts and connections to obtain goods and services in short supply and to find a way around formal procedures (Ledeneva, 1998). These personal networks were interwoven with other forms of power – both political and economic – and have been used by social actors to pursue their aims and interests. Ledeneva (1998, p. 7 citing Giddens) writes:

⁸⁶ The word is quite difficult to translate directly to English. As Ledeneva writes (1998, p. 1 citing Berliner) "the term *blat* is one of those many flavored words which are so intimate a part of particular culture that they can be awkwardly rendered in the language of another".

“The structural conditions do not only restrict but also enable and organize the practices while these practices, in turn, penetrate, transform and thus shape the system”.

Thus, the system of job placement and recruitment was shaped by these conditions since not all graduates wanted to leave their families or change from city life to living in the rural areas⁸⁷. In other words, in order to be able to stay in their home places, most graduates or their family members tried to exchange favours to get job placements in enterprises located in their home cities. The same scheme also worked for experienced specialists when looking for a new place of work because of salary, social benefits, and access to additional favours. So, personal networking, in particular *blat* served the needs of getting preferable job placements. In other words,

“[...] blat exchange was often mediated and covered by the rhetoric of friendship or acquaintance: “sharing”, “helping out”, “friendly support”, “mutual care”, etc. Intertwined with other types of personal networks, blat provided access⁸⁸ to public resources through personal channels” (Ledeneva, 1998, p. 37).

It is argued here that the shortage of the placements or lack of opportunities to choose preferable positions of accounting work created a market of job placements where accounting qualifications and job requirements were defined by personal networking or belonging to the some inner circle. If someone was not included in the inner circle or didn't want to use the personal connections to find a job, then the mechanism of looking for available positions from personal departments of respective enterprises came into action. On the one hand, the right to work for every citizen was secured by the Constitution of the USSR. On the other hand, the staff list was defined by superior organizations and respective ministry based on a central planning for every enterprise. Thus, the requirements and qualifications for being a “good” accountant from an employer's point of

⁸⁷ As Ledeneva (1998, p. 126) describes using the satire magazine “Krokodil” (*The Crocodile*): “- How are you planning to start independent life? – I’ve got daddy, mummy, granddad and auntie running around sorting out permission for me to stay in Moscow”.

⁸⁸ As Ledeneva (1998, p. 18) describes using the satire magazine “Krokodil” (*The Crocodile*): “- I can’t believe you got a job through the employment center?! How did you manage? – Very simple, my uncle is the director there...”

view, or in other words, from the market perspective of the times, was either defined by *blat* or by the national plan.

Personal networking and informal communication were also used in everyday life. This also concerned the activities of enterprises in fulfilling the five-year plans. Directors together with accountants used *blat* for receiving material resources in time, preparing and sending reporting documents for the corresponding ministries in due time and for necessary approval (Petroff, 2000). Sometimes, it occurred that some enterprise obtained more resources than needed or because of planning mistakes, something else was delivered instead. In other cases there may be a surplus from the production process or some conditions had changed due to force majeure. So, some directors with the assistance of their accountants could use this surplus to trade in with resources they lacked or even sell in order to obtain personal benefits⁸⁹ since most of the surplus as well as the shortages of resources, cash, etc. were considered mismanagement or embezzlement. For instance, Viryaskin (2010) writes that the production of goods could be recorded in the accounting documents as the waste of raw materials from the main production process. Another example can be shown from the restaurant business when cost calculation of products used in cooking processes could involve weighing “short” and short-changing. There were also other examples of using gaps in the planning system with the help of accounting professionals. Crimes against socialist property were recognized in the Soviet Union and were punished. For example, the Criminal Code of RSFSR⁹⁰ saw mismanagement or embezzlement as serious crimes, to be proved based mainly on the evidence of accounting documents (since these kinds of crimes were possible to track only by controlling the expenses of the suspected persons). For such crimes, the director and accountant,

⁸⁹ One of the criminal activities connected with unrecorded surpluses in accounting registers was so-called *vynos* (the “carrying away” of socialist property for personal use and re-appropriation, see Birdsall, 2000, p. 147).

⁹⁰ The Criminal Code of the Russian Soviet Federative Socialist Republic (dated 27.10.1960 with last comments dated 26.12.1996).

depending on their level of involvement with the crime in case, could be sentenced to up to 15 years' imprisonment with confiscation of property.

So, enterprises in the planned economy with its ideology to fulfil production targets at any price expected from accountants with their Soviet mentality to be flexible, to use personal connections, to know how to obtain resources and how to adjust the payments with suppliers, to be very accurate with shortages and especially with production surpluses.

When *Perestroika* was proclaimed most of the features of the planned economy were still in use. This also concerned the required expertise of accountants. One of the interviewees tells:

"At the beginning of Perestroika I was working in an accounting bureau that dealt with hundreds of enterprises which were part of one ministry. It did not occur to us that something was going to change so drastically. Indeed, some new forms of enterprises were allowed (i.e. companies with foreign participation), and one of them was within our ministry, but the accounting work remained same. My role as an accountant was as it used to be: to keep accounts, to control and to report."

7.2. The Yeltsin period

After the collapse of the Soviet Union and the centrally planned economic system in 1991, Russia began to open up its economy and attract investor interest, also including foreign investment⁹¹. New forms of enterprises emerged, and new business relations were established. The processes of establishing property rights and promoting private ownership were instigated. This was the time when *shock therapy* provided opportunities for people to start up business activities, sometimes merely in order to survive⁹² (see e.g.

⁹¹ The adoption in 1987 of governmental decrees about joint ventures and requirement to undergo regular audits by such companies can be regarded as the starting point of the audit profession of the Russian Federation (see e.g. Mennicken, 2004, Samsonova, 2006).

⁹² Kurkchiyan (2000, p. 89) describes: "Russians first lost their savings in 1992 when state price controls were removed. Setting prices free brought years of hyperinflation. Hyperinflation in turn caused the gross

Sakharov, 2010). The *privatization* process of state-owned enterprises forced such entities to operate in an economic situation called the *wild 90's* (Rosefielde and Hedlund, 2009).

Following changes in Russian legislation most enterprises were transformed into joint - stock companies. At the same time, the centralized system of placements for graduates was also discontinued. So, the market for accounting and auditing services increased tremendously. A demand for 500 000 professional accountants, as described in Chapter 6, was estimated in the mid 90's (see e.g. Smirnova *et al.*, 1995). Since then, the number of accountants and auditors and accounting and auditing firms has grown constantly⁹³. The Yeltsin period was the flourishing time for accountants and their sought-after expertise. The accounting profession became very popular and in demand⁹⁴. At the same time, liberalization of prices, privatization, free market, hyperinflation and other *shock therapy* reforms brought Russian political, economic and social life close to collapse.

Also, during this period, the big international accounting firms began to open up their eastern markets for accounting and auditing services, establishing offices in Russia (Cooper *et al.*, 1998). Ernst & Young and Coopers & Lybrand, for example, established their first offices in Moscow in 1989. Arthur Andersen and KPMG followed in 1990, and Deloitte & Touche launched their offices in 1992. From the very beginning, these accounting firms offered a standardized audit, other financial services, and provided expertise in harmonized financial reporting standards.

devaluation of the salaries and pensions of all state employees – who before 1989 made up virtually 100 per cent of the population. Salaries generally became so small in comparison with prices that they lost their significance, even as a guarantee of social security. [...] In this period, survival became a despairing search for workable forms of economic enterprise, no matter how crude or demeaning the activity involved or how small the return”.

⁹³ See, for example, regular overviews prepared by the “Expert RA” rating agency (<http://www.raexpert.ru>).

⁹⁴ TV show *Namedni* (Lately) about the year 1992: “The new time needs new hero. Thousands and thousands companies have to present balance sheets quarterly and annually. [...] So, mass heroism is demonstrated by the army of accountants. Now it is the most popular profession. For the first time, a song about accountants has been composed. [...] The same accounting job in the private sector is paid 5 times more than in the public sector. The accountant is doing his or her usual job for unusual money. This is the call of the times”.

However, most careers, also in the accounting and auditing field at that time, were made by people quickly able to adapt and to adjust themselves to the new conditions, starting their own business, etc. It is necessary to point out that most of these people are former Party and Soviet officials, so-called *nomenklatura* (including former *Komsomol*⁹⁵ leaders). These officials had at their disposal decision-making and resource-allocation powers from the former USSR. They have been schooled by the Communist Party to achieve success - at any cost. Most successful representatives of the Russian professional business elite made their career by going into business, in the same field they were responsible for or had been previously working in or in some cases in other fields. However, their personal qualities should not be underestimated, such as openness to new conditions, the constant eagerness to learn and improve, and also their own business qualities (see Taimazov and Sokolova, 2008). So, with their new businesses, the new owners needed accountants able to assist them in making business flourish at any cost.

Research has been done about the economic situation in Russia during the 90's (see e.g. Stroeve, 2002; Rosefielde and Hedlund, 2009, Sakharov, 2010, etc.). In the beginning of the "wild nineties"

"the state lost its monopoly of legitimate violence, law enforcement and taxation, and therefore its functions became performed by economic agents pursuing private interests. The legal foundations of the market system at that time had not been defined clearly or implemented, and market instruments, such as competition, minority shareholder rights and property rights did not function properly" (Ledeneva, 2000, p. 14).

The year-long practice of delivering to non-paying clients, population poverty, with almost 40 percent of the population having an average per capita income below the minimum subsistence level (Stroeve, 2002, p.39) were not encouraging signs for the development of the market economy. Most big companies from the Soviet Union years were in the process of rebirth, being taken over, or being merged with other companies. And their struggle to survive was in most cases aided by a strong injection of capital and know-how by the

⁹⁵ Young Communist League of the USSR.

respective western companies. The companies established after the collapse of the centrally planned economic system did not have the burden of the socialist past. However, many managers and employees working for these companies had been influenced by the experience of the Soviet past (see e.g. Michailova, 2000).

At this time, it was very common that either customers or manufacturing plants buying from the company did not pay up⁹⁶, or the bank did not have money on hand and froze all the accounts. For instance, as Petroff (2000) describes, at that time it was the accountant who had to explain these difficulties to desperate employees who had not received their salaries, and, in relation to purchasing managers, who could not purchase supplies. As mentioned above, for employees who did not receive their salary for a month or sometimes even a longer period, accountants could offer no simple solution. During this period, managers had to find ways of retaining some employees, even though the unemployment rate was very high. Sometimes, managers offered finished products instead of salary so that employees could sell these goods on the street for cash⁹⁷. All these transactions were supposed to be done in accordance with accounting regulations. Also, one of the mechanisms for employees to acquire extra salary was covert earning schemes. In some cases these schemes were implemented by employees individually, in other words, they compensated what they earned using dubious actions. In fact, according to Birdsall (2000) these schemes were used by employees to cope with the pressures of market reform. As she states, this money made on the side, combined with the official income composed the employee's overall reward "package". In other cases, these "criminalized distortions of official structures and procedures" (Birdsall, 2000, p. 156) were

⁹⁶ For example, in 1999, one quarter of all payments (i.e. one quarter of GDP) was not paid in time or not paid at all (Petroff, 2000).

⁹⁷ Karpov P., the head of the government commission making an inquiry into the tax arrears issue in 1997 states: "An economy is emerging in prices are charged but which no one pays in cash; where no one pays anything on time; where huge mutual debts are created that also cannot be paid off in reasonable periods of time; where wages are declared and not paid; and so on... [this creates] illusory, or virtual earnings, which in turn lead to unpaid, or virtual fiscal obligations [with business conducted at] non-market, or virtual prices" (Ledeneva, 1999, p. 11 citing Karpov).

implemented by accountants as one of the ways for companies to keep the employees.

Birsdall (2002, p. 150-156) describes the following examples of covert earning schemes:

- *Substitution of unofficial goods. This can involve employees substituting “outside” goods for officially-sanctioned ones and profiting the price differential. It also can include manipulation of tickets and documentation. It can also be done through introduction products that are not designed, for example, for sale through shops and selling them parallel to the official inventory. Usually, it is done through routine accounting transactions and the use of seemingly official products, so the system is easy to execute and difficult to detect.*
- *Distortions of sales transactions. It relies upon familiar format of official transactions when customers are overcharged and as a result the difference can become meaningful profit when performed repeatedly.*
- *Using the firm’s assets for personal earning – when assets belonging to the firm are utilized for private gain. This kind of scheme is built up using time, space and professional context of the workplace.*
- *Pocketing fees. This form of covert earning depends upon the ability to hide part of the income flow; it appears most effective in contexts where numerous repeated transactions provide a cover for keeping some of the fees.*

Petroff (2000) notes that with regard to paying suppliers, accountants identified who of them could wait and who could not wait. They sought ways to cancel a debt in kind. All such decisions were taken together with company managers. He further describes, that not paying on time became common practice in all spheres: salaries, creditors, banks, and even tax collectors. In spite of this payment crisis, legislation did not permit companies to use cash for buying or selling materials, for travel expenses, etc. This restriction was the control instrument used by tax authorities to ensure that all payments were genuine and fully documented by bank transfers. All such documentations was supposed to be provided by the accounting department and authorized by the chief accountant.

Due to the domination of tax accounting over financial accounting during this period, it was not particularly smart to show profits that were then taxed at high rates⁹⁸. For some

⁹⁸ In Russia the transition process of profit distribution between state budget and enterprises from “at the discretion of officials: to the “tax system” occurred between 1984 and 1990. During this period the gradual regulation of profit tax between state and enterprises took place (Sinelnikov *et al.*, 1998). This process was

directors, mostly with experience from the socialist past, losses were not a real problem because they were used to justify complaints about defective costly supplies and poor employee performance. Thus, directors or managers expected accountants to show minimal profits or no profit at all. This was the time, when just as with delay of payments, there was no real punishment for making losses. As described by e.g. Baryshnikov (1995), Novitsky (2000), Petroff (2000), if the business was privatized, the owners were not only scared of getting dividend payments because of the their individual profit tax payments, but because of criminals offering "*protection*" to every business in the form of a "*roof*" and would only increase the amount of "*roof payments*" if profits were large⁹⁹. If the business was still state-owned, exceeding quotas and profit expectations could be considered a managerial mistake and then quotas could be increased for the next year, and thus, achieving them could be more difficult for management.

This was also the time when the market consisted of segments differing from the standpoint of legality of actions. Radaev (2000, p.64) defines the following main segments:

- *Legal (rule-of-law, "white schemes") activities. These were carried out in accordance with existing law and did not infringe on the interests of the other economic agents. Examples were own-account household economy and informal employment of family members.*

completed in 1990, when payment rates to the state budget differentiated by kind of enterprises and by year was replaced by income tax rates: the standard rate was set at 45% (23% - to the federal budget, 22% - to the regional budget). Since then the following income tax rates have been used: in 1991 – the standard rate was set at 32 %; 1994 – the standard rate was set at 37% (13% - to the federal budget, up to 25% - to the regional budget); 2002 – the standard rate was set at 24 % (7,5% - to the federal budget, 15,5% - to the regional budget, 2% - to the municipal budget); 2003 – the standard rate was set at 24 % (6% - to the federal budget, 16% - to the regional budget, 2% - to the municipal budget); 2004 – the standard rate was set at 24 % (5% - to the federal budget, 17% - to the regional budget, 2% - to the municipal budget); 2005 – the standard rate was set at 24 % (6,5% - to the federal budget, 17,5% - to the regional budget); 2009 – the standard rate was set at 20 % (2% - to the federal budget, 18% - to the regional budget) (see e.g. <http://base.consultant.ru/cons/cgi/onlinecgi?req=doc;base=LAW;n=49412>).

⁹⁹ "A criminal group protected or/and controlled a business enterprise when, in addition to physical protection, it introduces into the enterprise its own book-keeper or regular auditor who supplies information about business transactions and their value, while the group supervises and secures major contracts and transactions for a fixed share of profits. [...] The average price of the full package of security and enforcement services, more relevant to larger scale business activity, was established at the level of 20 – 30 per cent of the profit of the client enterprise" (Volkov, 2000, p. 46 - 47).

- *Out-of-law activities ("rosy markets"). These were not subject to legal regulation but might infringe on the interests of other economic agents. For example, the monopolization of markets in the absence of anti-trust legislation; the activity of financial "pyramids" ("financial bubble"), such as those experienced in Russia in the mid 90's.*
- *Semi-legal economic activities ("grey markets"). These were normally carried out within the framework of the law but violated the law occasionally. They also included activities with legal aims but provided without official licensing. For example, concealing parts of profits, non-licensed retailing and other tax avoidance strategies.*
- *Non-legal, criminal economic activities ("black markets"). These were banned by the law and had illegal aims. Such activities included smuggling, drug production and sales, etc.*

So, to show profits or not, was a managerial decision. To hide the revenues and to increase expenses within the regulations of the Russian accounting system was an accountant's task. In order to do this he or she could use the following methods (see e.g. Baryshnikov, 1995, Novitsky, 2000, Petroff, 2000): finished or unfinished goods given instead of salaries or payments were not entered as sales. Alternatively, when products had been completed their sale was recognized at the last minute, even after receipt of payment occasionally. On the expenses side, stretching expenses as much as possible could be done for instance by not letting go, at least officially, of an employee. Petroff (2000) notes, that it was very expensive for enterprises close to bankruptcy to fire an employee: directors or managers firing an employee were obliged to pay for at least three months redundancy payment and in some circumstances a big part of pension payments and medical and social insurance. This obligation to pay existed no matter how inefficient the employee had been at work, and especially if the employee had health problems.

During this time, an ongoing discussion went on about the relationship between financial accounting and tax accounting. For example, Shneidman (1995, p. 13) states:

"[...] The Russian business system is constructed or followed the principle of equivalence between tax and accounting regulations, however, the accounting regulations have priority over the tax regulations when it concerns the organization of the accounting system and financial reporting."

In spite all the afore-mentioned statements, in the 90's there was a quite obvious tendency "to strengthen the influence of tax regulations over accounting regulations" (Shneidman, 1995, p.10). As he continues, there were active attempts by tax authorities to intervene in the process of accounting regulations. Usually, this was done by way of publishing the instructions with clarifications issued by the tax authorities. Most such publications were published in violation of current accounting regulations. Some cases of unlawful demands of local tax authorities were not so rare¹⁰⁰. So, it was up to the manager, not the accountant, to pay any bribe a tax inspector might demand. Some tax inspectors considered that such a bribe was economical for the business because it only constituted a fraction of the potential tax¹⁰¹. Thus, this tendency influenced negatively the overall understanding of the purpose of the accounting information and, in particular, the role of accountants. The accounting regulations were published almost on an everyday basis, in most cases, in response to the ones published by tax authorities. So, accountants were expected by managers to be constantly updated about the new regulations, in order to follow those affecting business activities. Accountants were supposed to respond almost immediately and with very detailed explanations supported by necessary documentations with regard to tax payments - in order to avoid the excessive penalties. Thus a situation was created when the accounting information for decision-making purposes almost became obsolete¹⁰² (see e.g. Shneidman, 1995).

In addition, the inefficiency of the formal tax system complemented the practices of tax evasion. Russian entrepreneurs were not used to pay direct taxes and did not consider taxes to be relevant costs. The process constituting tax evasions was not considered

¹⁰⁰ See e.g. regular column "Readers' letters" published in the weekly professional newspaper *Accounting. Taxes. Law*.

¹⁰¹ Ibid, "About an accountant and auditor", *Accounting. Taxes. Law*, 2003, N19.

¹⁰² According to Shneidman (1995) this situation also appeared because of poor business culture at that time. During these years, investors, creditors, labor union representatives, and other users of information did not consider the financial statements for thorough financial analysis and did not see the opportunities to use the results of such analysis for their benefits. Most believed that the main users of financial statements were just the tax authorities. And for some time being, this was indeed the case.

criminal by taxpayers, tax inspectors and political authorities involved in local taxation (Busse, 2000). Therefore, the accountant's most valuable qualification at this point of time was tax evasion in accordance with formal legislation.

Since Soviet times, as presented in Chapter 5, accountants have always had criminal liability. On January 1st, 1997 the new Criminal Code of the Russian Federation came into force¹⁰³. The code criminalized new offences and legalized some activities that had previously been penalized as criminal. Due to the change in the socio- and economic system, lawmakers had to rework the nation's law fundamentally. Fituni (2000, p. 20) describes the changes in the Criminal Code in force since 1960. Part Eight of the new Penal Code is devoted to "Crime in the economic sphere". New chapters have been introduced to the Penal Code. Such as "Crime against property" (Chapter 21) mainly covering offences already present in the Soviet period versions of Penal Codes (e.g. robbery, theft, fraud, etc.). Chapter 22 "Crime in the sphere of economic activity" includes many types of violation of the law, e.g. illegal banking activity (Article 177), fraudulent entrepreneurship (Article 173), legalization of illicit incomes (Article 174), and unlawful acquisition of loans (Article 176), etc. This chapter also contains articles penalizing some "old" types of criminal activity, e.g. manufacturing of counterfeit money and smuggling. Chapter 23 "Crime against interests of the service in commercial and other organizations" covers, *inter alia*, criminal acts committed by auditors, notaries, etc. (Fituni, 2000).

According to the Criminal Code there are no offences that solely an accountant can be penalized for. Some articles of the penal law contain the characteristics of the professional who can be prosecuted, e.g. when an auditor files a false audit report motivated by personal gains, he or she can be penalized with up to 3 years' imprisonment and up to 3 years' loss of the right to work as an auditor. There are no special articles devoted to the offences perpetrated by accountants as professionals, except tax crimes when the

¹⁰³ The Criminal Code of the Russian Federation (dated 13.06.1996 N 63-FZ).

accountant can be legally prosecuted as the offender (see Resolution of the Supreme Court of the Russian Federation dated 26.12.06 N64).

Most cases connected with the criminal liability of accountants at this time dealt with tax payments, since the tax system was very inefficient and inconsistent and the “*white schemes*” of business activities were not easy to develop.

However, accountants can also be penalized in non-tax crime actions. In most cases, as Karamazova (2009) notes, these acts were carried out by accountants by themselves for their own individual benefit or when they agreed to comply with some dubious requests of management. It is possible by following these cases to illustrate that market also has illicit expectations towards the role of accountants. General cases when accountants can be penalized are fraud (Article 159 – up to 6 years’ imprisonment), misappropriation and embezzlement (Article 160 – up to 6 years’ prison sentence) theft, illegal actions under bankruptcy procedures in particular, concealment of information about property by falsification of accounting documents (Article 195 – up to 3 years’ imprisonment), misuse of authority (Article 201 – up to 4 years), legalization of illicit incomes (Article 174 – up to 15 years’ prison sentence), etc.¹⁰⁴

In some cases accountants can be accused for taking bribes. According to the Criminal Code of the Russian Federation (Article 291) accountants can be convicted for this illegal action through paying fines or imprisonment up to 8 years. It is possible to catch the bribe-taker in the act when information about the exaction of bribe is received by law-enforcement authorities. This information can be received from an accountant when a public servant is exacting the bribe or from a public servant when he or she is bribed by an accountant. For instance, a controller discovers violations in the financial activities at the company, and the accountant wants to hide them. According to the Criminal Code, the accountant is not to be criminally accused of bribing if there was exaction of a bribe by a

¹⁰⁴ Criminal Code of the Russian Federation (dated 13.06.1996 N 63-FZ).

public servant or an accountant informs on a voluntary basis the law-enforcement authorities about the bribing and assists exposing guilty persons.

In other cases, accountants can also be accused of “kickback” (Karamazova, 2009). During the 90’s, when the situation with non-payments between companies was quite usual, the classical model of kickback was widely used: crooked middle-level managers extorted money from suppliers for their request to pay for goods. Sometimes, these managers told suppliers that the money was for chief accountant or the accountant responsible for accounts payable to arrange “timely payment”. In fact, the accountant did not perhaps even know about this. When there is an accusation of kickback and the accountant is not participating in this, he or she is not under suspicion. During the investigation, financial and management documentation will be checked in order to define who is responsible for what, how the contracts are made and signed, etc. It is necessary to do this as a means of identifying if the accountant was able to influence the order of payments. In some companies these documents are signed by the financial director or other managers. In such cases there is reason to doubt the words of crooked managers. Accountants can be accused of kickback, if the investigation can find receipts providing evidence of a connection between the accountant and the supplier, or for instance the audio track of their negotiations.

Most criminal cases connected with accountants at the end of the 90’s cantered round fraud and misappropriation. During these years not paying on time became common practice not only between companies, but also in paying salaries. Accountants themselves in participation with or by the request of/in threat from management used accounting documents for illegal cash transactions. Usually accountants with the right to countersign financial documents falsified the payment order and transferred money from their own company to other companies, based on fake contracts. Then, the accountant withdrew the cash or transferred money to pay for his or her own services or goods. In fact, according to information provided by law-enforcement authorities (see e.g. Karamazova, 2009), these kinds of offences were easy to reveal, quick to be investigated, and the accountants

involved were in most cases found guilty. These crimes are investigated in the following way: when fraud is suspected, management (in case of non – participation) arranges a revision (an inspection) or an internal audit. The internal investigation verifying the accounting documentation and identifying the offender then carried out. If there is no way to solve the problem internally, then management informs the law-enforcement authorities. An official inquiry is based on company data, accounting documents, interrogation of the suspect's colleagues, etc. In most cases, proof is easy to collect. Proof based on accounting documents such as payment orders with an accountant's signature, bank statements about cash flow, contracts involving fake companies, accounting transactions, accounting records, etc. are important for incrimination. Some accountants are even so carefree that they personally make false documents, keep the papers at the office or at home, or openly spend stolen money by doing expensive shopping. Other accountants forced to commit crimes usually do this because of a difficult family situation or due to some other vulnerability. Whatever the case, this type of proof gathered sufficed in order to indict accountants on charges of theft¹⁰⁵.

Some examples of fraud are well-known to the investigative authorities, such as “dead souls” and distortions. The cases with ghost names on the pay-roll are numerous and usually the fraud scheme works as follows (see e.g. Karamazova, 2009):

The accountant of the payroll department wrote down the names of real, but dead pensioners and also members of their families on the pay-roll. She used her bank card details in the register under ghost names. According to investigative authorities, she was able to withdraw one part of the money from an ATM, another part she had used to pay her son's loans. She was accused not only of theft, but also for legalization of illicit incomes, since she had paid the loans. So, she was sentenced to 3 years of imprisonment and to pay a fine.

The case of distortions is also very common for the payroll payment, and in most case it works like this:

¹⁰⁵ For overview see e.g. regular columns in the daily newspaper *Ekonomika i Zhizn'* (*Economics and Life*), monthly journals *Ugolovnyi process* (*Criminal process*), *Nalogoved* (*Tax advisor*) and on web-pages www.buhgalteria.ru, www.klerk.ru, www.audit-it.ru, etc.

When preparing the pay-roll sheet, the accountant increased the amounts of salaries of the employees. However, upon receiving salaries in their bank accounts, the amounts were in accordance with employees' contracts. The surplus of the employees' salaries was transferred by the accountant to her bank account. She did this in the course of 3 years, and then she voluntarily terminated her employment contract. The company management after a revision informed the law-enforcement authorities, and 34 cases of fraud were proved. She was sentenced to imprisonment for fraud with the misuse of authority (Karamazova, 2009).

New expectations towards accountants' roles in financial and tax accounting and the increasing number of different types of organizations in the market challenged the quality of accounting work. Earlier, in Soviet times, everything was done in accordance with the almost never changing Soviet regulations and the number of accounting specialists was planned for at least the next 5 years. Then the necessity for more accountants in the 90's enabled training accounting specialists on 2 week courses. On these courses accountants were only trained about how to make accounting transactions and preparing the balance sheet. Apparently, the general understanding was both from the *new* business owners and the *retrained* specialists (in most cases, those who had lost their non-accounting jobs because of the bankruptcy of big state enterprises) that this amount of accounting knowledge was sufficient for doing business. One of the interviewees tells:

"In the 90's most people took short-term retraining accounting courses, because they believed that being an accountant is not difficult. And this profession was in demand. They wanted to earn money quickly. They didn't realize that the art of accounting doesn't come easily to everyone. At that time the most required expertise for accounting work was to keep accounts and legislation in correspondence with each other".

Thus, during the "wild 90's" period, accountants' roles mirrored the political, economic and social situation in Russia. The most expected accountancy skill sought by managers and owners of Russian businesses was the ability to organize accounting in accordance with so-called "*white schemes*". At the same time when companies survived despite lack of cash payments, accountants were supposed to manage financial resources in relation to the burden of tax and *protection* payments, to keep records of salaries and to pay "*grey*" salaries using covert earnings schemes in order to maintain the employees. In addition,

accountants were required to be able to present financial statements and tax declarations based on constantly changing legislation as well as balancing the legal and illicit expectations of management.

7.3. Putin's and Medvedev's times

"[...] New owners of Russian property are now interested, for the first time, in economic growth and expanding their time horizons. They see that the only way to increase their piece of the pie is to manage their resources more efficiently and effectively. Coupled with this budding market realization Putin's government is slowly but surely trying to root out corruption, confiscate illegally obtained property from criminals and help instil better governance practices. Given Russia's history, this is a tall order [...]" (Judge and Naoumova, 2004, p. 305).

Since 2000, the new Russian government led by Putin had tried to introduce better governance practices and make the economy more transparent. Kurkchiyan (2000, p. 93), for instance, writes:

"Its [new economy] foundation was clearly the institution of ownership – of land, capital, and property in general – and its rules of the game, both political and economic had become socially established and accepted as normal".

So, the skilful and qualified accounting professional becomes a valuable employee in a different way. The historical development of the Russian business environment during the last decades shows that it is generally perceived that the accountant is the second most important person in a company after the general director. Taking into consideration all different types of responsibilities, it is possible to state that he or she in most cases is a very important employee (see Kuzina, 2008).

The classic description of the market states there must be supply, demand and competition. If there is demand for specialists with accounting qualification then there will be a corresponding supply of such specialists. The supply process with regard to the training of the accountants has been described in Chapter 6. After finishing their education, graduates enter the job market for accounting professionals. Most applicants look for accounting jobs with a decent salary and career opportunities. Companies search for professionals with the required skills and competences. The job requirements of the accounting professionals also take into consideration the needs of contemporary Russian business. So, as discussed in Chapter 6, in 2003 the Ministry of Finance of the Russian Federation together with the Ministry of Labour and Social Development of the Russian Federation issued a new description of the qualifications required for the position of “chief accountant”. The amendment done by the Ministry of Labour (dated 12.12.2003 N75) state that these specialists are required to have higher professional (economic) education, and practical experience in economic and financial departments, also in managerial positions, for at least 5 years and also possess the certificate of professional accountant. However, this regulation is rather used as a recommendation by employers, since not all of the companies need an accountant with higher qualifications.

Being professional accountant has now started to be considered a prestigious and well-paid job. The new (*white*) types of property, internationalization of business, sound tax management, and so on require from the accountant more professional knowledge and expertise. Interestingly enough, most companies when they hired accountants during this most recent period use tests targeting both professional and psychological skills. One of the interviewees says:

“When I was invited to the job interview I had to answer around 100 accounting questions and then I was asked questions by a psychologist. I have even been asked about my physical and emotional reactions to stress: do I cry, do I sweat, do I faint, or anything else. This was very awkward”.

Also, in addition to required skills and competences, the attractiveness of various industries from the salary point of view makes accountants adjust their professional roles. Thus, it is possible to speculate that the competition between industries regarding the level of salaries can be used to describe market expectations towards the roles of accountants.

Since the mid-90's accounting is considered a well paid job. This is especially the case when the accountant takes on responsibilities required not only by legislation but also by the business itself (Kuzina, 2008). Indeed, there are differences in salaries between industries. All industries have their advantages and disadvantages, ups and downs, but most of them offer accountants a decent salary and career development¹⁰⁶. Furthermore, accounting professionals are presented with various industries' salary level and attractiveness, as it is believed that this can mirror the expectations of the market towards the roles of accountants.

The best – paid accountants are employed in the oil business. There is a small difference in the salary level if they work in the head office in Moscow or in the regional office. At any rate, the accountant in an oil company will get a well-paid job, a good social security package, and all possible guarantees. It is considered quite difficult to get a job in an oil company. On the other hand, oil companies are constantly looking for appropriate applicants; however not all of them fulfil company requirements, for instance, impressive or respectable recommendations, job experience and professional excellence. Now accountants working in the gas industry have almost the same salaries as those working in the oil business. And there is also the difference between payments in Moscow and regional offices. Construction companies follow enterprises from extractive industry. Next up are real estate agencies. The price of real estate is increasing, business itself is expanding, and so, accountants in real estate companies are required. If to continue the

¹⁰⁶ This subsection is based on information provided by recruiting agencies, see e.g. Headhunter (www.hh.ru), and on the reviews prepared by professional web-sites for accountants, auditors, etc., see e.g. Buhgalteria.ru (www.buhgalteria.ru).

list of industries in a decreasing order of paid salaries, next branch of the economy where the market needs accountants with professional skills and competence will be banks, auditing firms and customs¹⁰⁷. This is also more or less the same situation with the salary level for accountants in manufacturing industries in Russia. The companies with stable production circles can offer very reasonable amounts of salary. In turn, they are looking for professional accountants with significant practical experience in their field of production.

These industries are followed by retail and insurance companies, where accountants can also expect to be paid decently. However, it is obvious that retail companies can be vary in regard to turnover, personnel and the quantity of goods; it may be a question of a small boutique or a big trade chain. For instance, one of interviewees comment:

“Nowadays, there are a lot of accounting specialists. Thus, it is quite difficult for them to compete on the job market. In order to demonstrate their professional competence, they need to have experience, time and personal strength. Decent salaries are paid to individuals. Others are satisfied with the half of the average amount of the salary. And this is in Moscow! And we also have to take into consideration that the accounting job is not an easy one. I have never seen an accountant, who was openly lazy during the day or spent too much time on the Internet, as others can do. It is a matter of fact, that if you have not become indispensable to the management, nobody will make a fuss over you, unless you are the chief accountant. There are enough applicants on the labour market, and this amount increases every year, when new graduates finish their higher education”.

Companies in the service sector follow the retail and insurance companies, with regard to the attractiveness of this industry for accounting professionals from a salary point of view. Companies such as restaurants, beauty salons, internet-café, airlines, etc. are developing and increasing their turnover, so professional accountants with practical experience in the

¹⁰⁷ However, the recruiting agencies have their own opinion about the real level of salary for accountants in different industries: “The numbers we mention as salary levels are quite relative. Indeed, such amounts are written into our job vacancy advertisements. However, the real salary for a chief accountant in the oil company, construction firm or at customs can be three times more. And even this is not necessarily the limit. Moreover, most employers and employees know about it, but keep silent. It is accepted. As a matter of fact, the chief accountant can have a very decent salary even in a small company, if his or her level of responsibility is high. At the same time, the salary announced officially corresponds to the industry average”. (Kuzina, 2008, citing Terentjev)

service industry are also needed. The requirements for accountants in the tourist industry depend upon the annual turnover of the company. If we are talking about a tour operator company with their own charter programs, and booking and offering the best hotel prices, then the accounting information at such company is more complex and requires relevant professional expertise and skills. So, the level of salary depends upon the level of expertise. In small tourist companies acting as agents between tourists and tour operator companies, in most cases, accounting is outsourced¹⁰⁸, and sometimes the general manager of such agency fulfils the responsibilities of the accountant.

Free medical assistance in Russia is disappearing. At the same time, many private medical clinics and hospitals are opening, where accountants are also required. Apparently, the level of salary in these private organizations is higher than in state organizations. This gives the flexibility to set up quite high requirements towards new employees, including accountants and choosing the best ones. The requirements with regard to the professional expertise of accountants in legal companies depend upon how big the company is. The size and turnover of the company influence expectations towards professional competence of the accountants. If the accounting department counts 30-40 accountants, then the salary of the chief accounting increases considerably (Kuzina, 2008).

Regarding the requirements for accountants in the following industries such as pharmacy, where the market for medicine is increasing; publishing and mass-media, where consumer demand is unpredictable and unstable; and transport services, where the market is very competitive, these branches are looking for professionals with necessary expertise, but very flexible and quick to learn new things.

Nowadays, the profession of accountant is considered decent and in demand. According to all interviewees, the role of the accountant at beginning and middle of the 2000's became more like the person with professional knowledge, the one who not only could keep accounts and fix tax evasions schemes, but also able to produce the kind of accounting

¹⁰⁸ The subsection devoted to outsourcing of accounting services is provided further on in this chapter.

decision that will please the tax authorities, other state controlling bodies, and the director. One of the interviewees says it like this:

“As chief accountant I have all the information about all revenues and expenses, assets and liabilities. My professional task is to suggest to my director the solution that will help generate profitable production. And this solution should be as far as possible done in a proper way and supported with accounting documents”.

But this profession also aims at improving continuously its professional skills. However, the following opinion is quite usual amongst those looking for new applicants for accounting jobs, as according to one of the interviewees:

“Higher education, alas, only provides good theoretical knowledge. Professional competence depends upon practical knowledge and working experience. For example, an applicant has secondary professional education, but not in accounting, but he or she has been working successfully in our industry for many years and has practical accounting experience. I will give preference to such a candidate to be hired at my accounting department as compared to a graduate of the most prestigious university”.

It was mentioned in Chapter 6 that, due to the changing business environment from centrally planned to the market economy, there was a great need for accountants with knowledge about accounting and auditing in the Russian economy. The profession of accountant started to be considered amongst the most prestigious. Most of the educational institutions, regardless of their direct branch specialization¹⁰⁹, have tried to establish their own economic faculties, where it was possible to provide training of specialists with higher qualifications. And most school-leavers wanted to enter universities and get accountant's or economist's diploma.

At this time, the demand for the accountants with university diplomas grew, since the representatives of Russian business have now realized that it is necessary to keep on developing, to increase the volume of production and to use “white schemes” of business. And these requires the professional competence and skills of accounting, financial

¹⁰⁹ About the training of the specialists in accordance with direct branch specialization see Chapter 6.

management, tax management, financial reporting for external users, in particular for state controlling bodies. So, the market of accounting jobs increased.

At the same time, since the mid 2000's the market requirements towards accounting professionals became stricter. The level of professional competence of the Russian business environment is developing and improving. As Russian companies have become more sophisticated, so businesses have become better equipped to understand what customers want. So, companies try to spot from the growing cadre of Russian accountants those with specific knowledge about the Russian market¹¹⁰. Specifically this means knowledge about the preparation of financial statements in accordance with IFRS, the transformation of Russian financial statements in accordance with IFRS and US GAAP. In addition, as Kuzina (2008) notes, some Russian managers and owners want to hire accountants with so-called "pro – Western" experience, namely those who have either worked abroad or for foreign companies operating in Russia.

Moreover, Russia is joining WTO, so national legislation is coordinated with world standards. As a result, control of business activities of companies is strengthening, in particular regarding tax accounting. Therefore, those companies wanting to operate legally need to use "*white schemes*" and to get out of semi-legal or blatantly illicit activities. And this means being very careful about tax payments. For these tasks accounting professionals with competence and skills in financial and tax accounting are required.

Most accountants on the job market are used to working in accordance with "*grey market*" schemes, and it is very challenging for them to adapt to new requirements. However, accounting skills in the "*grey market*" or the "*black market*" are penalized by criminal legislation. Apparently, if there is a market for illegal activities, then there is the relevant

¹¹⁰ See e.g. *The Telegraph* (dated 05.10.2010) by Rachel Morarjee: "Fifteen years ago, young, able expats who arrived in Moscow speaking reasonable Russian could take their pick of the jobs, could find themselves managing a company at a time when they might still be making the coffee in the office back home. No longer: the opportunities in junior and mid-level management have all but vanished; foreigners are largely now only hired if they know how to live in Russia, speak the language and do not present large relocations costs, say Moscow businessmen".

accounting professional for these actions¹¹¹. The legalization of illicit incomes is the most “popular” one among such companies (Karamazova, 2009). Usually these companies transfer money based on fake contracts to the bank accounts of phony companies in order to get cash, or to overcharge expenses to decrease profit tax or to gain VAT deduction. Proving incidents of illicit incomes is possible by registering the cash flow from company to other company via the bank. The accountant as the person responsible for cash control can be interrogated by investigative authorities as a witness, as a suspect and as the person accused. In the case of non-participation the accountant needs not to be accused for legalization of illicit incomes, but to be able to prove that he or she was forced by management to make the transfer of money without enough supporting documents. The accountant also has to show that he or she had all the necessary documents in order to make the transfer. However, he or she does not have responsibility to check and control all of the contractors in order to identify phony companies. But there are cases when accountants received illicit incomes for personal gain. For doing this, accountants can be sentenced to up to 5 years’ imprisonment.

Illegal acquisition of loans usually connected with forged documents is another unlawful activity of companies when the professionalism of an accountant is necessary. According to Karamazova (2009), sometimes due to the lack of liquidity, owners or managers of the companies require accountant’s skills to borrow money from bank. Some examples are here provided:

Regional authorities provided support to production companies by granting subsidies to companies that did not have tax arrears. In order to get this subsidy the accountant upon the request of the management had fabricated official confirmations about tax payments and presented these to regional authorities. Thus, the company was granted the subsidy. In this particular case, it was used in order to pay the interest on the credit line that company had with the regional bank. The

¹¹¹ For overview see e.g. regular columns in the daily newspaper *Ekonomika i Zhizn’* (Economics and Life), monthly journals *Ugolovnyi process* (Criminal process), *Nalogoved* (Tax advisor) and on web-pages www.buhgalteria.ru, www.klerk.ru, www.audit-it.ru, etc.

accountant was sentenced to 7 years imprisonment for misuse of authority and for fabrication of documents.

The accountant together with director presented the fabricated financial statements (balance sheet, income statement, etc.) to the regional bank. The figures for both profits and current assets were fake, the losses and arrears were hidden. When the bank loan was received, the company used it to pay for the supply of resources used for the production process and to avoid bankruptcy. Both the accountant and the director were sentenced to pay fines for unlawful acquisition of a loan.

As mentioned in Chapter 3, the issue of subordination is significant in the Russian context. It is here worth underlining, that the subordination between director and chief accountant has been always an important issue in the Russia: back in Soviet times when it concerned the 5-year plan fulfilment, and in the 90's when the common goal was to pay less taxes and duties both to the state and *roofs*. Nowadays, relations with the director are an important issue for the accountant. Most interviewees state that the director and the accountant have to have a mutual understanding of accounting work, and the support from director is really necessary in the decision-making process concerning accounting issues within the company. The same is also important when there are disagreements with tax and other controlling authorities. One of the interviewees puts it like this:

"I have good and business-like relations with the director. Therefore, I do everything possible when it concerns accounting work in order to help him to run the business with a profit. At the end of the day, the director takes the responsibility for all actions".

However, most accountants wish to keep good relations with the director, because they do not want to be fired. One of the interviewees says:

"I do what the director tells me to do. He can say: "I don't want to pay these duties". And it is my role as an accountant if I want to keep this job to find the solution that will satisfy the director and the controlling bodies. Indeed, it concerns the interplay between the legal and the illegal, but there are too many accountants out there who want to find the job. And, in addition, sometimes the gaps in the legislation (in other words, too many legal contradictions among controlling bodies) gives us an opportunity to use different schemes if we want to run a profitable business".

The afore-mentioned description of both legal and illegal requirements towards accountants and the issue of subordination in Russia during the last decade mirror the economic situation in Russian business. It can be noted, that the main requirement of accountants is practical competence. In other words, without practical skills and experience accounting professionals are not required by the market. In accordance with current regulation every legal entity or individual entrepreneur is obliged to have an accounting system.

Therefore, the Regulation "On Accounting and Reporting in the Russian Federation" (dated 20.03.1992 N10) enabled enterprises not having their own accounting department to outsource the accounting services to legal entities or to individual entrepreneurs. And further, in order to increase the transparency of the businesses and to stimulate the competence building of accountants both the existing law "On Accounting" (N129 – FZ dated 21.11.1996) and the draft of the federal law "On Accounting"¹¹² contain articles devoted to the possibility of outsourcing accounting services.

For the last 15 years the market of outsourcing of accounting services is still considered not so big¹¹³. Reviews prepared by the rating agencies show that the demand for the outsourcing of accounting service mostly depends on the current market situation. This differs from the market of auditing services where the demand for such kind of services depends on legislative regulations¹¹⁴. The outsourcing of accounting services is so far not so spread in the market in Russia. The main consumers of such services are foreign companies and big Russian companies. Small and medium-sized companies do not

¹¹² The draft of the federal law "On Accounting" has been presented for discussion by the Government of the Russian Federation on May 20th, 2010 at a meeting.

¹¹³ This is according to the review prepared by the "Expert RA" rating agency. For more information, see <http://www.raexpert.ru/ratings/outsourcing/>.

¹¹⁴ According to the Article 5 of the Federal Law "On Auditing" (N307 – FZ dated 30.12.2008) the following organizations are subject to statutory audits (on a mandatory basis) in Russia: joint-stock companies; if securities of the companies are traded at the stock exchange market; banks and other lending institutions, insurance companies, stock and commodity exchanges, investment institutions, non-budgetary pension funds; companies with a total annual turnover of more than 400 million RUB or a total amount of assets of more than 60 million RUB; companies presenting/publishing consolidated financial statements.

outsource accounting services so often. Only some companies with transparent business are ready to give outsourcers access to their financial and accounting information on a regular basis. However, it is believed that the outsourcing of accounting services provides the improvement of a company's transparency; it gives salary cost savings; it improves internal control and increases the validity of accounting data.

When companies decide to outsource accounting services to external accounting professionals they usually consider firstly, the risks connected with confidentiality issues and business stereotypes, and secondly, the cost savings on personnel, computer equipment and software, and the decrease of accounting mistakes within the accounting system of the company. The stereotypes of business milieu are usually overcome by the advantages of outsourcing as compared to the internal organization of accounting functions provided by the accounting department (Hanferyan, 2009). When accounting services are outsourced, the above-mentioned cost savings and accounting quality are achieved by paying less to the provider of the services because of focused accounting functions, the availability of accounting professionals and economies of scale by doing the same type of operations for several clients¹¹⁵. The factor developing the market of accounting services outsourcing is the increasing financial transparency of companies. This trend is supported by the government¹¹⁶ that claims *to further transparency*, in other words, to decrease the amount of "closed" information provided by accounting departments to management only for the purposes of state controlling bodies. Thus, most asked-for now is outsourcing of financial and tax accounting. This kind of outsourcing requires accounting services being provided for a company on a regular basis. The provider

¹¹⁵ For example, in accordance with Hanferyan (2009), if the company is staffed with a chief accountant, an assistant accountant and a human resource expert, then on average it costs (including salaries, taxes, expenses on installation and updating professional software, fees for improving qualification courses, food compensations, rental expenses, etc.) around 200 thousand RUB a month or 2,4 million RUB a year. When accounting services are outsourced, the professional accounting provider does the same amount of work for ca. 70 thousand RUB a month or 840 thousand RUB a year.

¹¹⁶ See the decree of the Russian Federation Government N1663-r dated 17.11.2008 "The main activities of the Government of the Russian Federation for the period until 2012".

of accounting services holds the functions of the chief accountant, keeps the financial and tax accounting, prepares the annual reports, checks up and recovers accounting, works out accounting policies, etc. The outsourcing of financial and tax accounting provides companies with an increase in their productivity, and decreases in risks as well as cost optimization. This also proves valid for companies in the post-crisis period, when for most industries the production and sales have dropped, rent has increased, and state support has diminished. So, in order to increase efficiency, to concentrate on more prospective activities and to develop profitable business these companies are looking for accounting professionals who can provide solutions to ensure cost savings. Accountants in such service companies use professional routines, and possess the skills and knowledge customized for accounting assignments and tasks.

Against this background, the market of outsourcing accounting services to accounting companies is developing. Supply is provided both by Russian and foreign accounting and auditing firms. Now required expertise from a market standpoint has become how much accounting work can be serviced professionally by one accountant. With the development of information technologies most of the repetitive and same type of business transactions can be processed automatically. One accountant punches numbers into an information system and provides the general control of the recorded transactions. Financial statements are prepared as mathematical sheets. The same happens at big companies oriented towards cost-saving technologies. One interviewee says:

“The accounting department where I was working consisted of 30 persons. The management board has decided to introduce a management information system, because they want to be cost efficient (at least this is how it was presented to employees). After this 25 accountants were fired. The rest of the accounting staff is now dealing with controlling the balances at the end of the day and keeping the tax registers”.

In this chapter discuss market expectations towards the required expertise of accountants over time in the Russian context. It seems that market influence can provide a fruitful background for understanding accountants' roles. Summing up:

- In Soviet times and during *Perestroika* the “good” accountant was the one with the right connections to implement the 5-year plan and was required to have control over state property at any point of time as well as presenting numerous detailed reports to respective ministries.
- During the Yeltsin period the accounting profession became more visible. The “good” accountant had the skills to fix accounting information for all kinds of decision-makers, even though some of these decisions could be based on gaps in the law.
- Putin's and Medvedev's times require the well-educated accounting professional. The “good” accountant is competent in creating useful information and in solving accounting problems by making economic decisions in line with modernization and the internationalization of economic policy.

Now, I move on to an analysis of the influence of the state, the profession and the market institutions on accountants' roles in the Russian context over time.

Chapter 8. Analytical discussion

"Accountant [buhgalter] - from German buchhalter [buch book + halter keeper] is the specialist in accounting (book-keeping)", Ozhegov, S. and Shvedova, N. (1992).

"I would like us to focus [...] on developing a field of work that enables us to understand our markets, organizations and economies", Chua, W. (2011), p. 39.

According to some observers, there are, currently, approximately 7.2 million accountants in Russia (see e.g. Kizilov, 2009, www.consult.ru).

Some studies have described and analyzed the role of the accounting profession in advanced capitalist countries (see e.g. Willmott *et al.*, 1992, Sakagami *et al.*, 1999, Carnegie and Napier, 2010) as well as in developing and post-colonial economies (see e.g. Hao, 1999, Annisette, 2000, Hammond *et al.*, 2009), and there is an emerging body of literature examining the specificities of new audit practice and the auditing profession in Russia (see e.g. Enthoven *et al.*, 1998, Sucher and Bychkova, 2001, Mennicken, 2008, Samsonova, 2009). There is also the call for more research, as Carmona (2011) emphasizes it, to further explore the role of the accounting profession in the crisis (Humphrey *et al.*, 2009), as well as further enhancing understanding of the role of bankers (Jönsson, 2010). Yet, little attention has been devoted so far to analyzing the roles of accountants in transitional economies. Indeed, these roles have changed and are in practice transformed. The new perception may or may not be similar to the ones documented in the previous studies carried out in capitalist economies.

In such a societal context, the previous empirical chapters have described how the institutions of state, profession and market show different aspects of the roles of accountants in the context of Russia during its transition from planned economy to market one. All three have been useful in guiding my empirical discussion during the previous

three chapters. The description of the roles I have done for each of the perspectives in the time frame starting from Soviet Union and *Perestroika*, following with Yeltsin's times or *wild 90's*, and concluding with the first decade of 2000's. In addition, in order to illuminate the roles of accountants during these periods, it has also been discussed in each empirical chapter using viewpoint of definition of accounting.

The empirical data used for the description of what it means to be a "good" accountant in each respective chapter is now applied to analyze whether and how the day-to-day roles of accountants can shift and transform in an economy undergoing transition. This chapter aims to help to understand why the day-to-day roles of accountants change - their dynamics. Morgan stated (1988, p. 484) that

"[...] accountants will see that their ultimate aim should be to develop the art of "reading" and probing situations to create intelligent, actionable insights, rather than to produce rigid technical statements as ends in themselves".

In Russia changes have been significant for the last 25 years. It is believed, that when a transformation process is taking place, somebody is taking actions. Accounting cannot be altered by itself; institutions connected to accounting elaborate it as they are the key to accounting change. The Russian context for accountants happens to be very turbulent. In order to help myself and readers to comprehend such complexity concerning accountants, I address the roles of accountants using the state, the profession and market perspectives.

8.1. How the roles have changed?

In what way the roles have changed and their dynamics in the Russian context is now discussed and analyzed in the course of time periods. All roles are considered for each of the time intervals¹¹⁷. It is argued here that there is different understanding of what it

¹¹⁷ It is argued earlier that the afore-mentioned three time periods have been chosen in order better to illustrate a time span of more than 25 years.

means to be “good” accountants in the Russian context at different times and that institutions of state, profession and market have different influence on their dynamics.

8.1.1. Soviet times and Perestroika

In the Soviet times and during Perestroika, when everything was centrally planned, the actions, functions and day-to-day roles of accountants were also planned and documented. The empirical evidence shows that the state authorities regulated almost every step of the accountants’ work and their duties via detailed instructions, recommendations, etc. Such a situation can prove problematical since overall controlling by manuals, recommendations, etc. creates risk of manuals growing obsolete or inadequate when changing circumstances occur. However, during Soviet times, these regulations were issued on a regular basis, but not more often than once in 10 years. Empirical evidence shows that stability ensured productivity in accounting work. Further on, in the next periods, the drastic and rapid changes in the economic situation combined with the strong tradition of following manuals, recommendations, etc. caused a shift in the roles of the accountants.

Soviet state ideology and the economic policy of central planning required that accountants took an active role as state controllers. The “good” accountant from the state perspective was the one with detailed overall control and able to provide continuous information about all spheres of economic activities of the enterprises concerned.

Empirical evidence presented about accounting education shows that the content of accounting study plans and curriculums also corresponded with central planning. The amount of hours for ideological, mathematical and professional courses in the curriculums was based upon the needs and requirements of the national economy. Accounting students were taught to know amongst other things all the decisions made by the ruling

party concerning the development and improvement of national economics. A solid mathematical background was also a necessary skill due to the centralized automatization procedures and the introduction everywhere of optimization schemes. Accounting courses consisted mainly of courses devoted to book-keeping, cost calculations and economic analysis. At that point of time, economic analysis and economic modelling dominated in accountants' education. Most of the practical accounting issues were taught at a theoretical level in educational programs. After their graduation accountants were supposed to be very easily retrained and, in most cases, their practical accounting experience was gained on an everyday basis as on the-job learning.

In addition, the professional education standpoint described the accountant as a multifunctional specialist, or, to say in another way, more as mechanical engineer – economist with accounting knowledge. The economist part of accounting education was regarded as the most valuable for newly graduated specialists for the Soviet economy, linked to overall implementation of economic plans and calculations of economic efficiency indicators. Moreover, the accounting specialist was required to be able to adapt to any kind of organizational and technical transformations.

The evidence presented in this research project indicates that all efforts of Soviet enterprises at that time were aimed at the implementation of the five – year plans. The best role of the accountant from an enterprise point of view was considered to be as the one assisting in any possible way to fulfil the afore-mentioned task. Accountants were supposed to be on the alert concerning any possible deviations from the techno-economic plans. The accountants' ability and skills in presenting particular accounting decisions based on their economist – engineer and mathematical education aimed at implementing the 5-year plans made them very valuable employees. In addition, the system of centralized distribution of job placements provided all accounting graduates with accounting positions. So both graduates and heads of accounting departments knew beforehand what kind of competence and skills were expected and in demand.

Enterprises in communist times required accounting specialists with an expertise helping them to react quickly and able to reduce frictions in the machinery of Soviet plans towards an ideologically supported constant rise in economic efficiency related to production. “Overtake and surpass!” was the official slogan for economic activities of the enterprises. Soviet enterprises competed amongst themselves, also trying to over-perform in relation to the western advanced capitalist economy. And this was meant to be implemented in all conditions - also by accountants in accordance with detailed accounting manuals, schemes and regulations developed for each branch of the national economy.

Evidently, since the state system was centrally planned and used a “command economy”, the state played a significant role in identifying what it meant to be a “good” accountant in Soviet times. The profession was more oriented towards education programs. It was not so visible and did not play an active role in the professionalization project because of the centralized regulated system both in educational and professional association fields. The market as an institution (in terms of western economics) was not supposed to exist in Soviet times and during Perestroika¹¹⁸. Though, as the empirical evidence shows, a shadow market in the form of the informal networking and useful connections (i.e. *blat*) was in place. Being able to access informal connections was considered valuable, both by individuals and enterprises. In most cases, with regard to the overall accounting regulations and common educational plans, this aspect was not so visible and rather difficult to reveal. However, based on the illustrations provided in this research project, it was a useful instrument both for enterprises and for accountants. Enterprises were on lookout for accountants with connections who could reduce frictions in the machinery of Soviet policy and assist in implementation of the current five-year plan; others were looking for an accounting job with benefits.

The evidence presented in this research project indicates that the right and opportunity to access information at any point of time concerning the economic activities of an enterprise

¹¹⁸ However, it is acknowledged that there were attempts to implement some mechanisms of the market relations during *perestroika* period, such as *hozraschet*, etc.

offered accountants a certain position of power. They were the only ones with access to all accounting information and were obliged by ministries to control fulfilment of the plan. In addition, one of the attributes of holding the power position considered by accountants themselves was the signing authority related to financial and cash documents. The necessity to countersign all such documents gave accountants the opportunity to be aware of all the economic activities of the enterprise, even in the cases when it was not directly connected to the registration of the transactions. The documents being signed by the director and countersigned by the accountant in the majority of the cases could be used to commit illegal or improper actions and transactions, such as fraud, forgery, embezzlement, etc. So, accountants were supposed to be very careful what, when and where to sign. Since the main responsibility for all of the economic activities rested with the director, the relationship with the director concerned was important for accountants. Keeping good relations was a way for the accountant to avoid the role of “silent witness”, when they were forced to sign illegal accounting documents. In most cases, when they signed these illegal documents, they at the same time they inform the ministries about such action. Obviously, in other cases, the personality traits could also force an accountant to commit illegal action using his or her access to information and the authority given by signature.

Empirical evidence from Soviet times and the perestroika period shows that the state, the profession and the market saw the role of the accountant as the well-informed mechanical engineer-economist with accounting knowledge able to keep accounts whenever and whatever happens, to have control over state property at any point of time and to present numerous reports in detail about any deviations to the respective ministry. All of this was supposed to assist in achieving the goals of the national economic planning. This means that central planning concerning state regulations, educational programs and the efficient production of enterprises also penetrated into the roles of accountants. To put it differently, the role of the accountant was somewhat like an accounting engineer, as he or she had to be able to fulfil techno-economic tasks with accounting knowledge. The evidence presented in this research project shows that the main day-to-day roles of

accountants were defined by the goals and ideology of the national industrial and economic policy. Additionally, the understanding of their roles by the accountants themselves corresponded with the economic structure existing at that time. To be accountant was perceived as being very mechanically-oriented and representing the enterprise and its activities in terms of numbers.

During this period, mainly state expectations influenced the roles of the accountants. It is more surprising that market expectations, even in the form of the *shadow* market, provided the insight to the role of the accountant in reducing frictions in the state machinery. The professional perspective about the role of the accountant was not so visible, in accordance with the needs of the national economy and was only expressed in the educational programs. The professional association functioned as an evening club for professionals with accounting interests. With regard to tensions between the state, the profession and market perspectives, empirical evidence indicates that the main and only power at that time was the overall industrial and economic policy. This means that the state was interested in the accountants when they presented detailed reports in accordance with 5-years' plan. Consequently, expectations concerning the required expertise of the accountants were also defined by the goals of economic policy. My findings suggest that the state, the profession and market perspectives bring forth the special features for understanding what it meant to be a "good" accountant in accordance with the Soviet system. To know whether this is so for the other time periods in the Russian context, I now move on to analyzing the roles of accountants during the Yeltsin period.

8.1.2. The Yeltsin period

The 90's could be named the "golden age" for the accounting profession. With the simultaneous demise of the centrally-planned economy and emergence of the market

economy, the urgent need for thousands and thousands accountants made the profession very attractive and in great demand. It was attractive in terms of earning a decent salary, when many industrial enterprises had gone bankrupt and budget organizations were collapsing. The profession became popular because of great demand for accounting knowledge for new private businesses.

The evidence presented in this research project indicates that the day-to-day roles of the accountants were challenged by the state perspective, in other words, shifting their expected role from being controllers of state property and fulfilling 5-year plans to controllers of private property and carrying out accounting for profit-oriented business. However, accountants still did their usual accounting work, but not for central ministries anymore. Instead, the focus shifted to the *persons concerned* (i.e. the owners of the private businesses).

At the same time - since the notion of private property was introduced in economic relationships - accountants were only subordinated to the company directors (i.e. chief executive officers) instead of the organizational hierarchy consisting of director and heads of accounting departments in the respective industry branch regional offices or ministries. Empirical evidence shows that those accountants who used to work as Soviet accountants in a way smoothly transformed to private enterprises in the Yeltsin period from the point of view of their accounting background. Apparently, the accountant had become a very important person within the management structure of the companies, because they were able to report about all economic activities taking place within the company in accordance with *new* market requirements.

Nevertheless, the turbulent environment and rapidly growing number of state regulations devoted to all aspects of private business and market economy relations shifted the accountant's role. Most accountants with past-oriented background had to be retrained or had to adjust their understanding towards the concepts of "profit", "tax", "privatization", etc. In addition to their previous role as well-informed accounting specialists, they became

legal advisors. He or she was supposed to be able to follow up constantly the daily updates of changing accounting regulations, instead of using the same documents changed perhaps once in 10 years, as in Soviet times.

Quite obviously, the introduction of the tax system in economic relations at the end of 1990 also transformed accountants' roles. The introduction of tax accounting made accounting work very challenging. The empirical evidence shows that, based on the poor economic and social situation caused by *shock* reforms, most tax inspections and tax police interrogations transformed the role of the accountant to being the one of the tax defendant. Such a defendant position was imposed on accountants by tax authorities without any possibility to have from the very beginning sound and proper relations¹¹⁹. The expression "*only lazy people pay taxes*" portrays the general perception of tax payments from the profit-oriented business world. A very regular situation occurred at that time with accountants keeping two sets of books, one for the tax authorities, and one for business accounting. In addition, the discrepancy between tax and accounting legislation set the pattern for the day-to-day role of the accountant as the person obliged to make accounting choices amongst alternative courses available on the state tax regulations "menu". Consequently, on the one hand, they had to follow complicated regulations and were under pressure to prepare and present reliable tax accounting information that tax offices could believe and that could be checked at any point of time. On the other hand, they had to present accounting information to their owners – information that should also be reliable based on contradictory state regulations.

The boom in private entities made the obtaining of accounting knowledge very popular and profitable. With legal access to open private businesses, entrepreneurs faced the fact that now that the activities of companies were regulated by tax and accounting legislation,

¹¹⁹ However, the Day of Accountant and the Day of Tax Officer are officially included in the calendar of professional days celebrated in the Russian Federation. Both of the days are celebrated on November 21, when the Federal Law "On accounting" had been signed by President Boris Yeltsin in 1996. As some observers suggest, the same day of the celebration is done because both professions are closely connected and related.

it was indeed necessary to pay taxes, social payments, salaries, etc. They needed accountants to do their accounting work. Such a situation concerned both national and international businesses. The Russian market had opened up, and international businesses entered the market finding their various niches. Mainly the starting up and operating of international businesses initiated the entrance to the Russian market of international accounting and auditing firms, that bringing in their competence and skills. However, almost immediately they started to look for Russian accounting and auditing professionals as local staff and as partners.

Admission to universities and other educational institutions providing accounting education multiplied. Many universities wanted to admit students for such a popular educational program. In Soviet times, within the system of central planning, educational institutions were more or less evenly distributed related to the various branches of industries, meaning that every institution had their own planned amount of graduates in all fields. With the collapse of the Soviet Union, most of the engineering educational institutions or technical universities struggled at this point of time just to survive, to keep hold of teaching and research personnel and to continue to provide education with higher qualifications. So, as a way of being profitable, institutions transformed their *economist* education into specialized fields such as financier, manager and accountant. At the majority of universities and institutions these study programs were organized on a fee basis. For example, instead of providing teaching to 25 accounting students as foreseen the university's annual budget, the university board decided to increase admissions threefold - with extra students who having to pay tuition fees. So, providing accounting education became quite a profitable business for education institutions as well. In addition, 2 weeks retraining courses for all those interested in gaining some accounting qualification were used as tools to train immediately as many people as possible to be "accountants" at once. Apparently, for these "quickly cooked" accountants the amount of hours spent on theoretical courses was very small, and the practical knowledge they were supposed to gain after finding a job.

The evidence presented in the research project indicates that the content of the curriculums for accounting professionals was gradually replaced due to changes in the economic situation. The curriculum component devoted to Soviet ideology was removed at once. Moreover, in the majority of cases, regulations about the new economic relations were issued almost on an everyday basis. Thus, the filling of the curriculums with revised or new courses corresponding to new economic realities was done on a continuing basis. The content of old accounting courses with command-economy ideology was replaced with new courses containing the ideology of private property. As the empirical evidence shows, some of this replacement was done with the assistance of various international educational projects and university cooperation agreements. In other cases, accounting students themselves took an active part in identifying the content of accounting courses, because they were working at the same time as they were studying and their practical accounting knowledge was in fact more advanced than the persons lecturing to them.

The visibility of the *“army”* of accountants in the Yeltsin period had provided a fruitful platform for the development of professional associations of accountants. So, professional associations for accountants and auditors were indeed then organized. Most of their tasks included methodological support to develop accounting for the purposes of the market economy and measures to raise the status of the accounting profession. The empirical evidence shows that the Russian accounting professional organizations during that period of time were taken into consideration by the state authorities and played an active role when it concerned the dealing with the development of accounting regulations. For example, a special professional body consisting of accounting professionals was organized under the Ministry of the Finance of the Russian Federation, dealing with the methodology of accounting reform in Russia. This Methodological Board included representatives from academic institutions and local partners from Russian and international auditing firms. Also practicing accountants themselves wanted to participate actively in professional organizations, since they were able to express their opinions and be assisted with practical recommendations in accounting. The amount of accounting literature increased during this

period. In the majority of cases this took the shape of journals devoted to discussions about accounting and tax legislation, interpretations of laws, solutions to practical cases and advice from professional accountants, auditors or other experts. This attempt to establish a sound professional association emerged as a response to the political and economical situation of the country. There were quite a number of new economic mechanisms, and, thus, the accounting professional association being “*young and hungry*” tried to establish itself in this institutional field.

As discussed earlier, accounting is considered very context-oriented. In the 90’s some notions of Russian accounting were completely changed, due to neo-liberal reforms and the privatization process. In a way, practicing accounting came to be considered as a risky business with different legal schemes of economic activities. Literature on the professions (see e.g. Macdonald, 1995) suggests that some risk in the accounting profession can be eliminated by professional bodies. The attempt to establish a sound profession with entry requirements, an ethical code, a professional status and the provision of professional support for everyday accounting work by working out together with state authorities legislative acts, has been made. However, the evidence does indicate that the profession took a turn towards educational matters and in some part towards legislative activities, especially with regard to retraining accountants in international accounting and auditing and the reformation of Russian accounting towards IFRS.

The pattern of everyday accounting work in the 90’s consisted of unstable economic circumstances, frequent government and reshuffles of cabinets of ministers, social tensions, etc. In addition, the unbearable tax rates and in some cases almost obligatory *roof payments*¹²⁰ forced accountants to use their expertise to organize and participate in different schemes of legal and economic activities for the benefit of the companies. Such

¹²⁰ “A criminal group protected or/and controlled a business enterprise when, in addition to physical protection [...] this group supervises and secures major contracts and transactions for a fixed share of profits. [...] The average price of the full package of security and enforcement services, more relevant to larger scale business activity, was established at the level of 20 – 30 per cent of the profit of the client enterprise” (Volkov, 2000, p. 46 - 47)

conditions made accountants adjust their expertise according to market expectations. During this period the main requirements for an accountant's abilities and skills were to produce accounting information and prepare financial statements in such a way that less tax was paid, employees received a salary in order to maintain a normal standard of living and all types of shareholders were satisfied with the dividends paid out. Owners and directors were looking for those accounting specialists who were able to fix accounting information for all kinds of decision-makers, even though some of these decisions were in contradiction with law. Consequently, accountants were involved in the process of interpretation of the accounting data and in a particular way required by interested users. Accountants were forced to choose between different alternatives within the complex environment.

The empirical evidence of this research project indicates that when accountants wanted to keep their positions, they implemented and followed in their everyday professional life a continuous process of trial-and-error learning. This was a necessity brought about by the turbulent business environment in the Yeltsin period because of the rapidly changing legislation in turn due to the political, economic and social state of affairs. Their abilities and skills to learn quickly, to absorb as much as possible of the necessary legal information, and to provide owners and authorities with satisfactory accounting decisions constituted the most highly sought after expertise for accountants during this period.

The "good" accountant during the Yeltsin period from the state, the profession and market perspectives was depicted as a very important employee able to fix the necessary information and acting as a kind of *glue* between state and market with regard to various accounting and tax decisions. The combination of the numerous newly ratified state regulations concerning business relations between economic entities, revised study plans for education of accounting professionals, and the required expertise to interpret accounting information for different decision-makers clearly shaped the role of the accountant. Empirical evidence presented in this research project shows that the main day-to-day roles of accountants were defined by the political, economic and social

conditions of the time, even though these sometimes involved illegal schemes or actions. It seems that mainly state and market expectations towards the roles of the accountants were becoming more influential. The profession had attempted to play a more significant role, but there were some initial steps to form a sound accounting professional association. When it concerns tensions between state and market, the evidence shows that both state and market did put pressure on role perception and causing definite shifts in the role. In addition, market requirements towards the role of accountant modified these roles by taking into consideration on the one hand, the legislation and on other hand, the necessity of simple business survival. Moreover, the understanding of their roles by accountants themselves corresponded with those existing at this time in business ideology. For businesses in the Yeltsin period the accounting profession was in need. However, for further professional growth, additional knowledge and real-life business experience were necessary. My findings suggest that state, profession and market perspectives illustrate the good accountant during the period of *shock* reforms as one belonging to the visible profession with the necessary *creative* professional background as well as being forced to stay deeply rooted in state regulations in guaranteeing tax payments. And, in addition, the “good” accountant needed to respond to private business demands for providing accounting reports in accordance with the new economic conditions. The roles of accountants during this period closely corresponded with interpretation of the complex reality. These roles were gradually shifting towards providing a professional opinion. In order to analyze, how and whether remained the case for the next time period in Russia, the subsequent discussion seeks to look at the shifts and transformations of accountants’ roles during 2000’s.

8.1.3. Putin's and Medvedev's times

The first decade of the 2000's in the Russian Federation was announced as the "modernization" times. This consisted of the implementation of transparency, accountability, improvement of property rights, favourable investment climate, etc. The development of economic relations, advanced business transactions, company mergers, acquisitions, IPOs of joint stock companies, foreign exchange listed companies and their accounting – this all made up the pattern of everyday work for accountants during this period of time.

The empirical evidence presented in this research project indicates that the day-to-day roles of accountants during this period are strongly permeated by the state because the modernization policy of the Russian government forced accountants to be more professional in their decisions, in particular with regard to providing transparent financial information and to disclosing this to external users. However, some traditions still remain in the institutional field of Russian accounting from previous times, since most of the accounting regulations that have been ratified in the Soviet period and in the Yeltsin period are still in existence. Nevertheless, the discussion about new accounting regulation is going on now. This new legislation (currently being the discussed in the State Duma) will be not so detailed and in accordance with other existing legal acts (to avoid misinterpretation)¹²¹ giving more power and authority to professional self-regulating bodies. And when the draft law has been ratified, the accountants will be required to *prepare* transparent accounting information for the purposes of the various decision-makers.

¹²¹ In March 2011, the social community of women working as professional accountants and on maternity leave were able to inform President Medvedev via his blog on Twitter about the discrepancy between social security legislation and accounting for social security payments with regard to the maternity allowances. He then informed the community that he had requested the Ministry of Social Development of the Russian Federation to fix this misinterpretation. This example shows that direct access via social media to the executive power of the state can be an effective tool with which to sort out immediate problems involving misinterpretations of legal acts.

State regulations passed during 2000's have created quite a complex reality for accountants. With the restructuring of the ministries and the anti-corruption campaign, the flow of regulations, instructions and recommendations for state and private entities grew enormously. Taking this situation into consideration, the Russian government also introduced administrative reform and e-government tools. Administrative reform foresees simplifying procedures and avoiding corruption in setting up new businesses. E-government reform stipulates amongst other things electronic submission of bank payments, tax declarations so decreasing the possibility of corruption. State authorities eased the required documentation flow and face-to-face contacts with civil servants, but on the another hand introduced additional regulations and the necessity of being more aware who is responsible for what. Against this background, legal software gave accountants some of the flexibility to sort out the necessary legal information. However, as evidence indicates, the reading and familiarization with daily and weekly legal updates is a "must" for professional accountants. In addition, the more stable political situation of this period has created an opportunity for continuity of business activities. Thus, in his or her everyday work, the accountant was able not only to make immediate decisions, but also to develop the professional aspects of their accounting work by considering different alternatives, making reasoned choices and choosing between the various decisions available.

However, the introduction of new accounting regulation regarding the abolishment of requirement to countersign financial statements when *prepared* led accountants perceiving themselves that they were in the process of losing their status and importance. During the history of Soviet and Russian accounting, the requirement to sign the cash and financial documents was considered the power attribute given by the state to accountants in order to implement their role as *controllers for state*. Signing the documents was both a blessing and a curse for most accountants. By abolishing the requirement for signature, state authorities put all the responsibility on the director of the company or enterprise,

but, as evidence shows, most accountants consider this in disregard of their professional opinion in making reasoned accounting decisions.

The state perspective towards the day-to-day roles of accountants in the 2000's allows them to have some freedom to use their professional knowledge and practical experience in order to make decisions for external and internal users. But on the other hand, it seems that taking away some of their responsibilities, state authorities made accountants consider themselves an appendix in their own professional field.

The modernization of the educational system in the Russian Federation is also included on the agenda of social development reforms. The transformation of the educational system for accountants at higher education level is now taking place involving a *5-year specialist* education moving to respectively *bachelor* and *master degrees*. This reform is state-regulated for all educational institutions and is announced done in accordance with the needs of the national economy and the internationalization of education. Thus, state authorities do have some effect on how the profession sees the roles of accountants. However, the professional community consisting mainly of professionals in accounting research and teaching voiced their criticism concerning the quality of professional education in the accounting journals. As evidence suggests, the overall process of the transformation of education pushed these voices aside, but gave the right to the educational institutions themselves to define the content of the professional modules within the framework of the allowed ECTS¹²².

The empirical evidence in this research project shows that the day-to-day roles of accountants from a profession point of view are considered to be the ones connected with very thorough university educational programs, in particular mathematical courses, economics, econometrics, etc. This concerns both bachelor and master degree programs for qualified accountants. It seems that the general university education has its roots in the Soviet educational system well known for very good education in mathematics and still

¹²² ECTS – European Credit Transfer System – an European system of study points.

considered very important for qualified accountants due to the advanced computerization of accounting transactions. It is recognized by most of professionals that the curriculums of higher professional education institutions are regarded as providing sufficient theoretical knowledge in their accounting courses. However, the possibility to define independently the content of professional modules within the *master degree* program by educational institutions mirrors the expectations of the professional community and also takes into consideration feedback and requirements from employers. The current tendency in the educational field of qualified accountants is that the earlier drastic demand for *any* accounting specialist is gradually decreasing. Competent well-educated accounting professionals are in demand, with more practically - oriented and advanced knowledge in *transparent* business transactions. Thus, specialized *Accounting and Auditing Chairs*¹²³ have been established at the leading economic universities in cooperation with Russian and foreign accounting and auditing companies interested in qualified specialists with practical experience. The idea here - is to provide specialized courses (included in general curriculum) for the students, to have guest lecturers from these companies, to invite students for traineeships, to support in conducting research projects, and then to assist in job placements within these companies or for their clients. By doing this, professional firms participate in the training of their own future employees and begin the recruiting process from an early stage of university education.

The growing number of accountants has made it possible to develop the profession, both in the educational field and in professionalization. The accountant boom has gradually changed direction from quantity to quality. If in the Yeltsin period a huge number of accountants with at least some accounting knowledge were needed, in the 2000's the focus had moved to more professional and competent accountants, even though the accounting profession is still numerous.

¹²³ See e.g. Ernst&Young Chair at the Faculty of Economics of the National Research University "Higher School of Economics" (<http://economics.hse.ru/ey/>)

As the evidence indicates, the professional associations considered in this research project, have chosen education and training as their main fields of activities. They put focus on building professional competence. Some of them are oriented towards training and certifying professional accountants, others provide short-term retraining courses, specialized lectures or study trips for professional accountants as part of their obligatory improvement of qualification. They are recognized by the state authorities and give advice and participate in legislation activity mainly concerned with the educational or qualification requirements for professional accountants.

As described in Chapter 5, the draft of the new accounting law gives the right to professional self-regulating bodies to participate and work out accounting regulations and standards. The bodies allowed by state authorities are the professional associations of auditors. Therefore, most joint professional associations of accountants and auditors have founded and registered their affiliated legal entity as self-regulated associations of auditors. This self-regulated association is then included in the state register of non-governmental professional bodies allowed to take part in the process of accounting regulation. The “daughter” auditors’ association deals with legislative issues and the “parent” association mainly focuses on training and retraining. This research project mainly concerns accountants, not auditors. However, the relationships and interaction between the accounting and auditing profession in the Russian context can be regarded as a fruitful area for further research, because the auditing profession as understood in the Western accounting and auditing research did not exist in Soviet times as such, and the accounting profession as shown in this research project has shifted its roles from Soviet times until the present day.

As discussed earlier, governmental reforms towards “*white*” business, transparency and competitiveness created the business pattern for accountants with advanced professional competence and practical skills. In the 2000’s the expertise required from the market of the accountant was not that of someone just busy doing two different sets of books for financial and tax accounting purposes, rather the accountant with expertise to produce an

accounting decision by using his or her professional and practical competence and helping the company (in most cases, the director) to run the business with a profit and as transparently as possible.

Empirical evidence in this research project shows that the relationship between the accountant and the director is a significant one. As discussed in Chapter 3, the accounting profession in Russia is a mainly female profession. The majority of directors or executives are men, and 95% of accountants are women. This gender dimension adds more complexity to the roles of accountants. In most cases, the role an accountant is perceived by women as the one of taking care of the man and helping him to run a profitable business. Most accountants consider that accounting work can be successful (meaning that there is a profit at the end of the reporting period, that salaries have been paid and that the controlling authorities are satisfied with the tax and accounting reporting). This is possible if there is a good mutual understanding between the director and the accountant. It seems that accounting as a “feminine” job and the role of the woman – the accountant as the “problem-solver” in the Russian context is the female job. This is because, as also some of the interpretations suggested in the previous research (see e.g. Czarniawska, 2008) show, only women as accountants are able to continue their education on a life-long basis; have natural skills to follow the regulations and rules that change continuously and quickly. In addition, as in a “family”, if there are proper business relationships with directors these women as “business-wives” or “business – mothers” will look for *any* possible way to find reasoned accounting decisions to solve the business problems of their “business – husbands” or “business – sons”.

The gender discrepancy in the majority of cases concerns practicing accountants. The accounting profession started to be considered as “feminine” due to the fact that many men were killed during the Second World War, and therefore most of the positions were taken by women (see e.g. Djatej, 2006, Sakharov, 2010). With further enthusiasm in the development of fundamental sciences and the status of military service, male admission to the accounting profession did not increase in the following decades. However, later on,

and especially with the boom in private businesses, the male participation in the accounting and auditing profession increased, but mainly in executive bodies. For example, membership in the executive committees of the professional bodies considered in this research project is 70% men in the Accounting and Auditing Association “Sodruzhestvo”, and 50% men in the Institute of Professional Accountants and Auditors.

The further development of computerization of business operations and automation of the repetitive accounting transactions, on the one hand, enabled a decrease in the number of accountants in accounting departments, and on the other hand, provided an opportunity to outsource the company’s accounting. It seems that in both cases cost efficiency policy is an important consideration. However, the empirical evidence indicates that the computerization of accounting work can lead to the comeback of “*pure*” book-keeping and the controlling roles of accountants, because the main functions for those using the accounting software are to control accounts’ balances and keep the tax registers. In addition, the outsourcing of accounting services is perceived as multiple-machine accounting, when professional opinion is not considered and personal relations vanish.

The role of the accountant during the first decade of the 2000’s from state, profession and market perspectives is depicted as the one of very well-educated person with adequate professional competence and belonging to an important profession. The political, economic and social development towards internationalization and transparency puts more focus on the international orientation of accountants’ roles of. It seems that both state and market institutions equally strongly have defined the “good” accountant as the one who is competent to create useful information and to solve accounting problems by making economic decisions. The professional perspective focuses mainly on competent education and training issues, and hands over the regulative activities to the auditing part of profession. It appears from a professional point of view that accountants learn on a life-long basis, and that auditors possess qualifications to work out accounting regulations. During the 2000’s the role of the accountant based on state and market influence gradually shifted from representing economic activities in terms of numbers to the more

advanced one of interpreting the complex reality. However, discussions continue about the developments of accounting computerization, outsourcing and the recent abolishment of the accountant's counter – signature. This makes it possible to speculate that instead of an accountant with a professional opinion, the role of the service-oriented *accounting* technologist representing economic activities numerically has once again regained the stage. It has already been like this, has it not?

8.2. The accountant's role in the interplay between state, profession and market

"A good accountant is a creative accountant. A creative accountant is adaptable, dynamic, inventive, open to new ideas, able to take a broader view, aware of different perspectives and prepared to defend a chosen alternative" (Roslender, 1992, p. 206, original emphasis).

This outline of the main characteristics of the roles of accountants sheds light on what it means to be a "good" accountant during these three periods of time in the Russian context. As discussed earlier this research project focuses on accountants and how and in what way state, profession and market influence their roles. The following discussion attempts to explain the roles of accountants under the different regimes and also the three societal institutions and dynamics involved. Then the accountants' roles in the interplay between state, profession and market are considered. I am in the process of investigating the main connections between these instances, in order to understand the connections involved. It has to be acknowledged that there may be a lot more connections working in different ways. However, for the purpose of this research project in order to understand what makes a "good" accountant, only the previously instances are considered.

Empirical evidence shows that in Soviet times the state focused on national production policy. The main task of accounting was to help fulfil the 5-year plans. The accountant's role was to take care of various accounting tools and handle the mechanisms for fulfilling such state policy. Accountant as profession was not so visible at that period of time. The profession was mainly organized as a kind of evening club focusing on building informal professional networks amongst themselves. Market as discussed previously was basically not of a *real* nature, even though competition had existed- but then in relation to trying to outperform Western economic policy. However, in its own form of *blat* by using different mechanisms, market was trying to reduce the frictions in the machinery of Soviet policy aimed at implementation of the 5-years plans. Market needed accountants to make different kind of deals using informal connections in order to fulfil their production targets.

During the Yeltsin period the power of state institution was changing. An accountant did not just work for the state, but also became very important for enterprises and companies. This represented a dramatic change, because the role of the accountant began to include the tax perspective, instead of just fulfilling the centrally decided 5-year plan. Being hidden and perhaps more resembling a kind of "*Cinderella*" profession in Soviet times, in the 90's the accounting profession became much visible, internationally oriented, and independent. There was a demand for the profession and some preliminary steps in implementation of the professionalization project were taken. The market grew to be real, and, replacing the state, it took over defining what it meant to be a "good" accountant. At this time, the market was not looking for accountants able to deal with reducing frictions caused by state plan, rather the accountant sharp enough to handle both the state perspective of paying taxes and the market perspective of making profit.

The modernization times (Putin's and Medvedev's period) show the state becoming a stronger regulator as in previous times, but at another level. Now there is a call for a more transparent business environment with more advanced tax and financial regulations. The accountant's role now covers handling the complexity and keeping focus on the dynamics of societal changes. During this period, the profession became very well-educated, more

visible and better organized. At the same time, accountants are taken into consideration as important discussants in the professional debate about the different accounting decisions. The market developed into a more advanced one demanding more of professional competence and expertise. However, if comparing with the 90's, the market is not so directly involved in defining what the "good" accountant is, rather looking for more competence and professionalism.

Graphically the accountant's roles from state, profession and market perspectives under different are visualized in Table 8.1.

	<i>Soviet times</i>	<i>The Yeltsin period</i>	<i>Putin's & Medvedev's times</i>
<i>The state perspective</i>	Mechanically oriented	Tax calculator	Oriented towards dynamics
<i>The profession perspective</i>	Not-visible but network builders	Visible, independent and international	Well-educated, belonging to an important profession
<i>The market perspective</i>	Friction reducer	Quick learner	Competence for business

Table 8.1. Accountant under different regimes and perspectives

The afore-mentioned illustration of how the roles have changed during these periods and also the features of the roles presented in Table 8.1 outline the accountant's role in the interplay between state, profession and market.

One can ask, what is the influence of the occurred shifts and transformations? So far, we can say that complexity definitely challenge the "good" accountant. In metaphorical terms, the effect that state, profession and market have on an accountant in the Russian context can be describe as a piece of juggling, with the juggler continuously tossing objects into the air and catching them so as to keep at least one in the air while handling the others. Here, the state is the instance always putting in extra regulations, instructions, and recommendations in the number of objects to be handled. The profession has effect on juggler as an accountant, who is trained to do accounting. The market perspective is

represented by the ability of the accountant to toss accounting decisions in different ways in order to handle all of the objects, and to keep them all up in the air. Following this metaphor, at different times, the state, the profession and the market do influence in various ways the roles of accountants. Unknown objects are introduced, or the tossing of the objects has to be done in a new way or, in order to handle the objects, it becomes necessary to learn new or keep old “tricks”.

As discussed previously there have been shifts and transformations in the roles of accountants due to significant changes in the Russian context over the last years. The context became increasingly complex: many activities had to be handled by accountants. Therefore, in order to understand how the roles have changed and to sort out the complexity of the context, I have used the societal institutions of state, profession and market in this study. The previous discourse shows that dynamics is involved in the roles. Why is there dynamics? Why have the roles changed? All three periods of times have their specificities, but the main driving force seems to be the need for change. To put it differently, in each period there was a call for modernization of society and its societal institutions.

The key to understanding the dynamics of accountants’ roles is here considered to be as follows. It is easier to change rhetoric - what people say. It is more difficult to change practice - what they actually do. One of the interviewees explains: “We write what *they* want to hear”. This perception of an accountant’s role remains timeless in the Russian context. Different features or characteristics may be required to perform by the accountant in different time periods. However, it seems that in the majority of cases, *they*, in other words, the state, the profession and the market institutions are always there.

The effect these institutions have on the roles of accountants and the connections between them is further elaborated on. Some explanations are relevant for the following discussion. The concept of “industry” is used as one consisting of different types and forms

of enterprises and companies. In other words, it is considered as the market. Profession is seen as part of being an accountant and included inside the “accountant” box.

The Soviet state was not particularly interested in accountants, but it was demanding and commanded industry to fulfil their 5-year plans based on numerous detailed regulations. The state was not worried about accountants, as long as they did what they were supposed to do in reporting about controlling and safe-guarding socialist property. Thus, industry was very eager to have accountants able to fill in and present the detailed schemes and reports in accordance with the 5-year plan’s implementation. Obviously, industry placed the mechanically oriented claims on the accountants. In turn, the role of the accountant was to provide detailed reports to the state. In this interplay the profession acted more or less like a hobby club building a professional network and the *shadow* market was using personal connections to find and access necessary professionals or resources. The connections between accountant’s roles and societal institutions in Soviet times are indicated in Figure 8.1 below.

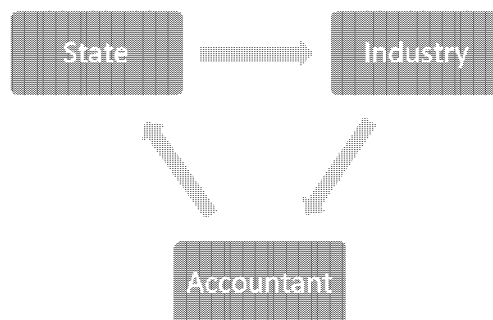


Figure 8.1. The accountant’s role in the interplay between state and industry in Soviet times and *Perestroika*.

In the Yeltsin period *shock* reforms resulted in the state becoming weaker in planning and central organizing, as compared with Soviet times. Industry took over and put more pressure on the state, in particular when privatization was started. It was an industry-driven process, since enterprises and companies had more influence with respect to accounting and financial reports in accordance with the new economic situation and the

open market. Companies wanted to be profitable, internationally oriented, and independent. For this purpose, accountants were of crucial importance. Their knowledge and expertise was required in order to manage enterprises. During this period of time, the profession began to be very visible. At the same time, accountants became important for the state. The state put a lot of pressure on accountants to get tax income, and not to fulfill 5-year plan. And this brought about drastic change. The state began to get interested in accountants. They became the tax guarantors for the state, because their knowledge and expertise could affect directly how much taxes were in fact paid by industry. In the 90's, the accountants were creative, handling double accounting books. They had to tackle this difficult situation: on the one hand there was pressure from companies and enterprises to complete financial reports in accordance with market or western accounting principles, and on the other hand, the state expected and enforced payment of taxes under all conditions. The accountant functioned like glue or as a connecting element between industry and the state in a very turbulent environment. The connections between the accountant's roles and societal institutions in the Yeltsin period are indicated in Figure 8.2 below.

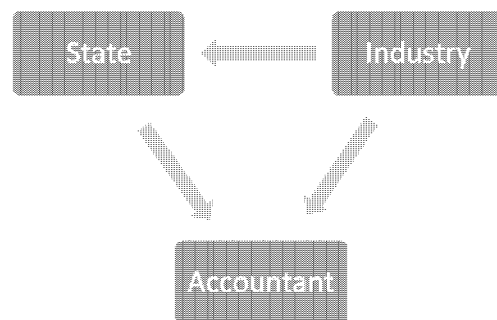


Figure 8.2. The accountant's role in the interplay between state and industry in the Yeltsin period.

Putin's and Medvedev's times are marked by modernization of the social and economic development of the Russian Federation. Apparently, "transparency", "anti-corruption", "investor's attractiveness", etc. are the new measures for business environment. Thus, the state puts new claims on the industry concerning transparent reporting, disclosure of the

information, and tax and financial statements. Corresponding to with the aims of the social development programs and international agreements (e.g. Bologna Declaration) the state regulates the advancement of professional educational programs. It needs the professional competence of accountants. At the same time, the profession is invited to give perspectives on accounting development and to participate in the professional debate. Accounting and auditing firms focus on cooperation with educational institutions. Thus, they influence the curriculums and educational programs developed by state authorities concerning the training of accounting graduates. This means that the accounting profession pays a lot of attention to its own competence building; they are very well-educated and rather self-oriented. Accountants become professionally recognized, and as they are quite well organized, they are connected and influence one another. They are beginning to become a strong profession. This means that accountants are now more professionalized, in particular when they work in big Russian and international companies. Based on their competence and education, professional accountants advise the state about accounting rules and regulations in this time period. The status of accountants is acknowledged by the state, because the complex business environment requires competent opinions. Accountants are now important players in the process of choosing this or that accounting decision. Their professional opinions now count. Inside the industry there are accounting and financial departments which are quite influential as they have professionals with the required expertise for their employers. However, it should be acknowledged that there is not such a strong connection between the accountant and industry right now. Put in another way, there is now situation involving “decoupling”¹²⁴, or as exemplified earlier the industry and accountants are decoupled since the profession has become more self-oriented towards its status in the social standing. The connections between accountant’s roles and societal institutions in the 2000’s are indicated in Figure 8.3 below.

¹²⁴ In terms of neo-institutional theory decoupling occurs when the formal structure of an organization becomes separated from its actual practice (Meyer and Rowan, 1991).

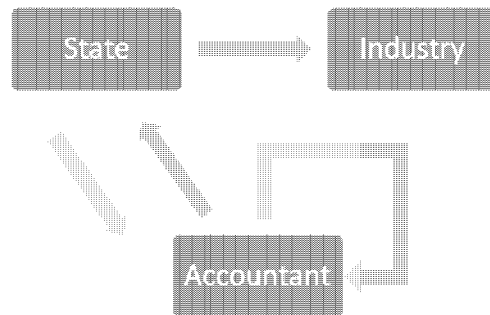


Figure 8.3. The accountant's role in the interplay between state and industry in Putin's and Medvedev's times.

This illustration of the interplay between the roles of accountants and the state, the profession and the market helps visualize connections between the accountant and these institutions. This study focuses on the accountant and the previous discussion has showed how the institutions of state, profession and market all influence the role of the accountant. Evidently, there are different connections between the state, the profession and the market and accountant in different time periods. It is quite an interesting development that the Putin's and Medvedev's times (the 2000's) show a decoupling between industry and accountants. This happens at the same time as the professional opinion of choosing between different accounting choices is now recognized by the state.

The current state of affairs indicates that something is definitely going on in the development of the profession. This can represent a kind of crossroads for accountants. On one hand, they are now organized. The state acknowledges them and invites them to participate in rule-making. Accountants have been given a certain responsibility. It looks as though there is room for pursuing accountants' professional project, since the connections with the two others instances, the state and market institutions, are now settled and concerned the accountants' role. The previous discussion showed that in previous times the profession lacked visibility, was mechanically oriented and was also under too much pressure. Nowadays, the turbulent business environment provides lots of opportunities. The more choices are offered by the complex business and societal context, the more becomes the need for competent knowledge and accounting professionalism. On the other

hand, the empirical evidence shows that the accounting profession faces a crisis and is planning its own funeral. Accountants perceive the diminishing of their role based upon sediments from previous times, such as, counter-signature by accountants of financial statements and automated accounting decisions. Both are considered by accountant as significant elements of the future prosperity of the profession. And the decision to abolish the counter-signature and introduce accounting software made accountants believe that their profession is vanishing. This makes the situation very exciting and requires more research being carried out on whether the Russian accounting profession is going to disappear in its present form or whether it will rise like Phoenix from ashes as the new profession.

Chapter 9. Where are we now and where to go?

"It may be said that we accountants are fundamentally destined to be 'free'. We suffer this freedom. We want to be bound by theories, principles, standards, and the like" (Vollmer, 2003, p. 373 citing Ijiri).

Russia has experienced dramatic political, economic and social changes over the last few decades. The country's transition from centrally-planned economy to market made the context unique as a background for describing and analyzing the role of the accounting profession. The purpose of this research project has been to understand the development of accountants' roles over time within the context of social and economic change. By doing so, I aim to contribute to theoretical discussion about the future development of the accounting profession.

The chapter is organized as follows. Firstly, it will present in a conclusive way what the study has showed and secondly, it will discuss the ways move on, i.e. ideas for future research studies.

9.1. Insights from the study

Analysis of the empirical data reveals that accountants' roles in Russia have changed undergoing transformation during the course of time. The dynamics of this was fuelled by the need for change in society and societal institutions. Moreover, the societal institutions of the state, the profession and the market influenced development of the roles at different times. The evidence presented in the study indicates that it is possible to trace state, profession and market expectations with regards to what it means to be a "good" accountant in the Russian context.

In the framework of the current research project, these three societal institutions and their interplay is employed as theoretical “lenses” in order to shed the light on accountants’ roles over time in Russia (Chapter 4). In contrast with the conventional focus of applying state, profession and market approach in studies of roles of the accounting profession in advanced capitalist (see e.g. Wilmott *et al.*, 1992) or developing economies (see e.g. Hao, 1999), this study is concerned with the roles of accountants in the complex and turbulent environment of an economy undergoing transition. The research project contrasts views of the role of accounting profession at one point of time and depicts the dynamics of these roles at different times and under different regimes. Therefore, the study mainly focuses on understanding what a “good” accountant is and the connections existing between accountants and state, profession and market institutions.

The research approach consisting of the state, the profession and the market have enabled illustration of accountants’ roles and have allowed me to discuss and analyze the connections and links between these institutions and accountants during the various times. The study portrays the phenomenon being examined in its development by connecting the expectations from three viewpoints: the state point of view (Chapter 5); the professional standpoint (Chapter 6) and the market’ required expertise (Chapter 7). In each chapter the description was divided into three different time periods: communism, transition, and the period from after 2000 up until the present day. Chapter 8 illuminated the meaning of the “good” accountant during these three periods of time.

The main findings have been presented in Table 8.1, which shows that the three institutions influence the accountants’ roles in different ways under different regimes. To start with, the state perspective has a definite effect on accountants’ roles all the way within the framework of the discussed timeline. The state expected a “good” accountant to be a mechanically oriented economist with accounting knowledge in order to implement successfully the 5-year plans. In the Yeltsin period, the state required accountants as “tax calculators”. In the 2000’s, the state still had expectations for accountants meaning them be oriented towards dynamic development of modernization

reforms. In turn, understanding of what it means to be a “good” accountant using the profession perspective has also been transformed. The professional influence path goes from being non-visible accounting professionals to independent and internationally oriented accountants and then to specialists who are well-educated and belong to a strong and important profession. Where the market perspective is concerned, accountants’ roles were influenced by the transformation of expectations from enterprises and companies. For the market, the “good” accountant has the following required expertise under the different regimes. Firstly, it acted as “friction reducer”, required to assist in reaching Soviet production targets. Then, during the turbulent 90’s, accountants were supposed to be “quick learners”. Finally, in times of the modernization of economics, the market looks for accountants with professional competence relevant for the complex business environment.

At the same time while the dynamics of understanding of being a “good” accountant from state, profession and market perspectives during different regimes has been analyzed, the connections between these institutions and the accountant have also been illustrated. As I have described, these societal institutions and the accountant have interrelated tracks in many different ways. Moreover, in different times, the interplay between accountants’ roles and state, profession and market is varied (see fig. 8.1, 8.2 and 8.3). As showed, in Soviet times the accountant was expected by industry to prepare meticulously detailed reports for the state, while the profession acted as hobby club. In the Yeltsin period, the accountant functioned like glue or as connecting element between the state and the industry, providing professional accounting expertise needed at this turbulent time. During the 2000’s the state had put new claims on the industry concerning “transparent” business. At the same time, the profession became very well-educated, more self-oriented and aware of its status in the social standing. However, now there is a situation involving decoupling between industry and accountants, at whilst the professional opinion is recognized by the state.

The empirical material I have presented in my study is mainly of a descriptive character. However, it attempts to provide a multifaceted platform with different perspectives and changes stretching over the three distinct regimes. This descriptive platform can be used as the foundation for a theoretical discussion about future professional development from the point of view of the different societal institutions, as well as a starting point for weighting the theoretical implications. This enables a discussion of the development of the profession: what can be done and how it should be done, or what is possible or impossible to do.

In addition, with a few exceptions (Cooper *et al.*, 1998, Bourmistrov and Mellemvik, 1999, Timoshenko and Adhikari, 2009, Samsonova, 2009, Mennicken 2010), qualitative studies in accounting and auditing in Post-Soviet Russia remain quite rare. As Samsonova (2006) observes, this may be related to problems in gaining access to the field, issues of confidentiality, the language barrier and other reasons. This study follows a scientific approach indicating that the particular research methodology chosen should be based upon the nature of the studied phenomenon. For the purpose of this study, qualitative research methodology – interviewing, questionnaire and secondary data analysis – have been used to make thorough analysis. In addition, a research strategy of close link between empirical data and the analytical dimension has been utilized.

This project represents an empirically supported study. I believe that its findings can have practical interest. The study provides an overview and analysis of the shifts and transformations of the accounting profession in Russia from Soviet times till the present time. The discussion about roles of accountants in times of change represents an important aspect of these transformations helping to shed light on the changes constituting the transition process of professional accounting development in the Russian Federation. The study provides an analysis of these changes, their dynamics and in what ways the societal institutions influence them. The research findings can stimulate interest amongst organizations and institutions interested in the nature and scope of professional accounting development in transitional economies, such as in Russia, but also in other

countries. In addition, I hope that, by placing the Russian accountant in the context of the interplay between state, profession and market institutions, the study may aid a professionalization process, and furthermore that Russian accounting professionals and regulators will put considerable efforts to furthering development of the accounting profession.

9.2. Ideas for further research

In this research I tried to understand what is a “good” accountant in the Russian context, or in other words, this study was curious to look at how accountants’ roles have changed and been transformed and in what ways their development has been influenced by the state, the profession and market institutions. What has been important for accountants seen from the three societal institutions offer a platform for discussing about the further development of the profession of accountant. Moreover, I have also seen a lot of other interesting research ideas and opportunities that can be handled in future studies.

For instance, one such study could be about the relationships between accountants *and* auditors in the Russian Federation. Both accountants and auditors have attempted to develop an accounting and auditing profession. Prior research has documented the development of auditing profession in Russia as well as the conflicts between “Big” international auditors and local professionals (see e.g. Cooper *et al.*, 1998, Samsonova, 2009). It would be interesting to study both accounting *and* auditing professions, their ways of development and interaction with each other, the kind of functions they hold and the role they play in professional development in Russia.

As discussed in this research project, there is a kind of crossroads for accountants’ development nowadays in Russia. It will be interesting to continue research on whether the Russian accounting profession is going to disappear in its present form or whether it

will transform in a new profession. What happens with the profession? How is it for the Russian accountant with all of these changes? Is a (re)professionalization of the Russian accountant occurring? How can accountants become “independent” in these times? Will professional opinion matter when the authorities make decision about principle-based or rule-based accounting development in Russia? In spite of the fact that it is still difficult to gain access to the empirical data, such research has to be done in order to see what the real changes are in the development of the Russian accounting profession.

In this study, I have focused on the accountant, irrespective of sector of society, and have not paid so much attention to which sector of society they represent. One of the reasons for such a choice was that in Soviet times only the public sector officially existed in society. Thus, the question can be raised, whether there is a different understanding of the “good” accountant between sectors, i.e. private and public. Or, furthermore, whether there are different requirements for being a “good” accountant in private sector business.

This research project has illustrated accountants as a group in Russia. A more detailed study can be suggested conducted in order to focus on some high-profiled or *elite* accountants (see e.g. Jönsson, 1996)? Who are they? What are their decisions? How do they make decisions? What about their career paths? This will require being close to them, following their work, and being in constant interaction. It may be worthwhile to track their work and analyze the ways in which the understanding about their role as an accountant develops.

The study has focused on the accountant in the Russian context. A case can be made for conducting a comparative study of accountants in different contexts. Russia has its special development, whereas the accountants in other contexts have their own features. For instance, a comparative study within the CIGAR network (joining together comparative international governmental accounting researchers) could prove particularly relevant and illustrative. With the possibility of making comparisons, such a type of inquiry offers the

opportunity to highlight the specificities of accountants' roles in different contexts. This can bring forth a new understanding of accountants.

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Appendix 1. Internet sources used for the thesis

Federal bodies of the Russian Federation

The President of the Russian Federation	www.kremlin.ru
The Government of the Russian Federation	www.government.ru
The Ministry of Finance of the Russian Federation	www.minfin.ru
The Ministry of Economic Development of the Russian Federation	http://www.economy.gov.ru
The Ministry of Education and Science of the Russian Federation	http://www.mon.gov.ru

Professional periodicals (journals and newspapers)

<i>Buhgalterskij uchët</i> (Accounting)	http://www.buhgalt.ru/buhgalterskij-uchet/o-zhurnale/
<i>Glavbuh</i> (Chief Accountant)	http://www.glavbukh.ru/
<i>Finansovaya Gazeta</i> (Financial Newspaper)	http://www.fingazeta.ru/index.php?m=var/main.htm
<i>Uchet. Nalogi. Pravo</i> (Accounting. Taxes. Law)	http://www.gazeta-unp.ru/
<i>Ekonomika i zhizn'. Buhuchet i nalogi</i> (Economics and life. Accounting and taxes)	http://www.eg-online.ru/theme/accounting/
<i>Nalogoved</i> (Tax advisor)	http://www.nalogoved.ru/
<i>Ugolovnyi process</i> (Criminal process)	http://www.ugpr.ru/
<i>Arbitrazhnaja nalogovaja praktika</i> (Arbitral tax practice)	http://anp-online.ru/
<i>Sovetnik buhgaltera</i> (Advisor to the accountant)	http://sovbukh.ru/zhurnaly/sovetnik_buhgaltera/

Professional web-sites

<i>Minfin Rossii/ Buhgalterskij uchet i audit/ Buhgalterskij uchet / Obwaja informacija. Reformirovanie /Programmy, koncepcii, plany</i> (The Ministry of Finance/ Accounting and auditing/ Accounting/ General information. Reformation /Programs, concepts, plans)	http://www1.minfin.ru/ru/accounting/accounting/basics/programs/
<i>Vse o buhgalterskom uchete, menedzhmente, nalogovom prave, bankah, 1S i programmah avtomatizacii</i> (All about accounting, management, tax law, banking, 1C, and software)	www.klerk.ru
<i>Buhgalterskij uchet, nalogooblozhenie, otchetnost', MSFO, analiz buhgalterskoj informacii, 1S:Buhgalterija</i> (Accounting, taxation, IFRS, analysis of accounting information, 1C-accounting)	http://buh.ru
Sajt dlja buhgalterov, auditorov, nalogovyh konsul'tantov, aktual'naja informacija (Web-site for accountants, auditors, tax consultants, relevant information)	www.buhgalteria.ru
<i>Buhgalterskij uchet, nalogooblozhenie, audit v Rossijskoj Federacii</i> (Accounting, taxation, audit in the Russian Federation)	www.audit-it.ru
<i>Buhgalterija: buhgalterskaja otchetnost', nalogooblozhenie, buhgalterskij uchet</i> (Accountancy: accounting reporting, taxation, accounting)	http://www.buhonline.ru/

Professional accounting associations and organizations

Association of Accountants and Auditors "Sodruzhestvo" (AAAS)	http://www.cisaaa.org/
Institute of professional accountants of Russia (IPAR)	http://www.ipbr.org/
Accounting methodological centre (BMCentre)	http://bmcentr.ru/
National organization for financial accounting and reporting standards (NSFO)	http://www.nsfo.ru/
Education and methodological department in speciality "Accounting, auditing and analysis"	http://www.fa.ru/umo.asp

Electronic databases of legal documents

KODEKS – Legislation, comments, consultations, judicial practice	www.kodeks.ru
GARANT – Legislation with comments	www.garant.ru
ConsultantPlus – Russian legislation: codes, laws, decrees, resolutions	http://www.consultant.ru
Official internet-portal of legal information. State system of legal information of the Russian Federation	http://pravo.fso.gov.ru/

Other sources

Headhunter.ru – jobs, vacancies, CV database, job search	http://hh.ru/
Superjob - employee search, vacancies, CVs	http://www.superjob.ru/
Consult.ru – consulting portal	www.consult.ru
Rating agency “Expert RA” – ratings, studies, reviews, conferences	http://www.raexpert.ru/
The Institute for the Economy in Transition	www.iet.ru
The Moscow Times	www.moscowtimes.com
Russia profile	www.russiaprofile.org

Appendix 2. Questionnaire

We are conducting a research study on accountants' roles in Russian business and society. The aim of the questionnaire is to define what the roles of practicing accountants are. The results of the questionnaire are anonymous and will only be used for data analysis. Thank you for your cooperation!

1. Your age:

- a. Up to 30 years b. From 30 to 50 c. Over 50 years

2. Experience:

- a. Up to 5 years b. From 5 to 10 years c. From 10 to 15 years d. Over 15 years

3. Your first higher education degree:

- a. Engineer – economist b. Economist c. Economist with a degree in Accounting and Auditing d. Other (specify)

4. Do you have a second higher education degree in accounting?

- a. Yes b. No

5. Have you participated on the accounting courses to improve your qualifications?

- a. Yes b. No

6. Do you have a certificate of professional accountant?

- a. Yes b. No

7. If you do not have the certificate as a professional accountant, do you plan to get one?

- a. Yes b. No

8. In what area of accounting have you worked during the last 5-10 years (if you change jobs, specify the previous organization):

- | | | |
|---|--|--|
| a. Budget organizations (budgetary accounting) | e. Tax Inspectorate / Police (tax accounting) | i. Social security and pensions (retirement allowance) |
| b. Commercial entity (commercial accounting for branches) | f. The judiciary (judicial accounting expertise) | j. Teaching / research activities (the "Accounting, analysis and audit") |
| c. Banking and financial sector (bank account) | g. Bodies of Statistics (statistics) | k. Other (specify) |
| d. The audit organization (auditing) | h. Insurance companies (insurance records) | |

9. The size of the organization where you work:

- a. Large b. Average c. Small d. Other (specify)

10. Your position:

- | | | |
|--|-----------------------|--------------------|
| a. Chief accountant | d. Cashier | g. Economist |
| b. Deputy Chief Accountant | e. Financial Director | h. Other (specify) |
| c. Accountant for a particular section of accounting (specify) | f. Manager | |

11. Please list your main duties:

12. Do you participate in the management meetings of your company / organization?

- a. Yes, but only on financial matters; b. Yes, for financial and nonfinancial issues; c. No

13. Do you make decisions in your organization / company?

- a. Yes, but only on financial matters; b. Yes, for financial and nonfinancial issues; c. No

a. Accountant with a professional opinion;	j. Person who has the material and criminal responsibility;	r. Revisor/inspector
b. Tax inspector;	k. Auditor (external);	s. Accountable person;
c. Financial analyst;	l. Statistician;	t. Legal advisor;
d. Business expert;	m. Bank clerk;	u. Union representative;
e. Economist for planning;	n. Source of information about the availability and flow of assets and liabilities;	v. Consultant on retirement / social affairs;
f. An intermediary between shareholders and management;	o. Budget funds owner;	w. Trustee of the head of the organization;
g. Accountant - calculator;	p. Internal auditor;	x. Environmentalist;
h. The person responsible for decisions about cash flows;	q. Controller;	y. Clerk;
i. Authorized signatory		z. Other (specify)

a. Accountant with professional opinion;	j. Person who has the material and criminal responsibility;	r. Revisor/inspector
b. Tax inspector;	k. Auditor (external);	s. Accountable person;
c. Financial analyst;	l. Statistician;	t. Legal advisor;
d. Business expert;	m. Bank clerk;	u. Union representative;
e. Economist for planning;	n. Source of information about the availability and flow of assets and liabilities;	v. Consultant on retirement / social affairs;
f. An intermediary between shareholders and management;	o. Budget funds owner;	w. Trustee of the head of the organization;
g. Accountant - calculator;	p. Internal auditor;	x. Environmentalist;
h. The person responsible for decisions about cash flows;	q. Controller;	y. Clerk;
i. Authorized signatory		z. Other (specify)

a. Yes b. No

<i>Role in the day-to-day accounting work</i>	<i>1985 – 1995</i>	<i>1995–2005</i>	<i>2005 –2010</i>
a. Accountant with professional opinion;			
b. Tax inspector;			
c. Financial analyst;			
d. Business expert;			
e. Economist for planning;			
f. An intermediary between shareholders and management;			
g. Accountant - calculator;			
h. The person responsible for decisions about cash flows;			
i. Authorized signatory			
j. Person who has the material and criminal responsibility;			
k. Auditor (external);			
l. Statistician;			
m. Bank clerk;			
n. Source of information about the availability and flow of assets and liabilities;			
o. Budget funds owner;			
p. Internal auditor;			
q. Controller;			
r. Revisor/inspector			
s. Accountable person;			
t. Legal advisor;			
u. Union representative;			
v. Consultant on retirement / social affairs;			
w. Trustee of the head of the organization;			
x. Environmentalist;			
y. Clerk;			
z. Other (specify)			

18. Do you think your role has changed in recent years and was this due to the fact that

- | | | | |
|---|--|--|--------------------|
| a. legislative requirements to the accountant have changed? | b. professional associations of accountants and auditors, including IPAR, have changed the professional and ethical requirements for the accountant? | c. the requirements for the accountant by the employer / manager have changed? | d. Other (specify) |
|---|--|--|--------------------|

19. Are you a member of a professional organization of accountants and auditors?

- | | | | |
|-----------------------|---------|---|-------------------------|
| a. AAA "Sodruzhestvo" | b. IPAR | c. Regional Association of Accountants and Auditors | d. Regional Office IPAR |
|-----------------------|---------|---|-------------------------|

20. Do you think that for development of the professional role of accountants it is necessary to have legislative requirements?

- | | | |
|--------|-------|--------------------|
| a. Yes | b. No | c. Other (specify) |
|--------|-------|--------------------|

21. Do you think that for development of the professional role of accountants it is necessary to have an active professional association?

- | | | |
|--------|-------|--------------------|
| a. Yes | b. No | c. Other (specify) |
|--------|-------|--------------------|

22. Do you think that for development of the professional role of accountants it is necessary to have professional requirements from employers/managers?

- | | | |
|--------|-------|--------------------|
| a. Yes | b. No | c. Other (specify) |
|--------|-------|--------------------|

Appendix 3. Interview guide

The questions listed below are used to structure interviews. This list provides guidance, but is not used strictly. During the interviews questions are added or revised depending on the interview's experience, background and position. This approach to interview guide is necessary to be flexible to the interviewee's situation and be aware of interesting issues that can appear.

I am trying to understand what it means to be "good" accountant in Russia over time, how and in what ways accountants' roles are influenced by societal institutions, such as the state, the profession and the market.

- How many years are you working as an accountant?
- Can you describe how do you understand "good" accountant? What does it mean for you to be "good" accountant?
- In your view, in what ways is it possible to be "good" accountant in Russia?
- What do you think: who and in what ways can one define what it means to be a "good" accountant?
- How can you describe, what the accountant is in the perspective of the
 - the state
 - Can you say what the roles of the accountant are as defined by state legislation?
 - the profession
 - Can you say what the roles of the accountants are as seen by the accounting profession itself?
 - the market
 - Can you say what roles of accountants are supposed to be from the point of view of enterprises' and companies' required expertise?

- How do you see the roles of the accountant?
- What kind of problems faces the “good” accountant?
- Do you think the understanding about roles of the accountant (or being a “good” accountant) has changed during the last decades from the perspectives of
 - state,
 - profession,
 - market?
- Why do you think these roles have changed?
- In your view, what and who was the driving force(s) of this development/change?
- What kind of challenges, in your view, face the “good” accountant from
 - the state perspective,
 - the profession perspective,
 - the market perspective?
- How can you describe what you see ahead, as making up the accountants’ future in Russia?

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in an International Context.
- Nr. 29– 2011 Andrei Mineev
How has the petroleum supply industry developed in The Russian Barents Sea Region? Institutional and managerial aspects.
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