

■ European traditions in accounting

## Accounting Tradition in Portugal

Maria Major



### The 18th Century

Portuguese history has been closely linked with the development of mercantilism and trade throughout most of the last five centuries. It is well known that accounting and commerce go hand in hand. Therefore, it is not surprising that accounting has attracted much interest from Portuguese traders, politicians and decision-makers, following the Portuguese maritime expansion of the 15th and 16th centuries.

Yet, apparently, it was in the second half of 18th century with the Marquis of Pombal (Chief Minister of the Portuguese King Dom José I) that accounting and double entry bookkeeping became recognized as valuable devices to foster commercial activity and support the management and administration of new factories. It was in this period that *Aula do Comércio* (School of Commerce) was created, which, according to some, was the world's first official professional technical establishment specializing in the teaching of accounting. Whether it was the first formal establishment set up in Europe and the world to promote professional education is still the subject of controversy; however, the School of Commerce was still an important milestone in the development of accounting in Portugal.

Further important events subsequently occurred. For example, in the 19th century, the earliest Portuguese Commercial Code was issued, containing rules on which type of books merchants should keep and how they should be organized. Moreover, in the last quarter of the 19th century, and following the European trend towards associative movements, the Portuguese

Accounting Association was created, though its life span was brief. Both of these events were a reflection of the dynamism of accounting in Portugal. One of the drivers for accounting progress during this period was the influence of French accounting writers, who had a major impact on the way accounting developed. Authors such as De la Porte, Barrême, Degrance and Lefèvre were among those that had been highlighted as the most influential. This influence seems to have extended up until the first half of 20th century.

### From the Republic to the Early 1970s

Immediately after the abolition of the monarchy and the establishment of the Republic in Portugal, in 1910, a law was passed requiring accounting to be undertaken by 'capable technicians'. Furthermore, two widely-representative chambers of Accounting Experts (one for the North, the other for the South of the country) were formed in order to supervise the provision of balance sheets, accounting reports and other related documents to general meetings of companies.

Overall, the period between the end of the monarchy and the end of Portuguese dictatorship in the late 1960s was marked by an interest in accounting and the need to regulate its provision. An example of this was the creation of the National Union of Accountants and Bookkeepers from the Oporto District (NUABOD) during Salazar's corporatist regime. This organization permitted the advance of accounting knowledge by promoting study sessions, creating accounting schools and libraries. It became very influential, as accountants or bookkeepers who did not hold a 'licensing credential' issued by NUABOD were prevented from practicing. This organization folded in 1943, when their members were forced to join the National Union of Office

Clerks, a heterogeneous union controlled by the Salazar regime.

In 1933, the *Revista de Contabilidade e Comércio* (Accounting and Commerce Review) was launched. This journal is still published and has made important contributions to the advance of accounting knowledge over the years. In 1945, the Portuguese Accounting Society was set up with the main objective of fostering the advance of accounting knowledge. Its activities included organizing conferences and debates disseminating accounting practices, publishing a bulletin, providing research facilities and awarding scholarships and prizes. Moreover, the Portuguese Accounting Society sought to enhance the regulation of accounting technicians and reform the way accounting was taught by proposing three different levels of teaching ('professional', 'complementary', and 'higher'). However, by the end of the 1980s, this organization was inactive.

The Industrial Tax Code of 1963, which was drawn up within the context of public administration tax reforms, reinforced the need to develop accounting standards and to regulate requirements about who was qualified to prepare entity accounts. Undeniably, it contributed to leveraging the professional accounting skills required by accountants and bookkeepers in Portugal. A 'professional nucleus' of accounting technicians emerged in this period with the state-run National Union of Professional Office Clerks lobbying for their interests. At the beginning of the 1970s, the auditing profession was formally recognized and formed the *Câmara dos Revisores Oficiais de Contas* (Official Auditors Chamber).

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### **From the 1974 Revolution to the End of the 20th Century**

Following the Portuguese Revolution of 25th April, 1974, important accounting developments occurred. Firstly, the *Associação Portuguesa de Contabilidade* (Portuguese Accounting Association) was created. Later, at the end of the 1990s, this association became the *Associação Portuguesa de Peritos Contabilistas* (Portuguese Accounting Experts Association). Secondly, the *Associação Portuguesa dos Técnicos de Contas – APOTEC* (Portuguese Accounts Technicians Association) was created to improve the skills and competences of accountants. From its inception to the present day, this association has published a monthly bulletin ('Jornal de Contabilidade'). Thirdly, 1977 signaled the approval of the *Plano Oficial de Contabilidade* (Official Accounting Plan).

More initiatives were put in place over the next decade that accounted for the maturity of accounting in Portugal. One of these initiatives was the creation of the *Comissão de Normalização Contabilística* (Accounting Standards Board) in 1983. Portugal's entry into the European Community (currently, the European Union) in 1986 fuelled the need for further developments in this area. There was awareness that, without public recognition of a professional cadre of state licensed chartered accountants, Portugal would be unable to successfully function in its new environment. To this end, in 1995, the Statutes of Official Accounts Technicians were issued and the *Associação dos Técnicos Oficiais de Contas* (Association of Official Accounts Technicians) was established. In 1999, this association changed its name to *Câmara dos Técnicos Oficiais de Contas – CTOC* (Chamber of Chartered Accountants), and later in the 2000s to *Ordem dos Técnicos Oficiais de Contas – OTOC* (Order of Chartered Accountants).

From 1995 onwards, all businesses were required to have an official accountant to calculate their profit in accordance with both Portuguese GAAP, mainly set out in *Plano Oficial de Contabilidade* (Official Accounting Plan) and in the specific accounting directives and standards issued by the *Comissão de Normalização Contabilística* (Portuguese Accounting Standards Board). Following EU regulations on IFRS, in 2009 the Portuguese government revoked the Official Accounting Plan (Decree-law 158/2009 from 13 July) and imposed a new accounting model (*Sistema de Normalização Contabilística*) built on the IASB model. Based on the idea that accounting teaching was crucial to enhancing accounting practice, the *Associação de Docentes de Contabilidade do Ensino Superior – ADCEs* (Portuguese Association of Accounting Teachers in Higher Education) was founded in 1994.

Despite these developments at the end of the 1990s, research in accounting was rare. There were few individuals holding a PhD in accounting and consistently undertaking research at an international level.

### **The 2000s: A New Age in Portuguese Accounting Research**

The most remarkable changes in accounting, at least from a scientific perspective, occurred in the 2000s. If, at the end of the 1990s, Portuguese scientific production in the field of accounting was scarce, in comparison, it had increased substantially ten years later. Supported by scholarships, often granted by the Portuguese Ministry of Science and Technology, many Portuguese scholars went abroad, either to Spain, the UK or the US to get their PhDs. This enabled them to acquire new ideas and build theoretical and methodological knowledge in accounting. On their return, several of them brought new approaches and perspectives to the study of accounting, which proved critical to the advance of accounting in Portugal.

As a result of this, a number of articles were published in top accounting journals, such as *Accounting, Organizations and Society*, *Abacus*, *The European Accounting Review*, *Accounting and Business Research*, *Critical Perspectives on Accounting*, *Management Accounting Research*, *Accounting, Auditing and Accountability Journal*, *British Accounting Review* and *Accounting Historians Journal*, among others, in subsequent years. Accounting came to be regarded not as a mere technique and bookkeeping exercise, but rather as a social science that needs to be placed in a broader context when researched. Different theoretical perspectives have been embraced by Portuguese academics to inform studies on accounting since then, ranging from mainstream accounting research to interpretative and critical research. Similarly, diverse methodological approaches, including the adoption of research methods, such as case study, archival analysis, questionnaires and statistical analysis, among others, expanded in accounting studies undertaken by Portuguese researchers.

A reflection of scientific production in Portuguese accounting is the number of delegates who have participated at the European Accounting Association congresses throughout the 2000s. For example, at the last EAA congress (34th Annual Congress Rome 20th-22nd April 2010) Portugal had 30 papers accepted, either for a parallel session or research forum. The scientific areas covered by the papers were diverse and included: Auditing (4 papers); Financial Analysis (3); Financial Reporting (5); Accounting and Governance (5); Management Accounting (7); Public Sector Accounting (4); Social and Environmental Accounting (1); and Taxation (1). This demonstrates how different areas of accounting have attracted Portuguese academia.

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The number of papers presented at the last seven congresses is quite impressive, particularly if we compare it with Portuguese participation at the EAA at the beginning of the 2000s, which was almost non-existent. However, Portuguese accounting scholars have not only been actively participating at the EAA congresses; they have also had their papers presented at other scientifically prestigious events, such as the American Accounting Association (AAA) congress, EIASM workshops, Critical Perspectives on Accounting (CPA) conference, Interdisciplinary Perspectives on Accounting (IPA) conference, Asia-Pacific Interdisciplinary Research on Accounting (APIRA) conference, among many others.

Portuguese academics' enthusiasm towards research in the accounting field led them to organize the 30th Annual Congress of the EAA (25th-27th April 2007, Lisbon), which signaled a new age for accounting in the country. Many other important scientific events have been organized by Portuguese accounting scholars, such as the '8th Conference of the European Network for Research in Organizational and Accounting Change - ENROAC' (2011); '3rd and 4th GECAMB Conferences on Environmental Management and Accounting' (2008 and 2010); and the '4th Accounting History International Conference' (2005), among others.

After a period of long international isolation, it is now common to find junior and senior Portuguese accounting researchers visiting European and American universities, as well as working on joint international research projects with colleagues from overseas universities. Over the last decade, pioneer universities and departments in the country, such as ISCTE, University of Minho and University of Porto, have started offering Master's degrees and doctoral programs in accounting.

The teaching of accounting underwent significant changes as the open and pluralistic debate on the multiple theoretical and methodological approaches that a researcher may adopt to inform solid research in accounting became a real concern. Research seminars involving reputed academics from universities in the UK, US, Australia and New Zealand were organized in parallel with the doctoral programs offered by universities. A result of these efforts is the considerable increase in the number of Master's dissertations and PhD theses in accounting that have been completed since the beginning of the 21st century. Some of these MSc and PhD students come from abroad (from countries like Brazil and the ex-Portuguese colonies), which shows how first-class quality research in accounting can attract new students to Portuguese universities.

An important vehicle for the dissemination of innovative accounting research during these years has been the *Grupo de Discussão em Contabilidade - GRUDIS*, a research group created in 2003 to endorse high-quality research in the field. Apart from promoting continuous discussion between members via an electronic platform, every year it organizes a congress where ongoing accounting research is debated. Furthermore, in 2004, the *Ordem dos Técnicos Oficiais de Contas* (Order of Chartered Accountants) with the scientific support of *Associação de Docentes de Contabilidade do Ensino Superior - ADCES* (Portuguese Association of Accounting Teachers in Higher Education) started editing a blind-refereed publication entitled *Portuguese Journal of Accounting & Management*. The journal publishes high-level research in the field and accepts papers written either in English, Portuguese or Spanish. Its editorial board consists of well-known international academics and promising Portuguese scholars. More recently, the Portuguese Order of Chartered Accountants created a specific commission for fostering the advance of

research in accounting history. It is expected that, in the coming years, valuable scientific outputs will be obtained from this initiative.

### Future

In summary, after having ended many years of detachment from international accounting research, the last ten years have seen important changes in the way accounting research is regarded by Portuguese academics. However, despite significant advances in the area, much remains to be done in the coming years to consolidate achievements. Acquiring an international approach and achieving high-quality and theoretically well-grounded studies is undoubtedly a major challenge for the new generation of Portuguese scholars.

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*Maria Major is Associate Professor of Management Accounting at University Institute of Lisbon (ISCTE - IUL).*