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# Swing through South America

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# A SWING THROUGH SOUTH AMERICA

By  
Malcolm M. Devore  
with  
photography by  
the author



One of the more interesting assignments I have had since coming to the Executive Office in 1961 has been our General Motors engagement. The size and scope of operations of this client literally staggers the imagination: for the last several years it has produced and sold as many automobiles and trucks as all other U.S. manufacturers combined; its net income for 1964, \$1.7 billion, is an all-time record for any U.S. corporation.

One of the personal rewards to me has been the opportunity of working with a number of the top management people in General Motors; men of obvious competence and, as I have found out, of equally high personal qualities. It is a privilege to count them among my friends.

My professional role in the General Motors engagement is that of over-all supervision. In this I am assisted by a partner resident in Detroit and a second partner resident in New York; Detroit and New York are, as you might suspect, the two principal locations with which we are concerned, although many of our domestic and foreign offices participate in their own areas.

The engagement offers an exhilarating professional challenge, and this is not in the least diminished by its pleasant aspects—such as the annual visits I make to

General Motors overseas. Picture travel ads for England, Scotland, Denmark, Sweden, Holland, Belgium, France, Germany, Switzerland, Austria, and Italy, and you can see what I mean. That was where I went in 1963. In 1964 I visited Venezuela, Brazil, Uruguay, Argentina, Chile, and Peru.

More properly I should say “we visited,” as my wife joined me. Needless to say, this has made the trips more pleasant for me and I know she has enjoyed them also.

This is probably an appropriate time to warn my readers that if any one of them in the years ahead should be in the same position I am now in, and should then visit the overseas locations of General Motors, he should be prepared to have his associates describe his hard-working travels as “junkets.”

For myself, I am content to make my defense (though I fiercely contend none is necessary) by pointing out that in the first thirty-three working days of our 1963 trip I visited thirty individual locations of General Motors Corporation, International Harvester Corporation (another valued client of our Firm), and of offices of Deloitte, Plender, Haskins & Sells and other firms associated with us, reviewed working papers on the prior year's engagements, conferred with client officials



(left) From hilltop high in Peruvian Andes, statue of Christ and temporary Cross look down on Cuzco, ancient capital city of former Inca Empire. (right) One of the better "collectivos" (taxi-buses) in Lima, Peru passes the more durable Government Palace, across street from DPH&S offices.

and our own personnel—all in a total of ten countries!

Of course, the above does not include the related social events. I did not keep track of the many pleasurable evenings we spent with our friends but they were numerous. (My predecessor on the General Motors engagement, Emmett Harrington, did keep track of his on the South American trip: score, forty-two "evenings out" from a total of forty-five days).

I view the primary purpose of these trips as being to satisfy ourselves that our service to General Motors overseas meets proper quality standards and that we are rendering the same service abroad that we strive to render in the United States. A secondary purpose of the trips is to consider and discuss with the appropriate people any accounting problems that may exist.

In foreign countries, to a greater extent than in the United States, accounting problems seem to be posed by new or changed laws. For example, Mexico has enacted legislation providing for profit-sharing for employees. Now one would think that so long as the employees were paid the proper amount it would make no difference how the paying company accounted for it in its statements. However, it developed that it does make a difference, for unless a company accounts for the

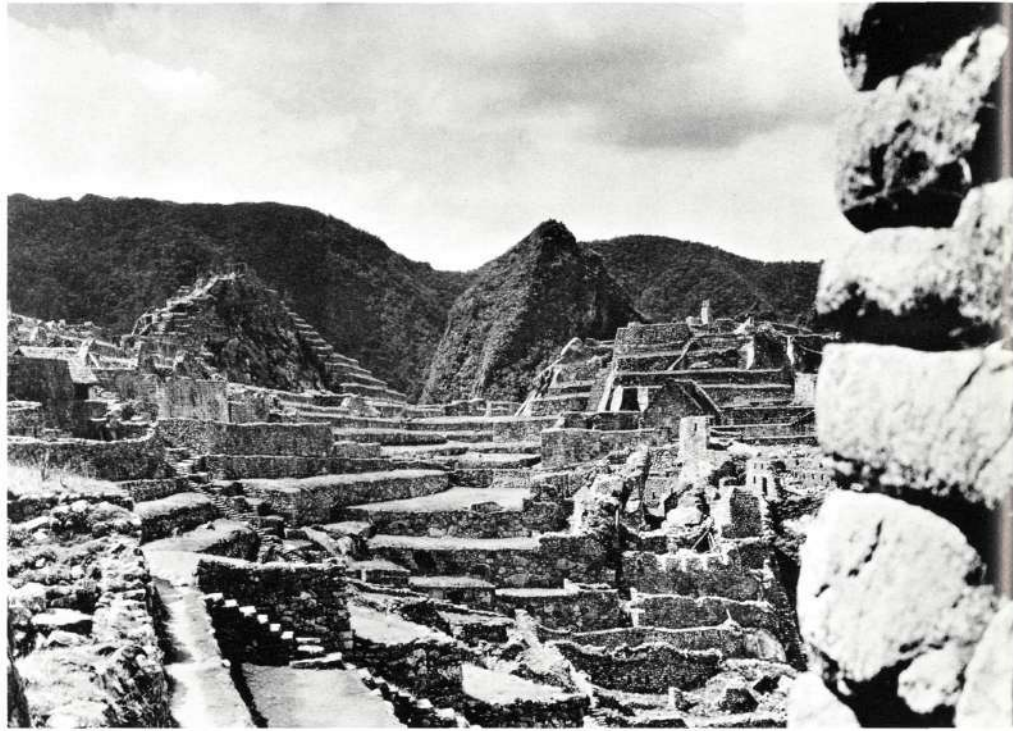
amount as "profit-sharing" (that is, after net income) it may be disregarded and the company required to make a *second* payment to the employees. Also a number of foreign countries have enacted laws related to problems of inflation—these too have posed various accounting problems.

The review of working papers presents some obstacles for two reasons. First, auditing procedures necessarily differ in some respects from our United States practice. Second, the papers are in many cases prepared in languages other than English, and I have no facility (for example) in Swedish, Danish, French, German, Italian, Spanish, and Portuguese. To complicate matters further I found in South America that Spanish in one country is not necessarily the same as Spanish in another country. If I had been fluent in Spanish this would have bothered me, but not being fluent, I found this discrepancy did not pose for me a problem at all—I just didn't understand either version.

Fortunately our foreign offices all speak English in addition to their native language, so that by supplementing my visual review of working papers by judicious interrogation I was able to accomplish my mission.

As a matter of fact, I found I was not the only one

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having language difficulties. Our hotel in Sao Paulo, Brazil had no central heat, and on one cold night I called the front desk and, in English, asked for a portable electric heater. A few minutes later there was a knock at our door: imagine our surprise on seeing a bell boy with two drinking glasses and two bottles of beer!

One notable difference in audit practice arises from the fact that in most of the countries I visited employees are paid in cash; seldom are they paid by check. Part of this is attributable to local law and part to long-standing custom. Also, in some parts of the world checks paid by the banks are retained by the banks. This obviously requires amendment of our customary auditing procedures.

South America has a particular interest for us in the United States. It is one of the developing areas of the world and it is in the same hemisphere as we are; it has vast natural resources that have hardly been touched; it has the potential of being a major force in the world.

However, South America's problems are as impressive as its apparent potentialities.

For example, consider Brazil. Here is a country the size of the United States (exclusive of Alaska). Its re-

sources, mainly undeveloped, are large and important. One can get enthusiastic over its prospects. In Sao Paulo, its industrial area, there is evidence of much activity; however, the thing that impressed me most was the "electric" feeling in the air—a feeling of a city on the move!

Yet Brazil's problems are staggering: a record of political instability and graft, massive inflation and a deteriorating currency, and extensive illiteracy are examples. Here and there, however, one sees rays of hope.

In 1964 the Communists almost gained control of the country but a military coup successfully prevented this. Castelo Branco, the (military) President is making a good initial impression and has apparently attracted some competent men to help in the government; particularly favorable comments were heard about Roberto Campos, Minister of Planning. Of course, Brazil's problems, long in the making, are not going to be solved easily and probably the most important question is whether the people of Brazil will be willing to accept the "strong medicine" necessary to effect a cure of their problems.

(An interesting story is told of an initial step taken by Castelo Branco to eradicate graft in government. As the story goes, he sent one of his emissaries into one of



(left) Macchu Picchu, famed hidden city of the Incas built by skillful Indian stonemasons. It was pictured on covers of *H&S Reports* in Autumn 1964 Issue. (right) Our guide, Alfredo, cleaning trout for lunch, on Liucura River, near Pucon, Chile.

the large tax offices and had him find out which of the government employees owned swimming pools; all who did were fired; apparently the reasoning was that ownership of a swimming pool was evidence of graft. Certainly a novel approach!)

In Brazil—in fact in all countries in South America—I was amazed at the age of the automobiles I saw. I saw Model “T” Fords still operating and they did not seem to attract any unusual attention (in the United States, at least, they were last manufactured in the 1920s). I also saw passenger cars with isinglass curtains (for the benefit of my younger readers I might explain that these predate the advent of “closed” cars and hence are of even earlier vintage than the last Model “T”s.) Incidentally, some of the most ancient, dilapidated cars I ever saw were in daily use in Lima, Peru as “collectivos”, a form of bus, which follow a prescribed route and charge a few cents fare—you have to see them to believe them.

As I looked at these old cars I could not help but think of the long-term potential for General Motors which, I suspect, is why it established manufacturing and assembly facilities in South America.

In Peru I saw a new assembly plant of General Motors under construction. The managing director of GM’s

operation there was a Brazilian (with an engineering degree from one of our universities) who was most enthusiastic as to prospects in Peru with their new facilities.

In addition to attending to our business we did manage to work in about ten days of vacation. In Argentina we flew from Buenos Aires to Bariloche and spent two days going through the famed Argentina-Chile lake region on a combination boat-bus trip. There are some of the most beautiful lakes I have ever seen, particularly Lago Todos Los Santos (Lake of All Saints), which is a beautiful emerald color; the trees on the surrounding mountains come right down to the water’s edge; fuchsia bushes larger than a man were commonplace.

In Chile we spent three days fishing in the rivers near Lake Villarrica. We stayed at Hotel Antumalal, which proved to be one of the biggest and best surprises of our trip. We had flown from Puerto Montt in southern Chile (the southernmost point, incidentally, of the Pan-American Highway) to Temuco where we were met by a car for the 60-mile ride to the hotel. To give you some idea of the roads, it took us 2-1/2 hours to travel the 60 miles and we had no traffic!

Seeing the primitive nature of the country and the villages we passed we were certain the hotel could not be anything. Imagine our delight when, on arriving at

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"Baggage" in airport at Puerto Montt, Chile. (Shortly afterwards the suitcases were placed in the trunk of a car, the sheep placed on top of the suitcases, and the trunk closed—just baggage.)

our destination, we came to the most charming, attractive hotel you could imagine. On being shown to our room we found a fire lit in our own fireplace and fresh flowers and a basket of fresh fruit awaiting us. (Every day of our stay each of these pleasant features was renewed.) Our room was wood-paneled and had a large picture window that looked out onto beautiful Lake Villarrica.

Our fishing was all done with flies from boats. We caught trout every day, ranging in size up to two pounds (not large by Chilean standards but satisfying to us.)

In Peru we spent three days high in the Andes in the Inca country. Our flights in and out took about an hour and a half each way. They were in non-pressurized planes and for two-thirds of the way we were given supplemental oxygen through tubes held in our mouths—interesting but not too pleasant.

In the Inca country we saw some evidences of the greatness of that Empire. I think the thing that amazed us most was their extraordinary stone work. We saw walls built with stones fitted together, without mortar, so perfectly matched that not even grass grew in the joints! In some cases the stones weighed several hundred tons. How they must have got them in place is a marvel, for they did not have the benefit of wheels; and

in order to fit one stone with another they had first to machine the faces in some manner, and then keep their planes true both horizontally *and* vertically! Apparently they had some form of "level" to check their work.

Our trip included Macchu Picchu, which you may remember seeing pictured on the covers of *H & S Reports* last Autumn. It proved to be as interesting as we had been told it was.

Just writing this report brings back many memories of our trips. It would be hard for Mrs. Devore and me to say which country we liked best—in fact, we want to return and see more of each of them. We are, however ready to issue one unqualified opinion: we met the nicest people in *every* country we visited.

And, as I write this, my mind turns to the latter part of 1965, when our schedule calls for Portugal, Australia, and New Zealand (more fishing, I hope), not to mention intermediate points such as Greece, Thailand, Hong Kong, Japan, and the Hawaiian Islands.

Now, having completed two of these trips, I am convinced that they materially assist us in rendering a higher quality of service to our clients. Though physically these trips are somewhat "rugged", they are fun. And isn't life fun when one can combine business with pleasure?