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Public Practice of Accounting in the United States of Mexico

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Haskins & Sells Foundation

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PUBLIC PRACTICE OF ACCOUNTING IN

THE UNITED STATES OF MEXICO

Prepared for

AMERICAN INSTITUTE OF ACCOUNTANTS

Under the Auspices of

HASKINS & SELLS FOUNDATION, INC.

By

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UNITED STATES OF MEXICO

General Information

Geography:

The United States of Mexico contains 767,168 square miles and lies south of the United States of America and north of Guatemala and British Honduras. It is bordered on the east by the Gulf of Mexico and on the west by the Pacific Ocean.

Mexico is made up of twenty-eight states, three territories, and the Federal District. Mexico City, in the Federal District, is the capital and leading industrial city. Monterrey, in the State of Neuvo Leon, is also a leading industrial center and the hub of railroad lines.

People:

Mexico has a population according to 1947 estimates of 23,433,823. The people of Mexico are overwhelmingly Indian rather than Latin; about 90 percent of the population is composed of Indians of one kind or another, 30 percent being pure-blooded Indians and 60 percent being Indians with some white ancestors. The balance of the population (10 percent) is composed of people of unmixed European descent.

About two-thirds of Mexico's population is in rural areas and, for the most part, engaged in agriculture. In 1930 about 60 percent of all Mexicans were illiterate, but as a result of the government's campaign against illiteracy, the figure had dropped to 30 percent by 1947.

The language of the country is Spanish but many of the Indian inhabitants speak only their native language.

Economy:

Prior to 1938, when the Mexican Government expropriated foreign-owned petroleum properties, the economy of the country was dependent upon its exports from mines and oil fields. By the end of 1949 Mexico's foreign trade had reached record values and resulted in an export balance in its favor of about 96,000,000 pesos, the largest export group being represented by vegetable products, comprised of such articles as cotton, sugar, hard fibers, coffee, bananas, pineapples, winter vegetables, and lumber. Base metals followed vegetable products from a value standpoint, and considerable quantities of silver and gold coins were also exports.

Among its imports, machinery, equipment, and implements for industrial use comprised the largest single group. The next important classification was vehicles and scientific apparatus. The United States continued to hold first place among some eighty countries by supplying 86.9 percent of Mexico's imports and purchasing 78.7 percent of its exports.

SECTION I

PRACTICE OF ACCOUNTANCY BY NATIONALS

Basic Laws and Regulations

The Constitution of the United States of Mexico of 1917 defines (in Article 30) Mexicans by birth and Mexicans by naturalization. Mexican legislation gives to a naturalized person a nationality having lesser legal rights than nationality by origin, such as the disqualification from occupying certain public positions and limitation with respect to practicing the professions.

However, naturalized Mexicans who have completed all their higher studies in schools authorized by law shall be regarded as equal in status to native born Mexicans, in the practice of professions, even if Mexican nationality was acquired after completion of such studies. But, if the degree was issued abroad, they may occupy only positions as professors in special subjects or act as consultants in matters of scientific nature.

The Congress of Mexico on December 30, 1944 decreed the "Law Regulating Constitutional Articles 4 and 5 in connection with the Exercising of Professions in the Federal District and Territories." This decree, published in the Diario Oficial of May 26, 1945, provides that a professional degree, issued by one of the authorized institutions is required in order to practice certain professions, among them being the profession of

Accountant. This law, the provisions of which are applicable in the Federal District and Territories in matters of local jurisdiction and throughout the Republic in matters of Federal jurisdiction, is hereafter referred to as the Profession Law.

Subsequently, by Presidential Decree of September 27, 1945 (published October 1, 1945), regulations were issued "Regulating Constitutional Articles 4 and 5 Governing the Exercising of Professions in the Federal District and Territories and in Federal Questions."

Under the so-called "Profession Law" in order to practice their professions, holders of titles or degrees were required to register them with the Directorate General of Professions within a term of one year from the day following the date of its official publication on May 26, 1945. A Presidential Decree of December 31, 1945 (published January 21, 1946) fixed the fees to be paid to the Directorate General for registration and other acts.

Because of the difficulties encountered in connection with the registration of some 80,000 titles, various decrees, agreements, rulings, and notices were issued and published subsequent to 1945. These are given below in chronological order:

Decree of Directorate General of Professions, dated December 30, 1946, published January 25, 1947, extending the time limit until May 31, 1947 for registration of titles.

Notice issued by the Directorate General of Professions, dated May 21, 1947, published May 30, 1947, granting a further extension of 180 days from June 1, 1947 during which professionals who had applied for registration could continue to practice.

Decree issued by Secretary of Public Education on June 28, 1947, published July 4, 1947, granting authorization for professional practice by individuals who had made application by June 30, 1947.

Notice issued by Secretary of Public Education of November 22, 1947, published November 26, 1947, granting an extension to November 30, 1947, for all legal purposes, of the agreement of May 21, 1947.

Presidential Decree, published January 2, 1948, granting a new term to expire on June 30, 1948, during which professionals could apply for registration.

Agreement of Secretary of Public Education, dated July 13, 1948, published September 15, 1948, granting provisional authorization for the practice of professions until July 31, 1949 by individuals whose applications for registration were in process at July 31, 1948.

Ruling of Directorate General, dated July 31, 1948, published September 20, 1948, specifying conditions to which individuals who had filed their requests for training up to July 31, 1948, should be subject for the provisional carrying out of their professional activities.

Ruling of Directorate General of June 26, 1949, published September 30, 1949, granting provisional authorization for a limited period of time from August 1, 1949 to July 31, 1950 to enable professional people whose applications for registration had been made up to July 31, 1948 and were in process, to practice their professions.

Decree of Secretary of Public Education, July 15, 1950, published July 28, 1950, extending the period to July 31, 1951 for practice of professions by individuals who had filed their applications up to July 31, 1948.

It is our understanding that a ruling was made on July 15, 1950, which further extended the time limit for the individuals who had not yet obtained a title but who had had many years of practical experience. As of the date of this report the ruling had not been published. According to advices from Mexico, the Profession Law has been scheduled for revision.

Concept of Profession

Chapter I of the Profession Law deals with the "Technical and Scientific Professions which require a Degree for their Exercise." A translation of Article 1 of this law follows:

A professional degree is the document issued by one of the authorized institutions -- after the requisites specified in this Law and in other relating laws have been complied with -- in favor of the person who has proven that he or she has acquired the necessary knowledge to practice one of the professions listed in the following Article.

Article 2 provides that the profession of Accountant is one which requires a degree for its practice, and Article 3 states:

A degree shall be required to exercise the professions which are considered as embraced in the programs of studies of the higher educational, technical schools or universities or official schools, or whose program of studies is officially recognized as constituting complete careers. These professions shall be specified in the laws issued by the competent authorities in connection with the programs of study of such schools.

With respect to the practice of the profession of Public Accountant, the authorization of the Directorate General of Professions is required, and it is necessary to furnish proof: (1) that a degree has been obtained for practicing the profession in the terms of the Profession Law; and (2) that special technical and scientific studies have been made for perfecting of the particular science or branch of science. The degree of Public Accountant must be received as a result of successfully passing examinations, in accordance with the prescribed curriculum, from the National Autonomous University of

Mexico, or a school or institution authorized by the Ministry of Public Education to issue such degree.

The concept of the profession in Mexico appears to follow the idea that prevails in the United States. The public accountant of Mexico performs substantially the same functions as public accountants in the United States. He may act as an independent auditor upon selection by the management, the directors, or the stockholders; he may prepare tax returns or act as consultant upon tax questions; and he may supervise the installation or modification of accounting systems and consult with his clients on such changes.

The public accountant in Mexico may also perform one function, which has no counterpart in the United States. He may be elected by the stockholders to serve as "comisario." In this position, he acts as personal representative of the stockholders, attending all board meetings in the capacity of observer (without voting power), and he is required to approve the financial statements of the company before they are submitted to the annual meeting of stockholders. Since the duties of the "comisario" are closely related to the functions of the independent auditor, the leading professional accountants of Mexico feel that it is both efficient and beneficial for the public accountant to serve in this capacity and that he may do so without impairing his independence.

Regulatory Authority

The Directorate General of Professions, a dependency of the Ministry of Public Education, supervises the practicing of the profession, and acts as the liaison agency between the Government and the Colleges of Professional Men. These associations as well as the individuals holding titles must be registered with the Directorate General. Although the Profession Law, by Article 44, authorizes the formation of such colleges composed of professional men in the same line of work, membership is not obligatory in order to practice a profession.

The following duties and powers are given to the Directorate General of Professions under Article 23 of the Profession Law:

1. To register the degrees of the professional men to whom the law refers . . .
2. To keep the service sheet of each professional man whose degree is registered, and to record in the respective files any penalties levied on professional men in the performance of the duties of any post or which involve cancellation of their license.
3. To give authorization for the practice of a specialty.
4. To issue credentials to professional men, which shall serve as a professional license and as identification in all their professional activities.
5. To keep a list of all professional men who declare that they are not practicing their professions.
6. To publish, in the widest-read newspapers, all resolutions granting or refusing the registration of degrees.
7. To cancel the registration of the degrees of professional men who are declared by a court of law to be barred from practicing their professions, and to have such cancellation given due publicity.

8. To determine, in agreement with the Colleges of Professional Men, the place where and form in which they wish to comply with social service.
9. To make suggestions as to how professional men should be distributed in the country to meet the needs and requirements of each locality.
10. To keep records with data in regard to the preparatory, normal, and professional training imparted at each of the educational establishments.
11. To keep on record data in regard to the universities or professional schools in other countries.
12. To publish, each January, a list of the professional men who are given a degree during the preceding year in the professional training schools.
13. To furnish professional men with information in regard to questions which come within the jurisdiction of the Directorate General of Profession.
14. Such others as are specified in the laws and regulations.

Under the Law, the members of every profession are authorized to establish one or more (up to five) professional chambers (colegios de profesiones), provided that in the Federal District the number of members must be over 100. Each chamber or colegio is placed under a council, the members of which are elected for two-year terms by written public vote of the members of the profession. The colleges establish their own rules, and their main tasks are to supervise the practice of the professions.

Who May Practice

In accordance with Article 25 of the Profession Law, the following requisites must be fulfilled by an individual who wishes to practice public accountancy in the Federal District

and Territories:

1. He must be a Mexican by birth or naturalization and be enjoying and exercising his civil rights.
2. He must hold a legally issued and duly registered degree.
3. He must obtain a license from the Directorate General of Professions.

Article 17 of the Profession Law provides that degrees issued abroad to Mexicans by birth shall be registered by the Ministry of Education, provided the studies embraced by the professional degree are the same or similar to those in schools which are dependencies of the State; and in those cases where it is impossible to prove that the studies are the same or similar, a comparative system of studies shall be established, and the individuals must pass examinations or tests to prove their knowledge.

Naturalized Mexicans who have made their higher studies in the schools authorized by this Law shall be considered as Mexicans by birth for the practice of professions. But, naturalized Mexicans who hold an accounting degree issued abroad may be granted permission only to hold positions as professors if the Directorate General of Professions decides that they are competent in the subject. Such permission must be considered temporary and is subject to conditions imposed by the federal administrative authorities.

Non-registered public accountants may not practice, under penalty of punishment by law.

Under Article 40 of the Law regulation professions, "professional men may associate together to practice their profession, abiding by the provisions of the respective laws; however, any liability incurred shall always be individual." A further provision is that firms engaged in professional work which employ professional men on a salary basis are bound to give them a participation in the profits.

Exercise of the Profession

Definition:

The Profession Law, being general in scope and applicable to all professions, gives no precise definition of what constitutes the public practice of accounting. A translation of Article 24 of the Law is given below:

For the purposes of this law, the practicing of a profession shall consist of the habitual performance -- in return for a fee or free of charge -- of any act or the furnishing of any service pertaining to each profession, even though it may be a case of a mere consultation or the displaying of the status of a professional man by means of cards, advertisements, plates, insignia or in any other way. . . .

The Mexican Institute of Certified Public Accountants has not attempted to frame a definition of the public practice of accounting in Mexico. However, the observations made on page 7 with respect to the Mexican concept of the profession might be helpful in this regard.

Specific Functions of Certified Public Accountants:

Although the Commercial Code does not provide that comisarios (auditors) of corporations must be CPA's, other laws state that the signature of a CPA is required in certain cases.

For examples: The Law of Titles and Credit Operations establishes the obligatory supervision of a public accountant in all issues of obligations as well as the certification of financial statements of the issuing companies. The Law of Mercantile Societies requires that the balance sheet of a foreign corporation operating in Mexico must be certified by a public accountant. Under the banking laws in effect, corporations which issue bonds quoted in the market must publish financial statements signed by public accountants. The law which regulates the functions of the Bank of Mexico states that the shareholders shall appoint expert accountants for the review of its balance sheet.

Registration

Application Requirements:

Article 14 of the regulations for the Profession Law provides that in order to obtain the registration of a professional degree, the applicant must file an application in triplicate with the Directorate General of Professions, in which he must state under oath:

- a) His name, place of birth, nationality, age, home address, and place where he engages in his professional activities.
- b) That he has made his primary, high school or pre-vocational, preparatory or vocational, and professional studies.
- c) The names of the schools where he made each one of these studies and the respective dates.

- d) The nature of the school where he made his studies, stating if it was a Government or de-centralized school, a private school incorporated by the Federal Government, a State, or Municipality, or a private school whose program of studies is not officially recognized by the Federal Government, State, or Municipality, or a free or private school which has not been officially recognized. In the case of a foreign school, the applicable classification in the respective country shall be made.
- e) The social service he has rendered.

An applicant must forward with his application:

- a) His original professional degree.
- b) Four photographs.
- c) If Mexican, his birth certificate or certificate of nationality.
If naturalized Mexican, his certificate of naturalization.
- d) Certificate of high school, pre-vocational, preparatory or vocational, and professional studies, and a certificate stating that he has rendered his social service.
- e) Three photostatic copies of the documents mentioned in subclauses a), c) and d) of this article.
- f) Such information as he deems advisable in regard to the schools where he made his studies, in the event that such schools may have ceased to exist.
- g) In the event of mutilation, destruction, or disappearance of the original files, the parties in question must present a certificate to this effect, issued by the respective school and properly countersigned by the educational directorate of the Ministry of Education. If the school shall have ceased to exist, the certificate shall be issued by the respective dependency of the Ministry of Public Education.

Procedure:

The application is then referred to an expert on reports in the Directorate General's office, who checks the

documents submitted and, once the complete file is made up, renders an opinion as to whether or not the registration should be granted. This report is referred to the Director of Professions so that he may order what is right and proper.

The file of the register are public and the Director of Professions is under the obligation of issuing certificates of the records therein whenever a request is made in writing. Registration takes effect from the day and hour when the respective application is presented to the Directorate General of Professions, and it may be requested by whoever has a legitimate interest in insuring such right of registration.

License to Practice:

The registration having been made, all the documents are returned to the party concerned, with a notation to the effect that registration has been made, giving the number and date of same. Registration of professional men constitutes a license to engage in their activities, without examination or experience.

A certificate (patente de ejercicio) is furnished to the professional accountant, which constitutes his license to practice and is a means of identification in all his professional activities. This certificate, which must be signed by the individual, must also contain his picture.

Revalidation or Recognition of Foreign Degrees:

Under "Who May Practice", it has been shown that foreign degrees issued to Mexicans by birth shall be registered

by the Ministry of Education, provided the studies embraced by the professional degree are the same or similar to those in schools which are dependencies of the State. Under the transitory provisions (Article 12) of the Profession Law, Mexicans by birth who were practicing a profession with a degree obtained abroad were given a term of three years in which to fulfill the conditions specified by the Law. This period has since been extended numerous times.

Provision is also made for the recognition of foreign degrees issued to Mexicans by naturalization. In this case, however, such naturalized citizens are not permitted to practice a profession but are limited to teaching the subjects in which they are deemed to be competent. (Article 18 of the Profession Law.)

However, Article 56 of the Regulations pertaining to the Profession Law state that, although naturalized Mexicans holding degrees issued in a foreign country shall be subject to the restrictions mentioned in the preceding paragraph, they may make the studies specified in Mexican educational institutions and shall be on a par with Mexicans by birth. For this purpose, the studies made abroad may be revalidated partially for those subjects which are equivalent to the education imparted in Mexico, but they must make all the other studies in schools or institutions belonging to the Mexican educational system.

Mexico signed a convention on February 7, 1923 with other Central American Republics, granting reciprocity of rights

with respect to professional degrees. Students and graduates of universities in Guatemala, El Salvador, and Costa Rica are granted equivalence of studies; but students from Honduras and Nicaragua are required to take examinations. No professional degree is recognized that does not authorize the holder to exercise the profession in the country in which the foreign university is situated.

Accountants in Practice at Date of Restrictive Legislation:

The Profession Law contained certain transitory articles providing for (a) granting validity to degrees issued up to the date of the law by Mexican authorities or private Mexican institutions, even though such diplomas lacked the requirements specified by said law, and (b) registration, within five years, of individuals who had exercised a profession during the preceding ten years without a degree or having one which did not meet the requirements specified by law. This period expired on May 26, 1950, but it is believed to have been further extended by a ruling made on July 15, 1950.

Education of Accountants

Article 8 of the Profession Law lays down the general rule with respect to conditions to be fulfilled for obtaining a professional degree; i.e.:

It is an indispensable requisite for obtaining a professional degree to have had grammar school, high school or prevocational studies and have successfully passed the respective examinations, and, in the respective case and in accordance with scholastic plans and programs, the preparatory or vocational, normal, and professional studies in the grades and terms established by the Organic Law of Public Education, the Organic Law of the Autonomous University of Mexico, and other current laws of higher education.

For admission to the schools or institutions imparting higher professional education, a student must be at least sixteen years of age. Only students who have completed the bachillerato of Commerce may register for the first year in the professional cycle, leading to the degree of Public Accountant and Auditor.

The National Autonomous University of Mexico, in Mexico, D. F., is accepted quite generally as the model of the state universities which follow it in entrance requirements, courses of study, diplomas, and degrees conferred, etc. Its National School of Commerce and Business Administration is authorized to confer the degree of Public Accountant and Auditor.

The Institute of Technology and Higher Studies of Monterrey, at Monterrey, Nuevo Leon, is also authorized to confer the degree. Its School of Accounting offers an eight-year course of study. Admission requirements are a secondary school certificate or equivalent and entrance examinations.

Two other institutions are also authorized to confer the degree of Public Accountant and Auditor. They are the National Polytechnical Institute in Mexico City and the School of Banking and Commerce, also in Mexico City. Their courses of study exactly parallel the course offered at the National Autonomous University of Mexico.

Other institutions are authorized to furnish courses of study and to give examinations for the degree of Public Accountant and Auditor. However, in the cases of these institutions the degrees are actually conferred to successful candidates by the National University. This procedure is followed in these universities:

The Autonomous University of Guadalajara
 The Autonomous University of San Luis Potosi
 The University of Puebla
 The University of Sonora

Curriculum:

The prescribed course of study which is given at the National School of Commerce and Administration of the National Autonomous University of Mexico, leading to the degree of Public Accountant and Auditor, is given below:

	<u>Semester Hours</u>
First year-	
Applied arithmetic	5
Business methods	5
English	5
Typing	5
Shorthand	5
Spanish grammar	3
General geography	<u>2</u>
	31

Semester Hours

Second year-	
English	5
Spanish grammar	3
Algebra	5
Geography of Mexico	5
Bookkeeping	5
Penmanship	3
General history	3
	<u>3</u>
	27
Third year-	
English	5
French	5
Business mathematics	5
History of Mexico	3
Logic and ethics	3
	<u>3</u>
	24

Upon completion of the foregoing commercial course, the student receives a bachillerato, which is about equivalent to a high school diploma in the United States. He may then be admitted to the following "professional cycle":

Fourth year-	
Accounting practice	5
English	5
French	5
Financial mathematics	5
Advanced business mathematics	3
History of commerce	3
Introduction to the study of law and elements of civil law	3
Mathematics (elective)	3
	<u>3</u>
	32
Fifth year-	
Financial mathematics	3
Industrial and cost accounting	5
Cooperative and agricultural accounting	3
Business law	3
Fiscal legislation	3
Political economy	3
Constitutional law	3
Sociology	3
	<u>3</u>
	26

	<u>Semester Hours</u>
Sixth year-	
Business law	3
Fiscal legislation	3
Political economy	3
Auditing	3
Cost accounting practice	3
Administrative law	2
Accounting for public utilities	3
Monograph course in accounting for extractive industries	3
Accounting applied to corporations, associations, liquidations, bankruptcies, etc.	3
	<u>3</u>
	26
Seventh year-	
Auditing	3
Accounting applied to commercial and industrial taxation	5
Discussion of problems in the practice of the profession of Public Accountant and Auditor	3
Statistics	3
Labor law	3
Business organization	3
Bank accounting	3
Insurance accounting	3
	<u>3</u>
	26

Examinations:

To become a candidate for the degree of Public Accountant, a student must have passed the subjects in the curriculum. The candidate must submit to a professional examination which consists of the presentation of a thesis, the solution of a concrete problem which is given to him forty-eight hours before the examination, and oral proof before five examiners. The candidate may be asked questions about any subjects considered as general and technical knowledge necessary to practice the profession and about his dissertation.

Some Aspects Of Practice With Respect
To Corporations

Statutory Auditors and Annual Audits:

The Commercial Code contains a provision to the effect that a comisario (examiner) must be named at the first meeting of the shareholders of corporations. He is presumed to be the direct representative of the shareholders and has the right of intervening on their behalf, in the event that the directors should fail or refuse to comply with their duties. Minority shareholders holding 25 percent of capital stock have the right to elect an examiner to represent their interests.

The comisario examines the financial statements submitted by the corporation and must approve them before they are presented to the annual meeting of stockholders. The balance sheet must be published in the official journal and recorded in the Public Commercial Register. There is no provision in the Commercial Code that the examiner must be a licensed accountant.

Foreign companies, legally constituted and doing business in Mexico are obliged to publish balance sheets annually which must be signed by certified public accountants.

Tax Returns:

The Treasury Law of the Federal District requires that declarations of capital made by commercial companies must be accompanied by an estimate of capital prepared by the company or by a certified public accountant.

Professional Accountants Engaged In Practice

Standards and Code of Ethics:

The Directorate General of Professions has the overall supervision of professions, but the respective colegio or society of professionals has the power "to exercise vigilance over the practicing of professions to insure that they are exercised on the highest legal and moral plane." In the Federal District of Mexico, the Institute of Certified Public Accountants of Mexico is the body of professional accountants which regulates the practice of public accountancy by its members. This society adopted in 1925 rules for professional conduct for its members. A number of its rules are similar to the Rules for Professional Conduct for members of the American Institute of Accountants.

Independence of Accountants:

Under the Rules for Professional Ethics of the Institute of Certified Public Accountants, the members are prohibited from certifying balance sheets, accounts or documents of businesses of which they are proprietors, or of those in which they form part of the administrative board, or of which they have any part in management.

The matter of public accountants acting as independent auditors and at the same time acting as comisarios, or representatives of stockholders, has been commented upon earlier in this article. Leading Mexican accountants feel that since the comisario's duties are closely related to the functions of the

independent auditor, the latter may serve with efficiency in such capacity without impairing his independence.

The leading members of the profession in Mexico hold to the same standards of independence which have been developed in the United States, and every effort is being made to have the standards more widely adopted and understood by the public in general.

Number of Public Accountants in Practice:

Figures as to the exact number of accountants in public practice are not available. Anuario Kraft for 1949 has listings of around 250, including individuals (who from their names appear to be Mexicans) and firms. In Mexico City, there are 67 listings under the heading of CPA's and 107 under Accountants and Auditors. The remaining 70 odd listings are in other cities.

Professional Accounting Society

The Asociacion de Contadores Titulados (Association of Certified Accountants) was formed in 1917 and in 1925 was converted to the Instituto de Contadores Publicos Titulados de Mexico (Institute of Certified Public Accountants of Mexico). The society, which is a civil association formed under Mexican laws, is not a governmental body. Its mailing address is Apartado Postal 2604, Mexico City.

In the early days of its existence the association conferred the CPA certificate. Its main purposes are to unite the CPA's of Mexico; to promote and to maintain high professional and moral standards; to safeguard the interests of public account-

ants; to advance the science of accountancy; and to develop and improve accounting education. Membership is not obligatory. The Institute has disciplinary powers with respect to its members.

In order to be an incorporated member, an individual must meet the following requirements:

- a) Hold the official title of Public Accountant or the equivalent, in the judgment of the Directive Council.
- b) Have had at least three years' efficient professional practice, in the judgment of the Directive Council, obtained after receiving the abovementioned title.
- c) Be at least 25 years of age and of recognized morality.

It would appear that a United States CPA, who meets the requirements mentioned in b) and c) and who is successful in obtaining recognition of his certificate in the National Autonomous University of Mexico should be eligible to apply for admission as an incorporated member. If the Institute would not admit him as an incorporated member, he might apply for admission as a correspondent member, providing he belongs to a professional society which grants reciprocity for association membership to members of the Institute.

The Institute of Certified Public Accountants of Mexico was represented at the First Inter-American Conference on Accounting which was held in Puerto Rico in 1949. It is sponsoring and taking an active part in the Second Inter-American Conference which is expected to be held in Mexico City in the fall of 1951.

SECTION II

PRACTICE OF ACCOUNTANCY BY UNITED STATES CITIZENS AND OTHER NON-NATIONALS

Basic Laws and Regulations

The Profession Law and Regulations issued thereunder govern the practice of accountancy by United States citizens or other non-nationals in the same manner as they regulate the practice by Mexican citizens. It is expressly provided by Article 15 of the Profession Law that "no foreigner may practice, in the Federal District and Territories, the technical and scientific professions which are the subject matter of this Law." However, a United States CPA might be given permission to teach accounting, such permission being temporary and subject to any conditions that might be imposed.

Under Article 13 of the Transitory Provisions of the Profession Law, a United States accountant who had been practicing in Mexico during the five years preceding May 26, 1945 and who had registered his degree or certificate before the competent authorities could practice in accordance with the provisions of the Law. An accountant who had not had his degree revalidated and registered could register it within one year from May 26, 1945, provided he had the status of "immigrate" under the General Population Law. As earlier stated, numerous extensions have been granted with respect to registration of degrees and authorization to practice in the interim.

In addition to the Profession Law and Regulations, the General Population Law of December 23, 1947 has a bearing on the practice of accountancy by United States citizens and other non-nationals. This Law provides that foreigners who enter with permission from the Ministry of Government, for certain purposes, shall be considered "immigrates" (immigrants) and that members of professions, if they intend to engage in their professions, shall be admitted only in accordance with the provisions of the law regulating Article 4 of the Constitution and through the application of some official institution sponsoring their admission.

Qualification of a United States CPA

By Examination:

A United States CPA who has not resided in Cuba prior to the effective date of restrictive legislation would not now be able to enter Mexico and qualify for practice of the profession by simply taking an examination.

By Revalidation of United States Degree or Certificate:

Article 13, Transitory Provisions of the Profession Law, provides for the registration of degrees of foreigners who had been practicing in the country for the five years prior to May 26, 1945. In order to be registered, such degrees would first have to be revalidated or "incorporated" in the National Autonomous University of Mexico. This would mean that the American institution which awarded the degree would have to be officially

recognized by the Ministry of Public Education. As a practical matter, obtaining incorporation of a United States or any foreign degree appears to be extremely difficult. Since the law was promulgated, no degrees or certificates in accounting held by United States CPA's or British CA's have been recognized.

By Reciprocal Treaty Provisions:

There is no treaty between the United States and Mexico providing for reciprocity with respect to professional degrees. Nor is there any commercial treaty presently in effect between the two countries by which a CPA of either country is permitted to qualify for practice in the other.

Proof of Practical Experience:

Transitory Article 11 (b) of the Profession Law states that individuals who had exercised a profession during the ten years preceding May 26, 1945, without a degree or holding one which did not meet the requisites specified by the law, were to be given a period of five years from that date "to regularize their situation." This term was subsequently extended to July 31, 1950. This provision is apparently intended to cover experience in Mexico only and would probably not apply to United States citizens.

Membership in a Recognized Society:

Membership in a professional society is not compulsory in Mexico. Membership by itself in a "college of professionals" would not enable a United States CPA to qualify for practice, nor would membership in a professional society in the United States satisfy the requirements for qualification.

Permanent Practice

Under existing laws, a United States CPA or a United States accounting firm would not be able to establish an office in Mexico for permanent practice. Offices established at May 26, 1945 will probably be allowed to continue under whatever conditions may be ultimately stipulated. A resident, qualified partner, who is a Mexican by birth, is not required for firms already established in Mexico in spite of the fact that under the Profession Law it would appear that all partners should be Mexicans by birth and qualified to practice. Managers of established firms apparently do not have to be qualified.

There appears to be no restriction against a Mexican CPA engaging in practice with a United States CPA or a United States accounting firm. Practice may be conducted under a trade or firm name. As a matter of fact, some Mexican accounting firms operate under a company or fictitious name.

While there is no limitation as to size of staff, the Federal Labor Law declares that all employers who employ more than five may not hire less than 90 percent of Mexican workers in each skilled or unskilled category. The percentage is 80 percent in the case of employers of less than five workers. These provisions do not apply to managers, directors, administrators, superintendents, and department heads of enterprises.

The present staff of firms now established in Mexico may not be replaced by United States citizens because of the immigration and other restrictions in force.

Isolated Engagements

The immigration regulations as well as the Profession Law operate to prevent the performance in the Federal District and Territories of Mexico of isolated engagements by United States accountants. Even if they were successful in obtaining a visa to enter Mexico for the purpose of performing accounting investigations -- which is extremely doubtful -- they would be unable to sign reports for local use and publication. A foreign company doing business in Mexico is obliged to publish annually its balance sheet signed by a CPA, who must be a Mexican, or if the signer is a foreigner, he must be registered as a CPA of Mexico and residing in the country.

Because of immigration restrictions which will be considered in the following paragraphs, United States accountants would experience difficulty in obtaining permission to enter Mexico for the purpose of performing any kind of accounting work, even though reports are intended for use in the United States.

Immigration Requirements

Immigration into Mexico is governed by the General Population Law of December 23, 1947, Article 42 of which provides that foreigners may legally enter as immigrants or as non-immigrants. An immigrant is defined as a foreigner who legally and conditionally enters the country for the purpose of establishing a residence therein and acquiring status of permanent

immigrant. A non-immigrant is a person who enters the Republic temporarily and for the purposes provided in Article 48 of this law, which says that foreigners who enter with permission from the Ministry of Government for certain purposes shall be considered immigrants. Members of professions, if they intend to engage in their professions, shall be admitted only in accordance with the provisions of the law regulating Article 4 of the Constitution and through the application of some official institution sponsoring their admission.

The Mexican Ministry of Interior is the agency charged with authorizing the entry of aliens. Approval of the Ministry is necessary even for temporary entry for a special purpose such as to practice a profession. All aliens visiting Mexico to pursue temporary business activities are classified as non-immigrants. Such visitors are, in turn, of two classes, depending upon whether or not they carry on "lucrative" activities while making the trip. Those who do not, such as businessmen visiting to inspect local branches or to investigate possibilities of setting up branches, are charged \$2.10 (U.S. currency) for a visa issued by a Mexican consul in the United States, valid for six months and not renewable. Those who carry on such activities, such as businessmen visiting Mexico to take orders, to set up distributorships or agencies, who actually sign contracts, receive money and otherwise enter into actual business transactions, are charged \$41.50 (U. S. currency) for a visa, valid for six months and renewable once for an additional five-month period. The Mexican consul

must obtain permission from the Ministry of Interior in Mexico City for the issuance of such visas. For persons in both classes, a United States passport must be obtained.

Obviously, a person would not be able to enter Mexico as a "tourist" and engage in professional or business activities. Heavy fines and other penalties are stipulated in the Law of Population for infractions thereof or of any of the regulations issued pursuant to it.

Accountants Established in Practice

No information is available as to whether or not there are any United States citizens engaged in public practice as individuals.

The following firms have offices or representatives in Mexico City:

Arthur Andersen & Co.
Deloitte, Plender, Haskins & Sells
Peat, Marwick, Mitchell & Co.
Price, Waterhouse & Co.

SECTION III

TREATIES AND LEGISLATION PENDING

Treaties:

There is no treaty in effect between the United States and Mexico under which certified public accountants of either country would be admitted to practice in the other. A trade agreement which is in effect between the two nations does not cover professions.

Mexico has conventions with Chile and the Central American countries of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua, relative to recognition of professional degrees and academic studies. Mexico also has most-favored-nation commercial agreements with Brazil, Canada, Chile, Costa Rica, Ecuador, Guatemala, El Salvador, and the Dominican Republic. However, opinion is not available as to whether or not nationals of any of these countries would be able to perform accounting services in Mexico in view of the other restrictions in force.

Legislation Pending:

It has been reported that a law completely revising all previous laws on professions has been before the Congress of Mexico. July 31, 1950 was the date by which such proposed law was to have been approved. So far as is known, the bill has not yet been approved. No information is available at this time as to its provisions, but it is expected that the matter will have the attention of the Congress of Mexico in the fall of 1951.

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In conclusion it should be stated that the foregoing study of Public Practice of Accounting in Mexico has been prepared from a study of the laws dealing with accounting practice and other information which has been obtained from sources believed to be reliable. A list of such sources is contained in the attached appendix.

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MEMORANDUM RE PUBLIC PRACTICE OF ACCOUNTING IN
THE UNITED STATES OF MEXICO

Status of Profession:

Contador Publico Titulado (Titled, or Certified Public Accountant) is a university or "liberal" profession, requiring a university degree. The Mexican CPA is said to perform substantially the same functions as the United States CPA.

Regulatory Laws:

The Law on Professions of 1944, published May 26, 1945; Regulations governing the exercise of professions published October 1, 1945, with various amendments, notices, and rulings relative to registration of individuals practicing professions.

Note: It has been reported that the Profession Law is scheduled for revision.

Regulatory Authority:

Directorate General of Professions, a dependency of the Ministry of Public Education. Subordinate to this official is the institute or "colegio" of each profession.

Registration:

Professional degree must be registered in Ministry of Education.

Requirements for Registration:

Citizenship is an absolute requirement. Profession Law limits practice of professions to Mexicans by birth or foreigners who have obtained degrees in Mexico. Naturalized Mexicans holding foreign degrees may only teach.

A degree of Public Accountant and Auditor, granted by the National Autonomous University of Mexico, or other institutions authorized to confer such degree, is a prerequisite for practice.

No minimum age is indicated, but university graduates are probably at least 21 years of age.

No experience is required for the CPA certificate, the university degree being sufficient. Under transitory provisions of the Profession Law, persons who had practiced during ten years prior to 1945 without a degree were given a 5-year period to "regularize" their situation.

Examinations are not required for registration. A Patente de ejercicio or certificate of registration constitutes a license to practice

Professional Accountants in Practice:

Exact figures are not available. Anuario Kraft, a commercial directory used in Latin American countries, in 1949 listed 65 CPAs in Mexico City and 53 CPAs in other cities. It also showed 15 listings under Accountants and 4 under Public Accountants. Total -- 135.

The Instituto de Contadores Publicos Titulados de Mexico (Institute of Certified Public Accountants of Mexico) adopted rules for professional conduct in 192. Members of this society are said to hold to standards developed in the United States. This society was established in 1917 and represents the CPAs of Mexico in the Federal District. It is not known what other societies, if any, are in operation in the various states of Mexico. Membership is not compulsory.

Practice by United States Citizens or Accounting Firms:

Under existing laws, a United States citizen or accounting firm would not be permitted to establish an office in Mexico for the practice of public accounting. Offices established at May 26, 1945 (date when restrictions went into force) will probably be allowed to continue under certain conditions. Foreign accountants practicing in Mexico have no legal status and, consequently, cannot certify accounts required for governmental purposes; such work must be entrusted to qualified Mexican accountants.

Immigration Laws as well as the Profession Law operate to prevent performance by United States accountants of temporary, or isolated engagements. Even if successful in obtaining a visa, a United States accountant would not be able to sign reports for local use and publication. Foreign companies doing business in Mexico are obliged to publish annual balance sheets, signed by CPAs who must be Mexicans, or persons registered and residing in Mexico.

Treaties and Legislation Pending:

There has been a great deal of confusion with respect to the Profession Law because it covers all professions. Many nationals who have studied abroad, and United States CPAs and British CAs have been unable to have their degrees revalidated, although they filed their certificates several years ago.

It has been reported that a law completely revising all previous laws on professions has been before the Congress of Mexico and that it was scheduled for approval by July 31, 1950. The proposed law is still under consideration.

There is no commercial treaty presently in effect between the United States and Mexico under which United States citizens or firms would be permitted to perform accounting work in Mexico on behalf of enterprises which are financed by United States investors.