

University of Mississippi

eGrove

Haskins and Sells Publications

Deloitte Collection

1951

Public Practice of Accounting in the Republic of Honduras

Angela M. Lyons

Haskins & Sells Foundation

American Institute of Accountants

Follow this and additional works at: https://egrove.olemiss.edu/dl_hs



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

PUBLIC PRACTICE OF ACCOUNTING IN THE

REPUBLIC OF HONDURAS

Prepared for

AMERICAN INSTITUTE OF ACCOUNTANTS

Under the Auspices of

HASKINS & SELLS FOUNDATION, INC.

By

Angela M. Lyons

New York, N. Y., April 1951

C O N T E N T S

| | Page |
|--|------|
| General Information | 1 |
| Section I | |
| Public Practice of Accounting by Nationals | 3 |
| Basic Laws and Regulations | 3 |
| Concept of the Profession | 4 |
| Regulatory Authority | 4 |
| Who May Practice | 5 |
| Registration | 5 |
| Education of Accountants | 5 |
| Some Aspects of Practice with Respect to Corporations | 7 |
| Professional Accountants Engaged in Practice | 8 |
| Professional Accounting Societies | 9 |
| II | |
| Public Practice of Accounting by United States Citizens and Other Non-Nationals | 11 |
| Basic Laws and Regulations | 11 |
| Qualification of a United States CPA | 11 |
| Permanent Practice | 12 |
| Isolated Engagements | 12 |
| Immigration Requirements | 12 |
| Accountants Established in Practice | 13 |
| III | |
| Treaties and Legislation Pending | 14 |
| Treaty between Honduras and the United States | 14 |
| Treaties between Honduras and Other Countries | 14 |
| Legislation Pending | 14 |
| Appendix Sources of Information | 1 |

REPUBLIC OF HONDURAS

General Information

Geography:

The Republic of Honduras is the third largest in area of the Central American Republics, with an area of some 44,411 square miles. It lies north of Nicaragua, east of El Salvador and Guatemala, and south of British Honduras. Honduras has a coastline of about 400 miles on the Atlantic seaboard and a short coastline on the Pacific Ocean.

The principal port on the Atlantic coast is Puerto Cortez (8,000); other main ports are La Ceiba (12,185), Tela (10,454), and Trujillo (7,547). On the Pacific, Amapala is the best port. The Capital is Tegucigalpa, in the highlands, with (census of June 30, 1945) 55,715 inhabitants. The Republic is divided into 17 departments and one territory.

People:

The population of 1,326,000, according to the census of June 30, 1950, is made up of a number of aboriginal tribes estimated to total over 35,000; mestizos (chiefly Indians with an admixture of Spanish blood); and, on the Atlantic coast, a considerable proportion of Negroes, chiefly employed by the fruit exporting companies. In the highland communities, people of pure Spanish ancestry probably make up less than 1 percent of the total.

It is estimated that the illiteracy rate in Honduras is as high as 82 percent. A national literacy campaign received Presidential approval on August 30, 1945, and literacy commissions were established in the capitals of the 17 departments of the country. Spanish is the official language, though English is used also.

Economy:

The economy of Honduras is largely based upon agriculture, although gold and silver are mined and exported. The chief culture is that of bananas and coconuts on the Atlantic coast. Two large companies dominate the banana industry. The United States and Canada take most of the bananas. Coffee and rice are also grown.

Honduras has an abundance of hard and soft woods and exports mahogany and pine. Outside of the manufacture of Panama hats, there is little or no manufacturing in the country.

In the fiscal year ended June 30, 1947, the United States took nearly 64 percent in value of Honduras' total exports and in the same year, furnished about 77 percent in value of the imports.

SECTION I

PUBLIC PRACTICE OF ACCOUNTING BY NATIONALS

Basic Laws and Regulations

The Constitution of 1936, the Civil Code, and the Commercial Code govern the inhabitants of the Republic of Honduras and their activities. The Constitution makes no distinction between native-born and naturalized citizens. There is no law nationalizing professions, and there are no regulations governing the public practice of accounting, as the profession is known in the United States.

The Code of Commerce provides regulations for the keeping of books by business enterprises, which is a function performed by the Contadores Publicos (Public Accountants) of Honduras. The Public Education Code (Decree No. 91 of March 1947) contains provisions relative to technical education to be given in commercial schools authorized to offer training in accountancy to persons who wish to enter the business side of commercial firms, banks, mines, farms, etc. The same Decree authorizes these schools to grant diplomas of Perito Mercantil (Business Expert) and Contador Publico (Public Accountant) upon the completion of the required courses.

Concept of the Profession

Public accounting, as practiced by nationals in Honduras, consists principally of keeping books for small business enterprises. Undoubtedly, only a very few "public accountants" of this country really understand the functions of an auditor.

The lack of development of the profession in Honduras is, of course, fundamentally due to the nature of the country's economy, which is largely based upon agriculture. The progress of education, as in many of the Central American countries, has been slow and difficult. Obviously, a country whose main commercial activities are confined to only a few mines, banks, and fruit companies -- financed by United States or other foreign capital -- has not had the compelling necessity for training accountants along professional lines. In view of the comparatively recent establishment of education for accountants on the university level (in 1947), public accountancy -- as that term is understood in the United States -- is in its infancy.

Regulatory Authority

Inasmuch as there are no laws dealing with public practice of accounting, there is no regulatory authority for public accountants. The members of the various accounting societies are subject to the regulations thereof, but these are unofficial bodies.

Who May Practice

The independent practice of accounting is entirely free in Honduras, but the field is extremely limited. As stated previously, public practice by nationals consists mainly of keeping the required books which, under the Commercial Code, must be maintained by every business enterprise whose capital exceeds 15,000 Lempiras (U.S. equivalent \$7,500). Articles 27 and 32 of the Commercial Code provide that the required books must be kept in Spanish and by a native-born Honduran accountant or bookkeeper. Graduates of a four-year elementary business course, probably around eighteen years of age, with the title of Business Expert or of Public Accountant may engage in this type of "practice."

Registration

There is no law requiring registration of accountants in Honduras.

Education of Accountants

Honduras' educational system is under the general direction of the Minister of Public Education and, as is the custom in Latin America, instruction is provided in accordance with official plans of study. Decree No. 91 of March 3, 1947 provided for technical education to train personnel skilled in commerce, industry, and agriculture and also provided for professional education in the national university.

The National Institute and the School of Commerce at Tegucigalpa offer 4-year commercial courses leading to diplomas of Bookkeeper and Public Accountant. Commercial courses are also given in the "colegios" and in the normal schools of other cities. The minimum admission age for commercial study is 14 years and the required prior schooling is 6 years on the elementary level.

Higher education for accountants is furnished in the Faculty of Economic Sciences in the Central University of the Republic, located in Tegucigalpa. This is the country's only university, which was founded in 1845. Its Faculty of Economic Sciences was established by authority of Decree No. 91 of 1947.

A 5-year course leads to the degree of Licentiate. For admission to the School of Economics, completion of 4 years of commercial study is necessary. Based upon the minimum admission age for commercial study, the average candidate is about 18 years of age when he enters the university.

Information has not been forthcoming from the University or other sources as to the prescribed subjects for the university course, and no specimen examinations have been furnished to us.

As stated on page 5, there is no requirement for registration of accountants, and graduates of secondary business schools may practice accounting without further formality. The new Code of Public Education (Decree No. 91 of 1947) provides that persons who have obtained diplomas in other countries which correspond to those granted by schools for special studies and by the University will be able to have them "incorporated." This means that

Hondurans who have completed their accounting studies in foreign business schools are required to submit evidence as to the authenticity of their foreign diplomas in order to engage in accounting work.

Degrees earned in countries with which Honduras has treaties -- such as the Central American Republics -- are recognized provided that the studies made are equivalent to those offered in Honduras. Honduras also recognizes studies made by correspondence but requires candidates to pass examinations.

The Code further provides for the revalidation of foreign diplomas earned by Hondurans in countries with which Honduras has no treaties for academic reciprocity, without the necessity of their taking examinations. Thus, it would appear that a Honduran who had studied in a business school in the United States and who wishes to engage in the public practice of accounting could do so by merely having his diploma recognized. Also, a Honduran who had obtained a university degree in the United States would be able to have such degree incorporated in the national University without being required to take examinations, provided that the studies he has made are the equivalent of those required in Honduras.

Some Aspects of Practice

With Respect to Corporations

Annual Audits and Statutory Auditors:

There is no legal requirement that corporations must be audited annually, but the Commercial Code declares that books

be balanced annually and open to inspection by Revenue Officials. The Code also provides that every firm with a capital of 15,000 Lempiras (U.S. equivalent \$7,500) or more must maintain certain books in Spanish and that native-born Hondurans with the diploma of public accountant or bookkeeper must keep such books and records. Other books and records may be maintained by foreign companies but they have no legal force.

Financial statements need not be published but they must be recorded in the Mercantile Register. Statements and reports signed by United States CPAs or accounting firms are duly recognized by government authorities.

Tax Returns:

Honduras has a new income tax law, commencing with the year 1950. The accountant who prepares a tax return is required to sign it but there is no requirement that he be an independent auditor.

Professional Accountants Engaged in Practice

Up-to-date figures are not available as to the number of accountants in Honduras. As far back as 1935, there were 891 persons listed as bookkeepers and accountants, without indicating their nationality.

The Honduras telephone directory for 1949, which was issued by the Direccion General de Comunicaciones Electricas, shows listings for 37 Peritos Mercantiles (Business Experts).

Professional Accounting Societies

The Sociedad de Peritos Mercantiles y Contadores Publicos (Society of Business Experts and Public Accountants) of Tegucigalpa is the principal accounting organization of Honduras. This society which was established prior to 1924 (judging from the number of issues of its monthly magazine), has affiliated societies in other cities of the country. Among the associated organizations are the Sociedad de Peritos Mercantiles y Contadores Publicos de San Pedro Sula and Sociedad de Peritos Mercantiles y Contadores Publicos de La Ceiba, both of which were founded in 1933.

Membership in any of these societies is voluntary. The societies have received official recognition by the Government, and while they may not be regarded as regulatory bodies, they are given postal privileges for official correspondence. No replies have been received from inquiries addressed to the Tegucigalpa organization for information as to number of members, requirements for membership, or rules for professional conduct of members. Apparently, however, holders of the diploma of Business Expert or Public Accountant conferred by Honduran business schools are eligible for membership.

The Tegucigalpa society issued a monthly magazine called El Economista Hondureno some years ago; and the San Pedro Sula society published a journal entitled El Contador Hondureno. Recent issues of these publications have not been seen, and it is not known whether they are still being published.

A delegate of the Tegucigalpa society attended the First Inter-American Congress of Accounting which was held in Puerto Rico in 1949. This society does not appear among the list of members of the Pan-American Institute of Technicians in Economic Sciences, which has its headquarters in Buenos Aires, Argentina.

SECTION II

PUBLIC PRACTICE OF ACCOUNTING BY UNITED STATES CITIZENS AND OTHER NON-NATIONALS

Basic Laws and Regulations

The Civil Code states, and Article 16 of the Constitution of 1936 reaffirms that foreigners in Honduras are entitled to the same civil rights as Hondurans, with certain exceptions, stipulated by law. The practice of professions is not among the exceptions.

It has already been stated on page 3 that Honduras has no laws or regulations governing the public practice of accounting by nationals or aliens. Private practice of accounting is subject to the provisions of the Commercial Code.

Qualification of a United States CPA

No qualification by examination or otherwise is necessary in order that a United States accountant, whether certified or noncertified, may engage in public practice in Honduras. If membership in a local society is open to him, he should probably become a member although membership is not compulsory. Proof of practical experience would not be necessary, and it is quite possible that evidence of membership in a recognized professional society in the United States would enable a person to become a member of a Honduran society. Even a diploma from a correspondence school might be recognized.

Permanent Practice

There are no legal restrictions against a United States citizen or accounting firm establishing an office for the public practice of accounting in Honduras. The field, as previously indicated, is extremely limited.

Isolated Engagements

United States accountants are freely permitted to perform engagements in Honduras and their certificates and reports are duly recognized by the governmental authorities.

Immigration Requirements

Permanent Residence:

A United States citizen who wishes to reside in Honduras merely presents to a Honduran Consul a valid passport with \$18.00 in stamps. He becomes a Honduran resident immediately upon arrival in Honduras, but he must register with the Ministry of Foreign Affairs and obtain an identification card.

Temporary Entry:

A United States citizen may enter Honduras on either a tourist visa or a business visa, both of which are free to United States citizens. He remain in the country on a temporary visa for a period of sixty days.

Accountants Established in Practice

No United States citizens or accounting firms are known to be maintaining offices in Honduras. Audits of foreign enterprises, controlled entirely or in part by United States capital, are made by representatives of accounting firms sent periodically from the United States.

SECTION III

TREATIES AND LEGISLATION PENDING

Treaty between Honduras and the United States:

There is no treaty between the United States and Honduras providing for mutual recognition of degrees for profession or for academic reciprocity. Neither is there any commercial treaty in effect dealing with the subject of public practice of accounting by nationals of either country within the territory of the other.

Treaties between Honduras and Other Countries:

Honduras has signed conventions with other Central American countries relative to mutual recognition of credits and degrees and to reciprocity of rights to practice professions. However, under these conventions, Hondurans are subject to examinations in Mexico, El Salvador, and Costa Rica.

Legislation Pending:

So far as it has been possible to ascertain, there is no legislation pending which is aimed at regulating the profession or restricting practice by United States citizens or accounting firms.

- - - - -

In conclusion, it should be stated that the foregoing study of Public Practice of Accounting in the Republic of Honduras has been prepared on the basis of a review of the education law and other information obtained from sources believed to be reliable. A list of such sources is furnished in the attached appendix.

Sources of Information

American Institute of Accountants, New York, N. Y.

Consulate of Honduras, New York, N. Y.

El Contador Hondureno, Vol. 1, December 1933-January 1934;
Sociedad de Peritos Mercantiles y Contadores Publicos,
San Pedro Sula, Honduras.

El Economista Hondureno, No. 6, June 1939; Sociedad de
Peritos Mercantiles y Contadores Publicos, Tegucigalpa,
Honduras.

Honduras, p. 1054, "The Statesman's Year-Book 1949";
The Macmillan Company, New York, N. Y.

Honduras, p. 496, "Universities of the World Outside U.S.A.
1950"; American Council on Education, Washington, D.C.

International Labor Office, Washington, D. C.

Pan American Union, Washington, D. C.

Price, Waterhouse & Co., Mexico, D. F., Mexico; New York, N.Y.

A Statement of the Laws of Honduras in Matters Affecting
Business in its Various Aspects and Activities, November 1947;
prepared by Jorge Fidel Duron, Lawyer, Tegucigalpa, Honduras,
under auspices of Inter-American Development Commission.

United States Department of Commerce, American Republics
Division, Washington, D. C.

United States Library of Congress, Washington, D. C.

United States Office of Education, Division of International
Educational Relations, Washington, D. C.

MEMORANDUM RE PUBLIC PRACTICE OF ACCOUNTING IN THE
REPUBLIC OF HONDURAS

✓ Status of Profession:

The profession of Contador Publico (Public Accountant) is not a "liberal" or university profession in Honduras. Public practice consists mainly of keeping books for small business enterprises. The profession is hardly developed.

✓ Regulatory Laws:

There are no laws regulating the public practice of accounting. The Public Education Code of 1947 provides for the diploma of Contador Publico to be granted by secondary commercial schools.

✓ Registration:

Public Accountants are not required to be registered.

✓ Conditions for Practice:

Citizenship is not a prerequisite for public accountants. A diploma of Public Accountant conferred by an official school on the secondary level is sufficient educational qualification. The University of Tegucigalpa has a Faculty of Economic Sciences which awards the degree of Licentiate (Licensee) but this is not a requirement for public practice.

No minimum age is indicated. Commercial school graduates are probably 18 years of age or over.

Experience is not necessary for a person to engage in public practice. No examination is necessary for a license.

✓ Professional Accountants in Practice:

Figures are not available as to the number of accountants in public practice. No opinion is available as to the standards or practice in use by Public Accountants. It appears doubtful that a Code of Ethics has been adopted by any of the societies representing accountants.

Sociedad de Peritos Mercantiles y Contadores Publicos (Society of Mercantile Experts and Public Accountants) in Tegucigalpa is the national society. It has affiliates in other cities of Honduras, including the following: Sociedad de Peritos Mercantiles y Contadores Publicos de San Pedro Sula and Sociedad de Peritos Mercantiles y Contadores Publicos de La Ceiba. Membership in these societies is voluntary. The Tegucigalpa society publishes a monthly magazine called El Economista Hondureno (The Honduran Economist); and the San Pedro Sula society issues one called El Contador Hondureno (The Honduran Accountant).

Practice by United States Citizens or Firms:

There are no legal restrictions against the establishment of an office in Honduras by a United States citizen or firm. The field is extremely limited, however.

United States citizens are freely permitted to perform engagements in Honduras, and their certificates and reports are duly recognized by the governmental authorities of Honduras.

Treaties and Legislation Pending:

There is no treaty between the United States and Honduras under which United States citizens may enter Honduras to perform audits on behalf of United States investors. Actually, none is needed at this time. Neither is there any treaty providing for recognition of professional titles.

There appear to be no attempts to regulate the accounting profession or to restrict public practice by United States citizens. Higher education in accounting has been established in Honduras only since 1947 and, therefore, the professional body has not had an opportunity to develop.