

University of Mississippi

eGrove

Haskins and Sells Publications

Deloitte Collection

1951

Public Practice of Accounting in the Republic of Guatemala

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 GUATEMALA

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	5
Who May Practice	6
Exercise of the Profession	7
Registration	8
Education of Accountants	11
Some Aspects of Practice with Respect to Corporations	14
Professional Accountants Engaged in Practice	15
Professional Accounting Societies	16
Section II	
Public Practice of Accounting by United States Citizens and Other Non-Nationals	19
Basic Laws and Regulations	19
Qualification of a United States CPA	19
Permanent Practice	20
Isolated Engagements	22
Immigration Requirements	22
Accountants Established in Practice	23
Section III	
Treaties and Legislation Pending	25
Treaties between Guatemala and the United States	25
Treaties between Guatemala and Other Countries	25
Legislation Pending	26
Appendix	
Sources of Information	1

REPUBLIC OF GUATEMALA

General Information

Geography:

The Republic of Guatemala occupies the isthmus south of Mexico, with British Honduras, Honduras, and the Caribbean Sea on the east, and El Salvador and the Pacific Ocean on the south and west. It has an area of 45,452 square miles, and it is the second largest and most populous of the Central American Republics. A range of mountains and highlands near the Pacific Coast divides the country into two areas, the Atlantic area being the larger.

The country is divided for administration purposes into 22 departments. The Capital is Guatemala City with some 250,000 inhabitants. The chief ports on the Atlantic side are Puerto Barrios and Livingston; and on the Pacific, San Jose and Champerico. Other towns are Quezaltenango, Coban, and Zacapa.

People:

The population was estimated in 1946 at 3,706,205. About 55 percent of the inhabitants are pure Indians, of 21 different groups descended from the Maya-Quiche tribe. The remaining 45 percent of the population is made up, as in other Latin American countries, of mestizos and white, with the former in the great majority. The mestizos -- mixed Indian and Spanish referred to as "ladinos" -- are the dominant forces in government and finance, as well as the promoters of all educational and social movements. The ruling classes are of European descent.

In 1945, according to the National Department of Statistics, about 75 percent of Guatemala's population was classified as rural and about 70 percent was illiterate. The new Constitution of 1945 endorsed a 4-year national literacy campaign, by which the government expected to raise the literacy rate to 95 percent of the population. That progress is being made is indicated by a release issued early in January 1951 to the effect that a recent survey showed the illiteracy rate in Guatemala City to be 25 percent as against 48 percent reported in the 1940 census.

Spanish is the official language but thousands of Indians speak one of more than nineteen native dialects.

Economy:

Guatemala's economy is based almost entirely upon agriculture. Coffee, the principal crop, accounts for about 70 percent of the exports. Bananas, chicle, sugar, and timber are also exported. Mineral deposits, believed to be rich, are undeveloped because of lack of transportation facilities. The United States is Guatemala's biggest customer and in 1949 took almost 92 percent of her exports.

The principal imports are textiles, foodstuffs (mostly beef), petroleum, machinery, medicine, automobiles, and hardware. In 1949 the United States supplied about 74 percent in value of Guatemala's imports.

Manufacturing in Guatemala is confined to production of sugar, matches, electric power, alcoholic beverages, cement, cigarettes, and flour for domestic use.

SECTION I

PUBLIC PRACTICE OF ACCOUNTING BY NATIONALS

Basic Laws and Regulations

Guatemala adopted a new Constitution on March 11, 1945 to govern its inhabitants. There is no general law regarding the profession of public accountant, but in addition to the Commercial Code there are certain laws and regulations which affect accountants in public practice.

The first of these laws was the Income Tax Law -- Decree No. 2,099, published February 23, 1939. Regulations for this law, published on the same date, provided for the registration of bookkeepers and accountants in the Direccion General de Rentas (General Revenue Administration) of the Ministry of Finance. Registration was necessary in order for an accountant or bookkeeper to be able to certify financial statements for tax purposes.

Subsequently, Decree No. 2,556 was published on July 25, 1941, providing that the financial statements of banking institutions and insurance companies which are submitted to governmental authorities by national and foreign corporations must be signed by authorized bookkeepers or accountants.

Apparently, until a law was enacted on May 21, 1942, the title of Contador Publico (Public Accountant) was not officially recognized. This law provided for the modification of the official plan of studies (established by Decree of May 25, 1937) for the School of Economic Sciences in the National University and for the

granting of the degrees of Doctor of Economic Sciences, Actuary, and Public Accountant-Auditor. Regulations have been in effect since 1937 for the revalidation of foreign certificates by the University.

Decree No. 332, published on February 24, 1947, declared that all university graduates who wish to practice their professions are obliged to become members of a colegio (association). All associations of university graduates are under the direction of the University of San Carlos, being directly supervised by the Superior University Council of that institution. The Colegio de Contadores y Auditores Publicos (College of Public Accountants and Auditors) was formed in October 1950.

Concept of the Profession

At the present time, accountants and bookkeepers who are graduates of business schools may be registered in the Direccion General de Rentas (General Revenue Administration) for the purpose of signing tax returns and other financial statements. Practically all of these registered accountants and bookkeepers are in regular salary employment, but in addition they either maintain the books or certify the statements of two or three clients. There is no stipulation in the various laws and regulations that certification must be made by independent accountants in public practice.

There is said to be a movement on the part of the university graduates to obtain the enactment of legislation which would make it compulsory for public accountants to hold university degrees.

As previously mentioned, Decree No. 332 of 1947 provided for the formation of representative associations of, and compulsory membership therein, by university graduates who wish to practice their respective professions. By compelling university graduates to become members of an official representative association, the Government of Guatemala has for its fundamental objective the improvement of standards with respect to the practice of all professions, including that of Public Accountant and Auditor. Other aims indicated in this Decree are "to defend and protect practice by university professionals and to combat 'empiricism'; to aid in the accomplishment of laws relating to the professions; and to work for the greater power and prestige of the University of San Carlos."

The College of Public Accountants and Auditors, which was formed in the fall of 1950, represents -- according to estimates -- less than ten university graduates holding the title of Public Accountant and Auditor. The formation of this society may be regarded as a step toward imposing restrictions for the public practice of accounting and may lead to a new concept of the profession in Guatemala.

Regulatory Authority

The General Revenue Administration of the Ministry of Finance is the official body which decides whether or not an accountant shall be registered. However, the regulations dealing with registration contain no provisions for supervising registered accountants.

The Corporacion de Contadores de Guatemala (Corporation of Accountants of Guatemala) is a society composed of accountants and bookkeepers graduated from national business schools. The Asociacion Nacional de Contadores Autorizados (National Association of Authorized Accountants) is another society made up of accountants and bookkeepers. Membership in these two societies is voluntary and each society regulates the professional conduct of its members.

The regulatory authority for university graduates holding the degree of Doctor of Economic Sciences, Actuary, or Public Accountant and Auditor is the College of Public Accountants and Auditors which, in turn, is supervised by the Superior University Council of the University of San Carlos.

Who May Practice

Registered Accountants:

For tax purposes, only registered accountants residing in Guatemala may certify financial statements of enterprises having a net equity of 5,000 quetzales (\$5,000 U.S. currency). The regulations do not state that such accountants must be in independent practice. Also, only registered accountants may certify financial statements of banking institutions and insurance companies, which must be filed with the Monetary and Banking Department of the Secretary of Treasury and Public Credit.

No stipulations as to minimum age for registration are contained in the regulations therefor. Apparently, graduates from

business schools, seventeen or eighteen years of age, may be registered without the necessity of proving practical experience.

The majority of national accountants work as individuals. Practically every accountant and bookkeeper in Guatemala has, in addition to a regular salaried position, two or three clients for whom he either keeps accounts or certifies the annual accounts which must be filed with the Tax Department.

Non-Registered Accountants:

There is no law presently in force which states that all accountants engaged in the public practice of accounting must be registered. The regulations previously referred to are permissive and authorize the inscription of accountants in order that they may certify financial statements for tax purposes.

Exercise of the Profession

Definition:

In the absence of any law specifically dealing with the public practice of accountancy, it is not possible to state precisely what is regarded as practice of the profession in Guatemala.

Special Functions of Registered Accountants:

The income tax regulations provide that tax reports of entities having a net equity of 5,000 quetzales must be signed by accountants registered with the Ministry of Finance. Also, under the terms of Decree No. 2,556 of July 11, 1941, the balance sheets and profit-and-loss statements that both national and foreign

banking institutions and insurance companies must file with the Secretary of Treasury and Public Credit must be certified by registered accountants.

Registration

General Conditions:

An accountant or bookkeeper who wishes to act as a registered or titulado accountant must present an application to that effect to the Direccion General de Rentas of the Ministry of Finance. This office, after examining the applicant's statement of education, experience, and qualifications, lists him as a registered accountant. As such, he is responsible to the government for the correctness of the balance sheets which he certifies. He must be a resident of Guatemala.

The income tax regulations of 1939, providing for registration, states that persons who have no diplomas from official schools of the Republic or recognized foreign schools, may be registered by proving ten consecutive years of experience as bookkeepers. They must also pass an examination given by a board of examiners, and their experience must have been obtained with enterprises whose circulating capital was not less than 20,000 quetzales (U.S. equivalent \$20,000).

In the absence of a diploma, an individual who furnished proof of fifteen years' experience in any type of commercial, industrial, or agricultural enterprise, could be registered without examination.

Provision was also made for the registration of persons who submitted certificates or affidavits accrediting them as members of societies or associations of bookkeepers or accountants, legally recognized in foreign countries. Such persons were to be admitted to the register without examination.

Application Requirements:

Besides the evidence as to education and experience mentioned above, an applicant must also furnish evidence as to his morality and good habits. There is no minimum age indicated and aliens, as well as citizens, are admitted to registration.

Examination:

The examination referred to previously for candidates without diplomas is given by a board of three examiners appointed by the Director General of the General Revenue Administration. It is a written test based on the following subjects: General accounting and commercial calculations; principles of mercantile law applied to accounting; treasury laws; and regulations relating to bookkeeping functions.

A candidate who fails in an examination is permitted to take another examination after four months. If he fails in the second examination, he will not be permitted to take another.

License to Practice:

Registration in the Ministry of Finance constitutes a mere license to practice in connection with tax matters.

Revalidation or Recognition of Foreign Titles:

In accordance with a convention signed with other Central American Republics in 1923, the University of San Carlos grants reciprocity of rights to practice the university or "liberal" professions. Students and graduates of universities in Mexico, El Salvador, and Costa Rica are granted equivalence of studies; students from Honduras and Nicaragua are required to take examinations. On the basis of this treaty, a national who had earned a diploma in accounting in Mexico, El Salvador, and Costa Rica would be registered without examination. No credit is allowed for correspondence study, and no professional degree is recognized that does not authorize the holder to practice the profession in the country in which the foreign university is situated.

It would seem that, under the regulations relative to registration, a national who had been educated in the United States could be registered in the General Revenue Administration without taking an examination. In this connection, see page 11, clause 3. In the absence of an arrangement between the United States and Guatemala relative to academic reciprocity, a national who had earned a degree in accounting at an educational institution in the United States would probably be required to pass an examination given by the University of San Carlos before he could use the title Public Accountant and Auditor.

Accountants in Practice at Date of Regulations:

When the income tax regulations were published on February 23, 1939, accountants were then obliged to register with the

Ministry of Finance in order to certify tax returns. The following cases were covered by the terms of the regulations:

1. Accountants without diplomas issued by national business schools, or recognized foreign schools, could be registered upon furnishing proof of ten consecutive years of practical experience and by passing a written examination.
2. Accountants furnishing proof of experience of at least fifteen years obtained with enterprises having a circulating capital of at least 20,000 quetzales could be registered without examination.
3. Accountants who submitted certificates or affidavits accrediting them as members of entities or corporations¹ of bookkeepers or accountants, legally recognized in foreign countries, could be registered without examination.

Education of Accountants

Commercial education, on the secondary school level, is provided in the National Central Business School for Boys and the National Central Business School for Girls, both in Guatemala City; in the National Business School of Quezaltenango; and in twenty-seven sections of commercial studies in private institutions. Completion of the 6-year elementary school is required for admission to business instruction. A 5-year course in commercial subjects leads to the diploma of Perito Contador (Accounting Expert). Graduates of this course are between 17 and 18 years old.

Higher education in Guatemala is provided almost exclusively in the University of San Carlos, located in the Capital. This University was originally founded in 1678 as the Royal and Pontifical University of San Carlos of Borromeo and was authorized

¹ Meaning members of accounting firms or societies.

to teach theology, law, and medicine and to confer the degrees of bachelor, master, licentiate, and doctor. In 1875 it became the National University of Guatemala, and in 1945 it was made autonomous, its name then being changed to the Universidad de San Carlos de Guatemala. This University is regarded as the most brilliant and popular institution of higher learning in Central America.

The Faculty of Economic Sciences was founded in 1937 and now provides a 5-year course for the degrees and titles of Doctor of Economic Sciences and Public Accountant-Auditor. All subjects are 3 hours a week except the 4 accounting courses which are given daily. Each student takes 9 hours of class work each semester, according to the following plan of studies;¹

First year: Analytic geometry and infinitesimal calculus I, principles of pure economic science, organization of commercial and industrial enterprises, public accounting, administrative law.

Second year: Infinitesimal calculus II and probability; money, prices, and economic cycles; economic law I; agrarian economics; organization of transportation; applied accounting.

Third year: Statistics, economic law II, financial science and legislation, Guatemalan economics, customs and consular law.

Fourth year: Financial operations, financial law, advanced accounting, organization of supply and demand, history of economics.

Fifth year: Mathematical theory of insurance, auditing, banking science and techniques, economic doctrines, economic policy.

¹
Education in Guatemala by Cameron D. Ebaugh, U. S. Office of Education, Bulletin 1947, No. 7, p. 70.

The Faculty of Economics admits students with a secondary school diploma of Perito Contador (Accounting Expert) or in Science and Letters. That there is a growing interest in advanced education of this type is indicated by the following summary of enrollment in this faculty during the period from 1940 to 1947:

<u>School Year</u>	<u>Number Enrolled</u>
1940-1941	60 ¹
1941-1942	(statistics not available)
1942-1943	(statistics not available)
1943-1944	181
1944-1945	218
1946-1947	206 ²

However, in 1947 only 4 degrees were awarded by this Faculty.

A candidate for a degree must pass two general examinations. The first is a private examination covering the work of the entire plan of studies, which may take a week's time. Then comes a public examination dealing mainly with the candidate's thesis and which is said to amount to little more than a special opportunity for the degree candidate to display his learning. In these general examinations, the student is graded individually by the five members of the examining board as passed or failed (aprobado or reprobado), an absolute majority of "passing" votes being necessary for the degree. It has not been possible to obtain specimen examinations in any of the accounting subjects.

¹ Education in Guatemala, pp. 14, 70.

² Universities of the World Outside U.S.A. 1950, Washington: American Council on Education, p. 492.

Some Aspects of Practice
With Respect to Corporations

Annual Audits:

Guatemala has no law requiring corporations to have annual audits made of their accounts by independent auditors, but corporations must publish their balance sheets in the official gazette not less than once a year. Decree No. 2,556 of July 25, 1941 provides that national and foreign banking institutions and insurance companies shall file with the Monetary and Banking Department of the Secretary of the Treasury and Public Credit, within sixty days following the close of the annual period, a general balance sheet and profit-and-loss statement together with certain other data. These documents, in order to be accepted, must be certified by Authorized Accountants or Bookkeepers. If the Secretary considers that the rights of third parties or the public in general will not be prejudiced, he may dispense with the publication of the balance sheet of any national corporation which requests this privilege.

Tax Returns:

The Income Tax Law of 1938 (Decree No. 2,099 published on February 23, 1939) provides that in cases where the net profit or equity of a taxpaying entity is 5,000 quetzales (\$5,000 U.S. currency), the balance sheet and statement of profit and loss accompanying the tax declaration must be certified by a licensed accountant or bookkeeper. Sworn tax declarations must be made every six months.

Professional Accountants Engaged In Practice

Standards and Code of Ethics:

The professional accountant of Guatemala may be a member of one of three societies: Accountants Corporation of Guatemala, National Association of Authorized Accountants, or the College of Public Accountants and Auditors.

The first named society is the oldest one, having been established in 1928. The members of this society and of the National Association of Authorized Accountants are the older book-keepers and accountants who have been in practice as such for many years and who regard their experience as entitling them to at least the same dignity and standing as the members of the newest association composed of university graduates,- the College of Public Accountants and Auditors.

Information has not been forthcoming as to the standards in effect for any of the professional accountants, and so far as is known, none of the societies have adopted rules for professional conduct. According to the By-laws of the Accountants Corporation, its members are obliged to observe unimpeachable conduct in the practice of the profession, to maintain the good name and credit of the society, and to cultivate companionship and fraternal relations among their colleagues. The Directive Council of this body may impose disciplinary measures upon members who violate the society's rules.

The society of university graduates was formed late in 1950 and apparently has not yet formulated a code of ethics.

Professional Accounting Societies

As mentioned on page 15, there are three professional societies in existence in Guatemala. The oldest society is Corporacion de Contadores de Guatemala (Accountants Corporation of Guatemala). It was founded on January 29, 1928 as Corporacion de Tenedores de Libros (Corporation of Bookkeepers) and was officially approved by Presidential Decree of February 20, 1929. By Decree of May 6, 1942 the name was changed to Corporacion de Contadores de Guatemala. Its address is Apartado Postal No. 441, Guatemala City.

According to its Estatutos Sociales (By-Laws), the purposes of the association are to work for the unification of commercial education in the Central American countries, the accomplishment or amendment of laws affecting the profession, and for the general progress of commercial science in all its aspects as well as to work for other measures that will benefit the social welfare of its members. The association, by means of its Tribunal of Honor composed of six members, supervises the professional conduct of its members. Apparently, as previously indicated, no code of ethics has been adopted.

Article 2 of its by-laws indicate that the membership is composed of accountants who have graduated from the National Schools of Business or who have been "incorporated" in such schools. Theoretically, since there is no requirement that members must be citizens of Guatemala, it should be possible for a United States citizen residing in Guatemala to become a member after his diploma has been recognized or "incorporated" in a national business school

The Accountants Corporation has no official publication; mimeographed articles and other information are supplied to its members. This society is a member of the Pan-American Union of Technicians in Economic Sciences of Buenos Aires. It was also represented at the First Inter-American Congress in Accounting which was held in Puerto Rico in 1949.

At some time around 1942 a second society was formed. This is known as Asociacion Nacional de Contadores Autorizados (National Association of Authorized Accountants). The members of this society are also bookkeepers and accountants who have been practicing for many years in such capacities. Information is not available as to its objectives, requirements for membership, publication rules for conduct, or number of members.

The newest professional organization is Colegio de Contadores y Auditores Publicos (College of Public Accountants and Auditors), which was formed in October of 1950. Membership in this society is compulsory, under the terms of Decree No. 332 of 1947, for all university graduates who wish to practice the profession of Public Accountant and Auditor. The exact number of university graduates holding this title has not been furnished to us. The Consul's office in New York City stated late in 1950 that there were only about six or seven persons holding such title. According to Cameron D. Ebaugh in Education in Guatemala¹, there had been only seven graduates from the Faculty of Economics in the period between 1937 (when it was created) and 1947.

¹ Ibid., p. 70.

The objectives of the College of Public Accountants and Auditors are the same for all professional associations, as outlined in Decree No. 332, authorizing its establishment under the direction of the University of San Carlos. Among these purposes are the following:

- a) To maintain decorum and to advance the practice of the profession in all its aspects.
- b) To promote the cultural improvement of university graduates.
- c) To maintain honest and efficient services of the university professions for the benefit of the public.
- d) To defend and protect university professional practice and to combat empiricism.
- e) To work for greater power and prestige for the University of San Carlos of Guatemala; and
- f) To aid governmental authorities in the accomplishment of legislation related to the profession; to resolve any questions presented; and to render information requested by official entities or functionaries in subjects within its competence.

In addition to graduates of the University of San Carlos, professionals who have graduated from foreign universities whose degrees are recognized in accordance with international conventions and professionals whose degrees have been revalidated or "incorporated" by the University must join the association. Under these provisions (Article 4 of Decree No. 332), a United States CPA who desires to practice in Guatemala as a Public Accountant and Auditor would be obliged to have his United States diploma revalidated or "incorporated" in the University. One United States CPA¹ recently passed an examination given by the Faculty of Economic Sciences and has applied for membership in the College.

¹ W. Allan Levy, member of the firm of J. H. Gibson & Co., Guatemala City, is a New York CPA and member of the American Institute of Accountants.

SECTION II

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

Basic Laws and Regulations

Other than the laws previously discussed and the immigration regulations, there appear to be no special laws applicable to the public practice of accounting by United States citizens or accounting firms.

With respect to other non-nationals -- citizens of countries with which Guatemala has entered into conventions providing for reciprocity of rights to practice university professions -- other rules may be in effect.

Qualification of a United States CPA

Article 8 of the Regulations on Registration provides that persons who present certificates or affidavits accrediting them as members of entities or corporations of bookkeepers or accountants, legally recognized in foreign countries, may be inscribed without the necessity of taking examinations. From information now available, it seems doubtful that a United States CPA certificate would be recognized. Therefore, a United States CPA would probably be required to pass an examination given by a board of examiners, in the Direccion General de Rentas, on the following subjects:

- a) General accounting and commercial calculation.
- b) Principles of mercantile law applied to accounting.
- c) Treasury laws and regulations relating to bookkeeping functions.

In order to pass the examination, a candidate would have to be able to read, write, and speak Spanish. Residence in Guatemala would also be a condition.

Inasmuch as there is no convention between the United States and Guatemala, granting reciprocal rights to practice professions, United States citizens who desire to practice under the university title of Public Accountant and Auditor are obliged to have their degrees in accounting revalidated by the University of San Carlos.

Proof of practical experience would not now be sufficient to obtain registration in the Ministry of Finance. Although the regulations covering registration state that persons who submit certificates or affidavits of membership in an association of accountants, legally recognized in a foreign country, may be inscribed without examination, practically they are not observed. It now appears doubtful that a United States CPA certificate, or certificate of membership in a United States professional society would be recognized. United States CPA's who have their certificates incorporated in the University must become active members of the College of Public Accountants and Auditors.

Permanent Practice

In spite of the fact that there is no restrictive legislation on the practice of accounting in Guatemala, there are immigration regulations which may affect practice by non-nationals. It seems doubtful that a United States certified public accountant would now be permitted to establish an office in Guatemala. An

office already established is permitted to continue in practice. The immigration restrictions and regulations as to professional practice apply only to newcomers.

So far as is known, there is no requirement that a native qualified accountant must be a member of a firm practicing in Guatemala. Citizenship is not a requirement for registration in the Ministry of Finance or for the university title of Public Accountant and Auditor.

Practice may be conducted under a firm name. While there is no limitation as to size of staff, it is quite possible that accounting firms would be subject to legislation which states that Guatemalans must occupy 75 percent of the salaried positions in industrial, agricultural, and commercial undertakings. Positions which require a professional degree are not affected by this legal proportion, provided the profession is not covered by other regulations. However, a decree enacted in 1934 makes it impossible for aliens to secure employment for an indefinite period as wage earners or salaried employees.

As already mentioned, there is no law specifically dealing with public accounting which would prohibit the replacement of present staff of a foreign firm with United States accountants or other non-nationals, but there are immigration restrictions which might operate to prevent replacement.

There is no restriction preventing audit of a Guatemalan concern by a firm of foreign accountants, without registration, but any report certified by such firm would not be accepted by the Ministry of Finance for tax purposes. Also, financial statements

of banking and insurance companies, certified by such firms, will not be accepted in lieu of examination by officials of the Money and Banking Department.

Isolated Engagements

There is no restriction against United States accountants making audits and investigations of companies doing business in Guatemala in connection with reports for use in the United States. From information furnished to us, it seems that no difficulties are encountered in obtaining visas for temporary entry into Guatemala. With the exception of signing tax returns and financial statements of banking institutions and insurance companies, a United States CPA may perform isolated engagements in connection with reports for local use and publication. Although branches of foreign commercial companies doing business in Guatemala must publish balance sheets, the law does not require that such statements be certified.

Immigration Requirements

Permanent Residence:

For permanent residence in Guatemala, authorization must first be secured from the Ministry of Foreign Affairs in Guatemala. In addition to such authorization, the following documents are required: Valid passport; character letter of recommendation from a responsible concern, such as a bank or employer, or a police certificate; vaccination certificate against smallpox issued by

health authorities; and three front photographs 2" x 2". Visas should be secured by personal appearance within thirty days of the expected arrival in Guatemala.

As a practical matter, a public accountant who desires to obtain permission for permanent residence with the object of establishing a practice in Guatemala might now encounter some difficulty.

Temporary Entry:

United States citizens encounter no difficulty in obtaining visas for temporary entry into Guatemala, it not being necessary to specify in detail the purpose of such visits. Transit visas are good for a stay not longer than five days; neither personal appearance nor photographs are required. A businessman's visa, good for ninety days, must be obtained by personal appearance at the Consulate in this country within thirty days of the expected arrival date. A tourist card is also good for ninety days but a person may not carry on any business with such permit.

Accountants Established In Practice

There appears to be no United States citizen conducting practice as an individual in Guatemala. Mr. W. Allan Levy, a United States CPA is engaged in public practice as a member of the firm of J. H. Gibson & Co. Other United States citizens may be in the employ of Peat, Marwick, Mitchell & Co., which maintains an office at 6a Avenida Sur No. 4, Guatemala City.

The firm of J. H. Gibson & Co. maintains an office at 7 Avenida Sur No. 23 (Altos) in Guatemala City and practices as "Public Accountants." In addition to Mr. Levy, mentioned in the previous paragraph, Mr. Gibson who is an Incorporated Accountant has associated with him, Mr. Edward A. B. Scott who is listed as an Authorized Accountant.

SECTION III

TREATIES AND LEGISLATION PENDING

Treaties between Guatemala and the United States:

There is no treaty between Guatemala and the United States providing for mutual recognition of professional degrees and academic studies. Nor is there a commercial treaty between the two countries providing that accountants from either country may make audits, technical investigations, and examination and render reports to nationals and companies within the territories of the other country, regardless of the extent to which they may have qualified for the practice of the profession of public accountant within such other country.

Treaties between Guatemala and Other Countries:

Guatemala entered into a Convention, signed on February 7, 1923, with other Central American Republics which provides for reciprocity of rights to practice the university or "liberal" professions and for student interchange. Students and graduates of universities in Mexico, El Salvador, and Costa Rica are granted equivalence of studies but students from Honduras and Nicaragua are required to take examinations. Therefore, persons holding degrees in accounting earned in Mexico, El Salvador, and Costa Rica, may have their degrees revalidated by the University of San Carlos without the necessity of passing examinations.

Legislation Pending:

The Accountants Corporation informed us under date of February 27, 1951 that there was then under consideration a new Income Tax Law containing rules for accounting and for accountants' functions as well as for certification of financial statements. The proposed law will, if enacted, change the rates for taxes on enterprises which operate for profit and will also, it is believed, favor the university graduates.

There is no information as to any other bill actually before the Congress of Guatemala which is aimed at regulating the profession of public accountant. The university graduates, of course, are interested in obtaining laws to improve the standards of the accounting profession and will continue to work for legislation to regulate public practice.

- - - - -

In conclusion, it should be stated that the foregoing study of Public Practice of Accounting in the Republic of Guatemala has been prepared on the basis of a review 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 furnished in the attached appendix.

Sources of Information

- American Institute of Accountants, New York, N. Y.
- Consulate of Guatemala, 30 Rockefeller Plaza, New York, N. Y.
- Corporacion de Contadores de Guatemala, Guatemala City,
Guatemala; Estatutos Sociales, 1943.
- Education in Guatemala, Bulletin 1947, No. 7, United States
Office of Education, Washington, D. C.
- J. H. Gibson & Co., Public Accountants, Guatemala City,
Guatemala
- Guatemala, "The Statesman's Year-Book 1949", The Macmillan
Company, New York, p. 1043.
- International Reference Service, United States Department of
Commerce, Washington; Vol. VII, No. 37, June 1950.
- Pan American Union, Washington, D. C.
- Peat, Marwick, Mitchell & Co., Guatemala City, Guatemala.
- Price, Waterhouse & Co., Mexico, D.F., Mexico.
- United States Department of Commerce, American Republics
Division, Washington, D. C.
- United States Library of Congress, Washington, D. C.
- Universities of the World Outside U.S.A. 1950, American
Council on Education, Washington, D. C.

MEMORANDUM RE PUBLIC PRACTICE OF ACCOUNTING IN THE
REPUBLIC OF GUATEMALA

✓ Status of Profession:

The profession of Public Accountant is not a "liberal" or university profession in Guatemala and is not yet regulated. Contadores (Accountants) and Tenedores de libros (Bookkeepers) must be registered in order to be able to certify tax returns and financial statements of banks and insurance companies.

The degree of Public Accountant and Auditor conferred by the University of San Carlos entitles its holder to practice such "university" profession, but holders of diplomas from commercial schools may also engage in practice as public accountants.

✓ Regulatory Laws:

The Commercial Code and Decrees 2099 and 2191 establish the obligation of corporations to present financial statements certified by licensed Accountants, registered in the office of the Controller of Profits Taxes. The Income Tax Law of 1939 and regulations therefor provide for registration of bookkeepers and accountants. Decree No. 332 of 1947 declares that all university graduates who wish to practice their professions are obliged to become members of an association.

Other than the foregoing laws and regulations, there is no legislation dealing with the public practice of accounting.

✓ Registration:

An accountant or bookkeeper who wishes to act as a registered or "titulado" accountant must make application to the Direccion General de Rentas of the Ministry of Finance. University graduates in accounting must, under Decree No. 332 of 1947, maintain active membership in a "colegio" or society.

✓ Conditions for Registration:

Citizenship is not a prerequisite for registration; residence is sufficient.

A diploma of perito contador (accounting expert), granted by a secondary school, is sufficient to enable a person to engage in public practice. A university degree is not presently required, but a movement is said to be in progress which is aimed at limiting public practice to university graduates.

No minimum age is stipulated. Business school graduates, 17 or 18 years old, are eligible for registration.

Except for persons without the required or recognized diploma, who must prove ten years' of consecutive experience, experience is not necessary for registration.

No examination is necessary for licensing of persons with the proper diploma. But persons who are without the diploma which evidences their accounting education and which is issued by official schools or recognized foreign schools, must pass examinations. Two examinations must be passed. One is theoretical and the other is practical. If a candidate passes, he is granted authorization to act as an Accountant and may be registered in the Office of Controller of Profits Taxes.

Professional Accountants in Practice:

There are said to be only about 30 nationals engaged in the public practice of accounting in Guatemala; about 10 of this number practice on their own account. No opinion is available as to the standards or practice followed by such accountants, and there is no indication that a Code of Ethics has been formulated and adopted.

There are three accounting societies now in existence in Guatemala. Corporacion de Contadores de Guatemala (Corporation of Accountants of Guatemala) was founded in 1928. Its headquarters are in Guatemala City, and it is the association which represents the accounting graduates of the National Schools of Commerce. Asociacion Nacional de Contadores Autorizado (National Association of Authorized Accountants) is another professional society. Colegio de Contadores y Auditores Publicos (College of Public Accountants and Auditors) is the newest organization, having been formed in October 1950 to represent the university graduates. Membership in this society is obligatory for the university graduates who wish to practice as Public Accountants and Auditors.

Practice by United States Citizens or Firms:

Only one United States citizen is known to be engaged in public accounting in Guatemala. He is W. Allan Levy, a partner of J. H. Gibson & Co., Public Accountants. Because of the feeling which is said to exist against foreign accountants, it seems doubtful that a United States citizen would now be permitted to establish an office for the permanent practice of accounting in Guatemala.

There appear to be no restrictions against temporary practice by United States citizens or firms in connection with audits of enterprises financed by United States investors, either with respect to reports for use in Guatemala or for use in the United States, except that tax returns must be signed by and financial statements of banks and insurance companies must be certified by registered accountants. It should be noted that the Commercial Code prescribes that every firm which has assets in excess of 2,500 quetzales must have its accounting managed by a licensed accountant. Decrees 2099 and 2191 provide that firms with net profits of more than 5,000 quetzales have the obligation of having their profit-and-loss statements and general balance sheets certified by a licensed accountant before presenting such statements to the Government.

Treaties and Legislation Pending:

There is no treaty between the United States and Guatemala under which United States citizens may enter Guatemala to perform audits on behalf of United States investors. Neither is there any treaty providing for recognition of professional titles.

A new income tax law is said to be under discussion by the Congress of Guatemala, which is believed to contain provisions relative to accounting practice.

As has already been mentioned, there is now a society of university graduates in Guatemala. There is said to be a movement on the part of such graduates to obtain the enactment of legislation aimed at restricting public accounting to holders of university degrees.