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*TROBAS office occupies fourth floor of this new building.*

# Highlights on Puerto Rico

by Pedro E. Purcell  
TROBAS-Puerto Rico



UP TO 1926 NO LICENSE, CERTIFICATE OR FORMALITY of any kind was required to practice public accounting in Puerto Rico. Public accounting practice was mainly carried on by two firms from the U.S.—W. T. Woodbridge & Co. and Stagg, Mather & Co.—and two or three local practitioners who had established independent accounting offices to deal primarily with tax matters.

The Puerto Rico Institute of Accountants, which was incorporated as a professional organization in 1922, had as one of its primary objectives the public recognition of the accounting profession. To obtain this, it fostered the establishment of the college of business administration at the University of Puerto Rico, which took place in 1926, and the passing of a law regulating the profession, approved on May 23, 1927.

The 1927 law remained unchanged until 1945, except for a waiver clause included in the law in 1935 whereby graduates of the University of Puerto Rico who had both a major in accounting and practice as head accountant with a firm of recognized importance, were exempted from taking the examination. Following recommendations of the AICPA, the local institute was successful in getting a new law passed in the year 1945; but not on the same lines as it was originally presented.

The salient features of the 1945 statute (now in effect) may be summarized as follows: (1) membership of the Board was increased from three to five members and the Board was empowered to promulgate rules of ethics; (2) requirements for the CPA were more specific but still ranged from college degree to graduation from high school plus added practice with a CPA; (3) a new title was created—

Public Accountant (P.A.), to cover those persons who before the law was approved had public accounting as their principal occupation but who did not meet other requirements of the law; (4) the issuance of annual licenses; (5) recognition of the right of privileged communications with clients; (6) ownership of working papers vested in the accountant, and (7) reciprocity relations established with stateside boards under certain conditions.

In 1949 a further amendment was made granting the CPA title to all those who until then were known as PA. In this instance the Institute presented its objections but the group with the greater political backing won. This ultimately had a definite bearing on the reciprocity clause, which in the original 1945 law read "A CPA of another state . . . may register with the Board as a CPA of such other State . . . if the Board determines that the requirements under which the applicant became a CPA . . . were of as high a standard as those demanded in this Island." Because there was objection from other state boards to accepting the certificate granted by law in 1949, the same group got an amendment to the reciprocity clause which now reads: "A CPA of another state . . . may register with the Board as a CPA of such other state . . . if the law of the State of his origin provides for the registration of the CPA of Puerto Rico, without having to fulfill other requirements than the filing of an application to this effect . . .".

Thus the situation now is that CPAs from other states wishing to be registered locally will have to sit for the examination,\* unless the board of his state accepts the reciprocity terms mentioned above.

Why is it necessary to be registered with the local board? Because the corporation law requires all corporations doing business in Puerto Rico to submit annually, to the Secretary of the Treasury and to the Secretary of State, a "report authenticated by the signature of the president or the vice president and of the treasurer or the assistant treasurer and certified by an authorized public accountant with a license from this Commonwealth, who is neither a stockholder nor an employee of the corporation."

By the middle of 1947 the Government of Puerto Rico completed its plans for a complete overhaul of the Puerto Rican economy, based principally on a mass industrialization of the Island. The project was known as "Operation Bootstrap" and included the reorganization of many government agencies and procedures. Specialists from the mainland were brought in to effect this reorganization. With the advent of new industries, some of them entirely new in every respect, more specialized groups were brought in: management specialists,

\* Puerto Rico and the Virgin Islands use the uniform CPA exam graded by the AICPA.



marketing specialists, etc. Some of the new industries insisted that their accountants from the U. S. take care of their accounts here. And so with the progress in industrialization we have now offices of Arthur Andersen & Co., Peat, Marwick, Mitchell & Co., Ernst & Ernst, Price Waterhouse & Co. (merged with Stagg, Mather & Hough), Deloitte, Plender, Haskins & Sells (merged with Sparrow, Waymouth & Co.), Harris, Kerr, Forster & Co., Horwarth & Horwarth, and of course TROBAS, associated with our firm.

At present there are 700 CPAs registered with the local board although not all of them have their licenses in force (a requisite for certification). A total of 82 belong to the AICPA and 337 belong to the local institute.

### ***Highlights on Puerto Rico***

The annual report for 1960 authorized by the Secretary of the Treasury contains some interesting facts.

A—The total net income for the Island was \$1,311 millions, or an increase of 9.4% over last year. This is remarkable if you take into consideration that there was a slight recession in the mainland.

B—All economic segments had an increase except the sugar industry. Again this is important to note because the sugar industry had always been our main product. Net income from manufacturing industries (outside of sugar) had an increase of 16%, commercial enterprises had an increase of 10%, and the construction business had an increase of 12%. Individual net income reached an average of \$571, representing an increase of 11%.

C—Government income had an increase of 12% with total income of \$251.7 millions, of which \$182.7 millions were taxes. Public debt was \$113.1 millions.

D—At the end of the year there were 596 new industries operating under the industrial program mentioned above. These industries are tax exempt for a period of ten years and their dividends are tax exempt for the recipients if they are residents of Puerto Rico.

E—343,737 tourists visited the Island and spent \$51 millions locally. A total of 1,400,000 passengers passed through the International Airport—an increase of 20% over last year.

F—Nine new branches were established by the banks. Total de-

posits in commercial banks increased 11% over last year. Total deposits in banks amounted to \$705.3 million. Deposits with savings and loan associations increased 20% over last year.

### ***Our Office***

At the beginning I mentioned that there were in 1926 two or three local practitioners who had established independent accounting offices to deal primarily with tax matters. One of those was Mr. Gonzalo Aponte, who had worked as tax agent with the Government. His office developed from a one-man organization to a well organized and reputed firm in the community. He kept his office until the end of 1958 when the present partners took over.

The partners in the firm are:

**Jose H. Belaval** — graduated from the University of Pennsylvania in 1929. Started work with a bank in New York, then came to work with the Treasury Department of the Government of Puerto Rico where his last position during the years 1934-37 was Assistant Chief, Income Tax Bureau. Entered Mr. Aponte's office in 1937 and got his CPA certificate in 1949. He specializes in taxation and is a member of the Puerto Rico Institute of CPAs, where he has served on the Committee on Taxation. He is married, has three sons and two granddaughters.

**Rafael Lomba** — graduated from the University of Puerto Rico in 1943 and started working with Mr. Aponte that same year. Mr. Lomba received his CPA certificate in 1946 and is a member of the PRICPA and of the NAA. Specializes in audit work. Married and the father of two boys, Mr. Lomba is a member of San Juan Lions Club and other clubs in the community.

**Pedro E. Purcell** — graduated from the University of Puerto Rico in 1933, started working with Mr. Aponte that same year. Obtained his CPA certificate in 1938. Has been president of the PRICPA on three different occasions, member of the AICPA since 1947 and member of its council (by virtue of being president of the PRICPA) in 1957, director of the NAA Chapter and member of the Board of Examiners of Accountants from 1947 to 1954. Holds the rank of Colonel in the U. S. Army Reserve (Active), was president of the San Juan Lions Club and governor of the Lions District 51 in Puerto Rico. At present Mr. Purcell is vice-president of the P. R. Chapter of the American Red Cross and member of the Municipal Assembly of the San Juan City Government. He is married and has three children.

*At right, Ramon de Jesus, senior auditor. Below, the partners and staff of our associated firm in Puerto Rico. Three staff members were out of town on an engagement and were not able to be present.*



At present the rest of the staff is composed of one senior auditor and supervisor, three semi-seniors and four juniors, and three typists.

The services rendered by the firm are mainly audit work, tax work and a little management service. Clients and their businesses are varied, including sugar mills, general contractors, foundries, cane growers, manufacturing plants, wholesalers in different products, electrical contractors and suppliers, agricultural cooperative associations, dairy farms, hospital, hotels and tourist resorts, wine producers, drydock and marine terminals and farmers.

By the end of 1960, we entered the International Group by signing the Memorandum of Understanding. We are confident that our new relations with TROBAS will mean greater development professionally.

