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## Accountancy in Porto Rico

BY R. BETANCOURT DEL VALLE

Accountancy in Porto Rico before the American occupation in 1898 was of very little importance, although it was taught in some public and private institutions of learning, for at that time the industrial organizations as well as business in general were limited, and operations commonly were of a local character. The accounting systems used by businesses were very simple and generally consisted of day book, journal and ledger. Single entry was most used. The government had a code of accounts for municipal corporations and for the insular government. Today governmental accounting has been improved to fit present needs, because the old systems became obsolete. The first institution of learning in the island was the so-called Instituto de Segunda Enseñanza. This institution was created by the government. It was governed by a special commission known as the Tribunal Superior de Enseñanza. An entrance examination was required for admission. Studies leading to high credits and degrees were carried on. The bachelor's degree represented more or less the equivalent of our present high-school course, but in reality the subjects taught were of both high-school and college grade. In preparation for a business career the institute offered a course leading to the degree of "perito mercantil." The subjects taught generally were composition, mathematics, geography, bookkeeping, economics, history, business law and some other subjects, in accordance with a programme approved by the governing authorities.

At that time there also existed in Porto Rico an important institution of learning known as the Sociedad Económica de Amigos del País. It had a division for the teaching of commercial subjects and granted to its graduates the same degree of "perito mercantil," which had the approval of the government. Those graduated from this institution were well trained in the science of bookkeeping and accountancy and many of them are our pioneer accountants. Upon the reorganization of the system of public schools under the American régime commercial courses were introduced, and practically all the preparatory

subjects required for college entrance are now taught in our commercial high schools.

#### THE INSTITUTE OF ACCOUNTANTS

The accounting profession in Porto Rico is now properly organized. There is a society of accountants known as the Porto Rico Institute of Accountants. There are also many other accountants in the island who do not belong to the institute, but their number can not be ascertained. The organization was first created as a private body, about February, 1922, but soon afterwards, in the month of May of the same year, it was incorporated under the associations law of Porto Rico. The institute at first had great difficulties because of its meagre membership and the lack of enthusiasm among the few members. The membership, which until a little later after its incorporation consisted of about twelve or fifteen persons, included only six or eight at first. Some of them left the society doubtful of its success, but those who fostered the idea of its foundation never abandoned their goal. The roster of the institute today records about seventy-five members, consisting chiefly of accountants and auditors of corporations of recognized importance, public accountants and professors of business administration. The number of C. P. A. members of the institute is about eighty per cent. of its membership. I do not hesitate in mentioning these facts, because it is quite natural and logical that an institution of this kind should be sustained by a limited number of members in the beginning, until its objects meet with some success.

The chief objects of the association are as follows:

"To unite the accounting profession in Porto Rico; to standardize the profession of accountancy; to promote and maintain high professional and moral standards; to safeguard the interests of accountants; to advance the science of accountancy; and to develop and improve their education and to promote cordial intercourse among all accountants in Porto Rico."

Admission to the institute is by examination. There is a board of examiners consisting of five members appointed by the board of directors, two of whom are elected from the directors. The board of examiners each year elects from among its members a chairman and a secretary and, with the approval of the board of directors, prepares its own rules for the examination of candidates. The examination is divided in two parts, consisting, first, of a questionnaire prepared by the examiners through which they determine the academic standing, training and experience

of the candidate. After this the examiners can admit the candidate or deny admission to the second and final part—a written examination consisting of the following: (a) Accounting, theory and practice; (b) commercial law, including taxes; (c) auditing, and (d) economics.

After the first part of the examination the board in its discretion may waive the written examinations in the case of any person of good moral character who fulfils all the requirements of the board, is over twenty-five years of age, is in possession of his civil rights and prior to his application has practised for at least five years as accountant, chief accountant or auditor of a corporation of recognized importance in the opinion of the board, provided that this experience shall not be accepted by the board unless the candidate has practised as a public accountant on his own account in the island of Porto Rico at least during the two previous years, or else has had experience which in the opinion of the board is equivalent to two years of active practice as public accountant in the island of Porto Rico. When the candidate is approved by the examiners he is recommended to the board of directors which may elect him a member or deny him admission for proper cause. By an amendment to the rules of the institute admission is limited to those who pass the written examination or are holders of a certificate of public accountant granted by the government of Porto Rico or of any state of the union.

The institute is governed by a board of directors composed of seven members elected at an annual meeting of the society. There are regular committees on professional ethics and arbitration; election and meetings; finance; instruction and terminology; legislation and by-laws, and publicity. The committee on legislation was created with the specific purpose of obtaining statutory laws favorable to accountants, and to express its opinion in behalf of the institute as to the promulgation, amendment or enactment of laws in so far as they concern or affect the accounting profession.

The committee on instruction and terminology has coöperated with institutions of learning in the improvement of teaching methods. The institute labored to convince the board of trustees of the university of Porto Rico that a school of business administration was desirable, and many interviews were held with the university authorities, which resulted in a plan of coöperation

between our university and the university of Boston, and the establishment of a college of business administration in Porto Rico. The college is headed by Everett W. Lord, a former commissioner of education of Porto Rico and at present dean of the college of business administration of Boston university.

The main object of the publicity committee is to make known the purposes of the institute in Porto Rico and abroad.

The institute was officially represented at the international accountants congress held at Amsterdam in July, 1926.

#### THE ACCOUNTANTS' BILL

A bill for the regulation of the practice of public accounting was submitted to the legislature but failed three times. In 1927 such a bill was passed, although not as prepared by the committee of the institute. The law provides that any citizen of Porto Rico (an American citizen who has resided for at least one year in Porto Rico) who has received a licence and has registered his signature in the accountants' register in the office of the executive secretary of Porto Rico and has filed a fidelity bond in behalf of the people of Porto Rico can practise his profession in the island of Porto Rico. It provides also for a board of examiners which, with the approval of the governor, may draft rules for examination of candidates. A person who desires to be a certified public accountant shall be of legal age and shall pass the examinations prescribed by law. Applicants must have practised as accountants for not less than two years prior to date of application and must be graduates of four-year high-school courses or have an equivalent education. Examinations shall be held at least once a year and shall be in practical accounting, theory of accounts, auditing, commercial law and taxes. Reciprocity is provided with states or territories of the union whose qualifications are similar, when the same privilege is extended to accountants practising in Porto Rico.

The board can revoke, cancel or suspend the registration of any certificate of certified public accountant for delinquency or inexcusable ignorance. Action of the board can be reviewed by a district court through a writ of certiorari. Penalty for practising as a certified public accountant without authority or for malicious misconduct or gross negligence in the performance of professional duties shall be a fine of not less than \$200 nor more than \$1,000 or imprisonment in jail for not less than 90 days nor

more than one year, but in case of a second offense the offense shall entail punishment of imprisonment.

CONCLUSION

The practice of public accounting in Porto Rico is now in its first stage, although for many years there has been a limited number of public practitioners. At least from the year 1915 some firms of accountants have been established and engaged solely in public accounting practice. Since 1928 more accountants have been engaged in professional practice, although only a few firms are exclusively so engaged.

The institute has been making steady progress since its foundation and all its members are making a concerted effort toward improvement.