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Accounting for International Trade and Investment

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international relations through increased international trade and investment.

The following language has been included in a number of recent treaties between the United States and other countries:

“Nationals and companies of either party shall be permitted to engage within the territories of the other party, accountants and other technical experts, executive personnel, attorneys, agents, and other specialists of their choice. Moreover, such nationals and companies shall be permitted to engage accountants and other technical experts regardless of the extent to which they may have qualified for the practice of a profession within the territories of such other party for the particular purpose of making examinations, audits and technical investigations for, and rendering reports to, such nationals and companies in connection with the planning and operation of their enterprises, and the enterprises in which they have a financial interest within such territories.”

Businessmen should support the inclusion of similar clauses in treaties with all countries in which citizens of the United States have commercial and financial interests. In the meantime, the growth of international trade and investment will be facilitated if all countries follow the spirit of this treaty provision.

Freedom of practice by accountants across national boundaries can make a real contribution to expansion of commerce among friendly nations, and to the international flow of capital. It can do much to increase the security of businessmen and investors with interests in countries other than their own.

ACCOUNTING
for
INTERNATIONAL
TRADE
and
INVESTMENT

Prepared by the
COMMITTEE ON FOREIGN AFFAIRS
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ACCOUNTING FOR INTERNATIONAL TRADE AND INVESTMENT

United States investors generally take it for granted that the companies in which they put their money will be audited by independent certified public accountants. Their willingness to make foreign investments can be increased by similar independent audits.

Nationalistic restrictions on the practice of accounting may constitute a real barrier to international trade and investment.

While progress has been made toward common standards of accounting, auditing, financial reporting and disclosure which should ultimately provide a universal language of international finance, this goal has not yet been achieved.

Businessmen and investors with interests abroad, as well as those who are now considering foreign investments, therefore wish to be free to employ accountants and auditors of their own choosing. Often they will prefer to use accountants of their own nationality to examine their accounts.

Freedom of professionally trained accountants to cross national boundaries without unreasonable restrictions is therefore a vital factor in the further development of international trade and a freer flow of private capital across national boundaries.

INTERNATIONAL ACCOUNTING FIRMS

To fill the demand for accounting and auditing services which has been created by inter-

national investment, a number of leading accounting firms, particularly those with home offices in Great Britain and the United States, have established branches in other countries.

In addition to providing needed services, these branch offices have also stimulated development of the accounting profession in the countries where they are located. As a matter of fact, the early growth of professional accounting in the United States was due in considerable measure to the English and Scottish accountants who came to the country in the nineteenth century primarily in the interests of British investors.

Accounting firms which establish branches in foreign countries generally employ and train nationals of the country in which the branch is located. It is to be expected, however, that in most cases the manager and part of the staff should come from the home office.

BARRIERS TO INTERNATIONAL ACCOUNTING

In recent years, unfortunately, a number of countries have adopted or proposed drastic restrictions on foreign accountants.

It is natural that every nation should wish to build up its own accounting profession as rapidly as possible. But the restrictions are short-sighted even as a means of accomplishing this purpose. The need for accounting service in all countries is so great that the example of a well-known, established firm actually increases the opportunities for all other firms.

Moreover, foreign branches of United

States accounting firms are not primarily interested in serving local business interests in the countries where they have been established. They are not much bothered by restrictions which specify merely that certification of financial statements required by the laws of the country for local purposes must be made by accountants who are nationals of the country.

They do, however, find it difficult or impossible to operate under the restrictions of some countries which require that all principals and employees of the branch office be nationals of the country where the branch is located, or members of the professional accountants' organization in the country. Such membership is often impracticable for foreigners due to local regulations.

The basic responsibility of independent accounting firms is to provide accounting and auditing services which will meet the needs of the businessmen and investors who are their clients. They cannot operate under restrictions which would prevent this. In most cases, it is not possible to provide adequate auditing service merely by sending accountants to foreign countries for specific engagements, without maintaining branch offices, because auditing services have developed so that clients now require services and advice from their accountants throughout the year.

REMOVING THE BARRIERS

The United States Department of State has recognized the importance of a free choice of accounting services to the improvement of