Public Practice of Accounting in Costa Rica

Angela M. Lyons

Haskins & Sells Foundation

American Institute of Accountants

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PUBLIC PRACTICE OF ACCOUNTING IN

COSTA RICA

Prepared for

AMERICAN INSTITUTE OF ACCOUNTANTS

Under the Auspices of

HASKINS & SELLS FOUNDATION, INC.

By

Angela M. Lyons

New York, N.Y., April 1951
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COSTA RICA

General Information

Geography:

The republic of Costa Rica, in Central America, has an area of 23,000 square miles. It is bounded on the north by Nicaragua, on the northeast by the Caribbean Sea, on the south and the southeast by Panama, and on the west by the Pacific Ocean.

The country is divided into seven provinces. The principal cities are the capital, San Jose, with a population of about 110,000; the Atlantic port of Limon; Alajuela; Cartago; Heredia; and the Pacific port of Puntarenas.

People:

According to an official estimate of 1946, Costa Rica's population was 771,503. It is believed that an actual census would show about a million inhabitants. The population is largely composed of people of European descent, many of them of pure Spanish blood. Its ethnic make-up is about 82 percent white, 14 percent mestizo (mixed white and Indian), 4 percent Negro, and less than 1 percent Indian. The language of the country is Spanish.

Costa Ricans have always been proud of the educational standards of their country which boasts of having more teachers than soldiers. The illiteracy rate in 1943 was estimated at only 15 percent.
Economy:

Costa Rica is still essentially an agricultural country. The principal products exported are bananas, coffee, abaca, cacao, and sugar. Maize, sugar-cane, rice, potatoes, and tobacco are also cultivated.

Gold and silver are mined on the Pacific slope but mining of other mineral deposits is not fully developed. Except for a small amount of gold shipped to the United States for refining in 1949, there were no recorded exports of minerals in that year.

Manufacturing is still on a very small scale, and is confined to simple basic items of immediate consumption. Among the more important manufacturing enterprises are the Government-owned liquor distillery, two cigarette plants, two textile plants principally using imported yarns, an office equipment factory, and several small clothing factories. Electric power is nationalized. Lack of raw materials and scarcity of electricity hampers industrial development.

The United States furnished about 75 percent of the country's imports in 1949 and took about the same proportion of all exports, including most of the shipments of bananas, coffee, and abaca.
SECTION I

PUBLIC PRACTICE OF ACCOUNTING BY NATIONALS

Basic Laws and Regulations

Costa Rica is governed by a New Constitution, promulgated on November 7, 1949, along the same lines of the previous constitution which defined Costa Rican citizens as all persons born or naturalized in the country who have attained the age of twenty years. Naturalized citizens have the same civil rights as citizens by birth.

The basic laws and regulations relative to the profession of Public Accountant are the following:


Decree No. 7, published October 23, 1949, creating the College of Public Accountants of Costa Rica and providing regulations for professional practice.

Decree No. 8, published October 31, 1949, prescribing the Code of Ethics for the College of Public Accountants.

Concept of the Profession

Costa Rica passed its law and subsequent amendments, dealing squarely with the profession of Public Accountant. Unlike many of the Latin American countries, Costa Rica left the private practice of accounting free, subject only to the legal provisions in force as well as commercial uses and customs.
Moreover, the law and regulations define what is meant by public practice of accounting as "the offering to the public of accounting services for remuneration." Inasmuch as a university degree is now required for the title of Contador Público Autorizado (Authorized or Certified Public Accountant), the profession though relatively new in the country has the rank of a university or "liberal" profession.

With respect to the certification of financial statements, the profession in Costa Rica follows the general idea that prevails in the United States. However, as is the custom in most of the Latin American countries, considerable importance is attached to the intervention by a Public Accountant in matters before the courts which require the opinion of an expert, particularly with respect to bankruptcies and liquidations, estate administration, or when explanation is needed as to the issuance of bonds or other securities.

**Regulatory Authority**

The College of Public Accountants of Costa Rica, with its headquarters in San Jose, is a public corporation formed by the graduates of the Faculty of Economic and Social Sciences of the University of Costa Rica. This College was created under Law No. 1038 of August 19, 1947 and was thereby given the authority to regulate the practice of public accountancy throughout the country. As an association of graduates, it is part of the University but has complete functional and administrative autonomy.
The Board of Directors of this society has the power to apply disciplinary measures for violation of legal provisions or of the code of ethics and to submit to the Ministry of Education for its confirmation any regulations which it believes necessary for the better application of the law.

**Who May Practice**

The practice of the profession is exclusively for Authorized Public Accountants who have been duly incorporated (accepted as members) in the College of Public Accountants. The specific requirements for membership are given under the heading of Registration, which follows the next topic.

**Exercise of the Profession**

**Definition:**

Article 2 of Law No. 1038, as amended, provides that a person dedicates himself to the practice of public accounting when he offers his services to the public for performing, as an accountant and for remuneration, work which implies an audit or verification of books, accounts, or mercantile records; or financial transactions; or the preparation or certification of accounting or financial statements intended for publication or for tax or credit purposes.

The regulations of the College of Public Accountants state that public accounting shall be understood to mean practice by a person whenever the acts performed are those exclusively reserved
to a Public Accountant, or even though they are not performed, the offer to perform services. Public practice also includes the use in any announcement or letter or by similar means, of the words Public Accountant or Authorized Public Accountant, or their initials or any combination of words which have for their purpose the offering of accounting and auditing services of a public nature.

**Special Functions:**

Article 7 of Law No. 1038, as amended, provides that the following functions belong exclusively to Authorized Public Accountants:

a) Certifying every kind of financial and accounting statements, such as liquidation balance sheets, profit-and-loss statements, probate accounts, distribution of funds, computation of dividends or of profits and other similar statements that may concern physical or juridical persons.

b) Intervening, in order to attest to matters within their competence, relative to the constitution, liquidation, dissolution, merger, bankruptcy and other similar questions of every kind of enterprise; participations or other similar matters; in the rendition of accounts of administration of assets, in the exhibition of books, documents or other general records related with the explanation of accounting questions; and in the issue by private companies of every class of bonds, certificates and similar securities.

Intervention by Authorized Public Accountants in any of the cases expressed or any similar cases, will be obligatory when they concern or refer to institutions of public service which are indicated limitedly in the regulations.

In every case, they shall be applicable only when the interested parties request it or when any law of the Republic expressly provides. Notwithstanding,
the Tribunals of Civil or Penal Justice and the administrative offices which require the intervention of experts in accounting in subjects of which they have knowledge, shall necessarily name as such Public Accountants duly incorporated in the respective College; and

e) Certifications which for taxation purposes the Authorized Public Accountants make must be adjusted by them to the legal precepts in force in the matter; the signature of the Accountant must be preceded by the following phrase: "Certified for taxation purposes."

The Regulations (Article 10) provide that in certain cases the appointment of an Authorized Public Accountant shall be mandatory: For governmental appointments when the law so provides, in connection with administrative offices such as taxation, budget, national treasury, and others of a similar nature; for quasi-governmental appointments when ordered by the Board of Directors of such institutions; and in judicial matters requiring intervention by experts in accounting.

Registration

General Conditions:

Registration in Costa Rica is by incorporation, or admission to membership in the College of Public Accountants inscription in the register maintained by the Board of Directors of that association. The Board of Governors of the College qualifies each application and demands information as to the life and habits of the candidate for admission as well as other evidence.
Requirements:

Candidates for membership must hold either a degree in Accounting and Administration conferred by the School of Economic and Social Sciences of the University of Costa Rica or a foreign degree revalidated by the University. They must submit evidence that they have had at least two years' experience, which need not be consecutive.

Article 3 of Law No. 1038, as amended, provides that in order to practice the profession of Authorized Public Accountant, a person must meet the following conditions:

a) To be of full age and to be in enjoyment of civil rights.

b) To be of known good character.

c) To hold the title granted by the University of Costa Rica or to have been incorporated as a member of the College of Public Accountants.

d) To submit a fidelity insurance policy issued by the National Institute of Insurance in favor of the Attorney General's Office of the Republic in the minimum amount of 10,000 colones; or, in order to be able to certify tax returns, the policy must be in the minimum amount of 25,000 colones. (The College retains custody of insurance policies.)

According to the Costa Rican Constitution, a person reaches majority at the age of twenty. There is no express requirement of citizenship for membership in the College.

When a candidate is admitted to membership in the College, the Secretary records the title issued; i.e., Authorized Public Accountant or Public Accountant.

* 1 colon equals $0.1764 U. S. currency.
The transitory provisions of Law No. 1038 provided that accountants who were without university degrees but who had high school diplomas and could prove at least five years' experience on the effective date of the law (August 13, 1948), could make application for admission to the College. Such admission was subject to their passing examinations in general, commercial or public administration, mercantile legislation, general accounting, and auditing. The examinations were to be given over a two-year period following the effective date of the law or any amendment thereof.

Other than the abovementioned examinations, which are given by a board appointed by the School of Economic Sciences, the College is not directly concerned with examinations for the title of Authorized Public Accountant. Such examinations are given by the University prior to awarding the degree of Licenciado in Economic Sciences, which degree entitles its holder to the title of Authorized Public Accountant.

**License to Practice:**

Inscription in the register maintained by the College of Public Accountants constitutes a license to practice. The Authorized Public Accountant signs the register and thereafter when signing in his professional capacity he must use the same style of signature. If he wishes to change the style, he must sign the register again.
Revalidation or Recognition of Foreign Degrees:

Under Law No. 1038, as amended, graduates of foreign universities may have their degrees revalidated in accordance with the laws and treaties in force between Costa Rica and certain foreign countries. If the University of Costa Rica recognizes a foreign diploma as being equivalent to the degree of Licenciado issued by its Faculty of Economic and Social Sciences, with specialization in Administration and Accounting, the holder thereof may be admitted to membership in the College of Public Accountants. However, incorporation in the College does not imply the automatic authorization to practice the profession. The other requirements of the law must be fulfilled; i.e., as to age, enjoyment of civil rights, character, fidelity insurance policy, and two years' experience.

Costa Rica signed a Convention on February 7, 1923 with other Central American Republics, granting reciprocity of rights to practice the university or "liberal" professions. Under the terms of this Convention, students and graduates of universities in Mexico, El Salvador, and Guatemala are granted equivalence of studies; but students from Honduras and Nicaragua are required to take examinations. No professional degree is recognized that does not authorize the holder to exercise the profession in the country in which the foreign university is located.

Costa Rica also has an arrangement with Chile relative reciprocity as to professional degrees and academic studies.
Accountants in Practice at Date of Legislation:

Under transitory provisions (Article 37) of Law No. 1038 the College was authorized to accept for membership during the year 1948, accountants without degrees who had at least fifteen years of experience and who were considered to be entitled to this treatment because of work performed or studies which they had published or other similar reasons. The acceptance of such accountants into the association was authorized by means of a three-fourths vote of the members present at special meetings, the voting being secret.

Also, accountants without degrees who at August 13, 1948 had at least five years' experience and had Bachelor's diplomas in Humanities or in Sciences and Letters or had diplomas from, or had made equivalent studies recognized by, the schools of secondary instruction, had the right to request incorporation in the College of Public Accountants by means of examination. In this respect, see the comments on page 9.

Education of Accountants

Business subjects are taught in the secondary schools of Costa Rica. In addition, there are several private commercial schools and one four-year government school of commerce in San José, most of which operate at night. These schools offer courses in accounting, banking, office management, and other business courses.

Higher education in accounting and economics is carried on in the University of Costa Rica in its Faculty of Economic
and Social Sciences. This Faculty was established in 1943, and unlike most of the Latin American universities, it does not demand a bachillerato in commercial subjects as a requirement for higher study in accounting. This Faculty accepts a bachillerato in humanities or letters from a secondary school, which is roughly equivalent to a high school diploma in the United States. Students, who probably average about eighteen years of age, must submit a certificate of good health.

The degree of Licenciado in Economic Sciences with specialization in accounting and actuarial studies is conferred upon the completion of a four year course of study. Candidates must present a thesis on some phase of his major field of study and submit to an intensive oral examination. The prescribed curriculum in the Accounting and Actuarial Division, with a major in accounting, is given below:

First Year-
General economics
Commercial law
Descriptive statistics
General accounting
Algebra and analytical geometry

Second Year-
Economic geography and international commerce
Money, credit and banking
Intermediate accounting
Financial mathematics and higher algebra
Differential and integral calculus

Third Year-
Organization and administration of banks
Specialized accounting
Financial mathematics II
Theory of equations
Differential calculus
Fourth Year—
Auditing
Public accounting practice
Mechanics of accounting
Agricultural, commercial, and industrial
organization and administration

A candidate for a degree is required to pass examinations at the end of each course and to submit to a long written examination covering the entire course pursued for the degree. Specimens of accounting examinations were not obtainable from the University.

Some Aspects of Practice

Statutory Auditors:
According to the Commercial Company Law, a committee of auditors, three or more, must be appointed by the general meeting of stockholders. One month prior to an ordinary general meeting, the management must submit its report and statements to the committee, who may or may not be stockholders. Under the CPA law, public accountants who are stockholders or have any interest in a corporation may not act as a member of the committee.

Tax Returns:
Under Article 20 of the Income Tax Law, which became effective on October 1, 1946, taxpayers which have gross incomes of more than 500,000 colones must submit their balance sheets and profit-and-loss statements certified by an Authorized Public Accountant. As mentioned earlier, in order to be able to certify tax returns, accountants must file with the College of Public Accountants a fidelity policy in the minimum amount of 25,000 colones.
Professional Accountants Engaged in Practice

Standards and Code of Ethics:

The aim of the College of Public Accountants is to set high standards for its members. The Code of Ethics adopted by the College and officially approved on October 31, 1949 lays down rules for members with respect to the College, to clients, and to each other.

There are some fourteen rules, most of which govern the deportment of the accountant in connection with his relations with his clients. Among these rules is one which states that in financial reports relative to an offering to the public of shares, bonds, or other securities, the accountant must demand the publication of his certifications and must disclose any data which he considers affects the true situation and which, if not disclosed, would cause losses to purchasers of such securities.

An accountant will not be permitted to practice who is not of full age or who has been declared bankrupt or insolvent, or who is in a state of mental disorder, or who has been sentenced for transgression of law which merits disqualification.

Authorized Public Accountants may not enter into disloyal competition with other accountants in order to separate them from their clients, and they must not make extravagant announcements as to their knowledge or size of their offices. They are allowed to use simple cards, indicating membership in the College and specialty.
The Regulations of the College of Public Accountants state that every document issued within the branch of competence of an Authorized Public Accountant, particularly in connection with the functions expressly conferred upon him by the law and regulations, has the value of a public document and as such is recognized by the courts, administrative authorities, and private organizations.

The accountant must indicate the scope of the audit or investigation which he has made and his report must be in writing, unambiguous, and in unalterable form. In signing a report he must indicate his "reason for limited liability." Failure to indicate the extent of responsibility will be considered as implying maximum responsibility on the part of the accountant who signs a report. The College has issued a number of definitions of qualifications which are acceptable. The principal ones are given below:


It signifies: A document in which the Authorized Public Accountant reports the audit performed, the verification made, and his opinion about the financial condition of the Company, indicating the exceptions that he makes according to the scope of the examination and any other characteristics which he considers of interest.

2. Concept- Concise or partial opinion.

It signifies: The expression in a report of a general opinion about the condition of the Company with clear and express indication of the extent of the audit that has been made. Usually the phrase appears . . . without performing a detailed audit of the operations . . . signifying that the audit is based principally on tests and computations and not on a detailed review of the operations and records.
3. **Concept** - *Full and detailed opinion.*

It signifies: The expression in a report of a general opinion about the condition of the Company as a result of having made a detailed audit. It is possible to make some qualifications, in which case they are to be clearly indicated.

4. **Concept** - *Certification.*

It signifies: Credence is given to that which is certified in the terms and within the scope that is indicated in the document.

5. **Concept** - *For taxation purposes.*

It signifies that the work has been performed for taxation purposes and as a consequence it must be strictly construed in the light of special legal precepts in force on the subject. A certification which has this qualification must not contain phrases opposed to tax laws even though the accountant may personally have an opinion contrary to the legal opinion. In cases where the law is not clear, the accountant must be guided by the legal decisions that are in effect. When he believes it advisable and after approval on the part of his client, he may consult with the Director of Taxation and, in every case, he shall make a report indicating the procedure which has been directed.

Other uniform qualifications accepted to the College are these:

" . . . for purposes of internal administration, publication, credit, guarantee, etc."

" . . . going concern . . . or continuity of the company."

" . . . concern in liquidation . . ."

"by means of selective tests . . ."

"in conformity with the principles of accounting generally accepted"

"for knowledge or information of shareholders, long-term or short-term creditors, government, public offices, etc. . ."
Independence of Professional Accountants:

Article 9 of the CPA Law specifically provides that Public Accountants may not perform services for individuals or legal entities in whose accounting they have a direct interest; or for persons or entities with whom their spouse is concerned; or for relatives within the fourth degree of consanguinity or second degree of affinity; or for companies or firms in which they have an ownership. Any act performed in violation of this provision as well as any documents issued will be null and void.

Article 17 of the Regulations states that an Authorized Public Accountant who is a member, joint owner, or who has a participation in any firm will not be permitted to perform services for such company. He will not be able to perform engagements in these cases:

a) When he is a direct creditor of an enterprise of any kind for a sum equal to or more than one-fifth of the total debts of the enterprise and, in every case, when the debt is 50,000 colones or more. Bearer obligations such as bonds, debentures, and similar liabilities are not comprised in this provision.

b) When he holds one-tenth or more of the shares of a corporation and in every case when his ownership is equivalent to or exceeds 50,000 colones.

Minimum Fees:

The College of Public Accountants has the authority under the CPA Law to establish a schedule of minimum fees. According to the report of the President and Secretary for the year 1949, the preparation of such schedule was to occupy the attention of the College in the ensuing year.
Signature:

In signing reports or other documents in connection with his practice, a public accountant is obliged to use the signature that is recorded in his registration. In all cases when signing in his professional capacity, he must use with his signature a white seal containing the following legend: **Contador Publico Autorizado -- Costa Rica** (Authorized Public Accountant -- Costa Rica). The number of his official registration must also be indicated. Without the seal, the signature of a public accountant is invalid.

Any professional document signed by a public accountant must also be accompanied by the following statement: My policy is valid until . . . (giving the expiration date of his fidelity policy).

Reports or documents bearing the signature of an accounting firm must also be signed by a partner who is a qualified accountant and who shall be responsible for the work.

Number of Accountants in Public Practice:

Information is not available as to the exact number of accountants in public practice. As at July 15, 1950, the College of Public Accountants had a total membership of 75, of whom about 70 were nationals, judging from their names.

**National Accounting Society**

The Colegio de Contadores Publicos de Costa Rica (College of Public Accountants of Costa Rica) is the professional accounting
society of the country. As previously mentioned, it was estab-
lished by the graduates of the School of Economics and Social
Sciences of the University of Costa Rica and was officially recog-
nized by Law No. 1038.

The purposes of the College are two-fold. It is a society to
promote the study and development of accounting and administra-
tion and related subjects and to serve as a consulting body in
such fields. It is also a professional association which serves
to supervise and protect its members, at the same time endeavoring
to advance the profession of public accountancy; and under the
CPA Law it is authorized to regulate the accounting profession.

As at July 15, 1950, the association had a membership of
seventy-five. The College will admit to membership:

a) Graduates of the School of Economics and Social
Sciences of the University of Costa Rica, with
major in Accounting and Administration.

b) Persons holding degrees of foreign universities
whose diplomas are recognized by the University
of Costa Rica as equivalent to those issued by
its School of Economics and Social Sciences.

c) Persons who comply with the transitory provisions,
fulfilling the legal requirements of the law and
regulations.

Members of the College are divided into two classes. The
first class is designated as Authorized Public Accountants,
entitled to engage in public practice; and the second is comprised
of those persons who have the moral and technical qualifications
required by the law and regulations but who have not had the
necessary experience. The second group is designated as Public
Accountants; they may not engage in public practice. However, they may change their status upon furnishing proof of having obtained the necessary experience. An Authorized Public Accountant who fails to renew his fidelity policy in time or who becomes insolvent may maintain his membership as a Public Accountant provided that he maintains other conditions, but he may not engage in public practice.

The College has adopted a Code of Ethics, which has been discussed under "Professional Accountants Engaged in Practice."

A United States CPA would be eligible for membership in the College after revalidation of his diploma in the University and compliance with the other requirements of the law and regulations; i.e., experience, age, character, etc.

Although the College was not formed until late in 1949, Costa Rica was represented at the First Inter-American Congress on Accounting which was held in Puerto Rico in May 1949.
SECTION II

PUBLIC PRACTICE OF ACCOUNTING BY

UNITED STATES CITIZENS

Basic Laws and Regulations

The Constitution, Civil Code, and Law on Foreigners and Naturalization provide that there shall be no distinction between a foreigner and a Costa Rican citizen in regard to acquisition and enjoyment of civil rights. United States citizens are subject to the same basic laws and regulations relative to the practice of accountancy that apply to nationals.

Qualification of a United States CPA

By Revalidation of United States Degree or Certificate

There are no reciprocal arrangements between Costa Rica and the United States relative to recognition of professional degrees or studies. The present policy of the College of Public Accountants is that if a United States citizen can establish to the satisfaction of the College that his state is ready to reciprocate the privilege, he will be admitted to membership in the College upon presentation of his diploma from a recognized school in the United States. If reciprocity is not granted by the candidate's state, he must submit to examinations. On the foregoing basis, it would seem that revalidation of a United States degree by the University of Costa Rica might not be necessary at this time.
By Examination:

As indicated in the preceding paragraph, a United States citizen who holds a certificate granted by a state which does not confer reciprocal privileges to Costa Rican CPA's must submit to examinations before he will be admitted to membership in the College of Public Accountants.

Proof of Practical Experience:

Under the CPA Law of Costa Rica, at least two years' experience is required before an accountant may engage in practice as a CPA. Neither the Law nor the Regulations specify that the experience must have been obtained in Costa Rica. However, the Board of Governors of the College of Public Accountants has the authority to decide whether or not the experience of any candidate is sufficient.

Membership in a Recognized Society:

Membership in the College of Public Accountants is mandatory for public practice in Costa Rica. United States CPA's are admitted to membership under the conditions previously discussed. The fact that United States CPA's are members of any professional society in the United States would have no bearing on eligibility to membership in the Costa Rican College.

Permanent Practice

At present there is no prohibition against a United States CPA or accounting firm establishing an office, or continuing one
already established, providing that the requirements of the law and regulations are fulfilled. The Law states that CPA's may offer their services either individually or as a firm. With regard to practice as a firm, the regulations provide that the firm name must contain the names of professionals duly inscribed in the College of Public Accountants. This would appear to imply that a resident qualified partner is required. However, there is a provision of law to the effect that a firm name (razon social) may be registered to protect activities of a professional, cultural, or charitable nature and that names already recorded in the Mercantile Register or Register of Persons are thereby fully protected by law.

A manager of an office would also have to be qualified in Costa Rica if he were to be able to sign reports. He need not be a national. There is no restriction preventing a Costa Rican CPA from engaging in practice with a United States CPA or accounting firm, subject to qualification of the latter.

There appears to be no limitation as to size of staff, but under the provisions of the Labor Code, 90 percent of employees must be Costa Ricans and not less than 85 percent of total annual wages must be paid to Costa Ricans. Either or both of the above proportions may be increased or decreased if the Ministry of Labor and Social Welfare believes that such change is absolutely necessary for technical reasons. In determining the percentage of foreign workers, managers, directors, administrators, and superintendents and general foremen are not to be counted when there are not more than two foreigners in such capacity.
Subject to the immigration laws, present staff of a firm established in Costa Rica could be replaced with United States accountants. No restrictions are indicated that would prevent United States accountants, properly qualified in Costa Rica, from performing any type of engagement.

**Isolated Engagements**

Under the Law and Regulations, reports and financial statements intended for publication or for taxation or credit purposes in Costa Rica must be signed by an Authorized Public Accountant. United States accountants are permitted to perform engagements, data for which is intended for use in the United States or elsewhere outside of Costa Rica.

**Immigration Requirements**

**Permanent Residence:**

An alien who wishes to obtain the right to reside in Costa Rica indefinitely must make a special application to the Consulate in the United States, in the district where he resides. Before issuance by the Consulate of a permanent visa, he must obtain approval by the Migration Department in Costa Rica. Cable charges must be borne by the applicant. All visas must be used within thirty days of the date of issuance. A United States citizen must have his passport, a birth certificate or proof of United States citizenship, a health certificate, and a police certificate.
**Temporary Entry:**

Tourists include any transient visitors remaining in the country for pleasure for not more than thirty days. If a person wishes, for justifiable reasons, to remain for a longer period, he must apply to the Department of Migration which may grant such a permit for two additional periods of thirty days or for an indefinite period if authorized by the Ministry of Public Security.

To obtain a tourist or temporary admission to Costa Rica, the applicant must have a United States passport duly visaed by a Costa Rican consul and the other documents mentioned for permanent residence. If traveling on business, he must present a letter in duplicate stating his occupation, purpose of visit, length of stay, and financial responsibility. He must have his return ticket or transportation beyond Costa Rica, or $250 in cash.

Travelers in transit are regarded as tourists. Neither tourists nor travelers in transit may engage in commerce or their trade or occupation (excepting traveling salesmen and representatives of commercial firms whose status is clearly indicated in their passports).

**Accountants Established in Practice**

So far as is known, there are no United States citizens actually engaged in public practice, as individuals, in Costa Rica. The only United States accounting firm which is known to be established in practice in Costa Rica is Peat, Marwick, Mitchell & Co. However, it has not maintained an office there since 1948.
SECTION III

TREATIES AND LEGISLATION PENDING

Treaty between the United States and Costa Rica:

The century-old Treaty of Amity, Commerce, and Navigation between the United States and Costa Rica, which was ratified on May 26, 1852, is still in effect. Under the terms of this Treaty, United States citizens are perfectly free to engage in business in that country provided they comply with the governing Costa Rican commercial laws. The Department of State has given the opinion that, in view of the time of the negotiation of this Treaty, which was before the practice of accountancy had become widespread and of great importance, it is very doubtful that a Costa Rican court would consider that the parties to the Treaty intended it to cover the practice of public accountancy. Questions of interpretation of treaties affecting private rights are generally determined by the courts in the respective countries.

As stated on page 21, there are no reciprocal agreements between Costa Rica and the United States relative to recognition of professional degrees or studies.

Treaties between Costa Rica and Other Countries:

As indicated on page 10, Costa Rica has entered into certain conventions with other Central American Republics and with Chile relative to reciprocity as to professional degrees and academic studies.
Legislation Pending:

So far as is known, there is no legislation pending which has for its aim the restriction of public practice, either permanent or temporary, by United States citizens or other foreigners.

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In conclusion, it should be stated that the foregoing study of Public Practice of Accounting in Costa Rica 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.


Pan American Union, Washington, D. C.

Peat, Marwick, Mitchell & Co., New York, N. Y.

Price, Waterhouse & Co., New York, N. Y.

State Department of the United States, Washington, D. C.

A Statement of the Laws of Costa Rica in Matters Affecting Business in Its Various Aspects and Activities, prepared by Raul Gurdian and Harry Zurcher, Lawyers of San Jose, under the auspices of Inter-American Development Corporation, June 1948.


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

United States Embassy, San Jose, Costa Rica.


MEMORANDUM RE PUBLIC PRACTICE OF ACCOUNTING IN COSTA RICA

Status of Profession:

The profession of Contador Publico Autorizado (Certified Public Accountant) has the rank of a "liberal" profession in Costa Rica, a university degree being required before a person may practice.

Regulatory Laws:

Law No. 1038 of 1947, amended by Decrees No. 140 of 1948, 180 of 1948, and 679 of 1949, deals with the profession of Public Accountant. Decree No. 7 of 1949 provides for the creation of the College of Public Accountants of Costa Rica and regulations for practice. Decree No. 8 of 1949 prescribes a Code of Ethics.

Regulatory Authority:

Colegio de Contadores Publicos de Costa Rica (College of Public Accountants of Costa Rica), in San Jose, is the official organization, formed by graduates of the University of Costa Rica, which regulates public practice.

Registration:

Registration is by incorporation, or membership, in the College of Public Accountants and inscription in the register maintained by the Board of Directors of that association.

Requirements for Practice:

Citizenship is not a condition, but a diploma granted by the University of Costa Rica, or a foreign degree incorporated therein, is a requirement. A person must be of full age to practice. (In Costa Rica a person reaches majority at the age of 20.)

Two years' experience, which need not be consecutive, is required. Persons who lack only the required experience may be registered as Public Accountants.

No examination is necessary for a license to practice. However, under the transitory provisions of the CPA Law accountants without university degrees but who hold high school diplomas and who had five years' experience could be admitted to membership in the College by passing examinations.
A bond in the amount of 10,000 colones (U.S. equivalent $1,764) must be posted by every Certified Public Accountant who wishes to engage in general practice. In order to be able to certify tax returns, a CPA must post a bond in the minimum amount of 25,000 colones (U.S. equivalent $4,410).

Professional Accountants in Practice:

As at July 15, 1950, the College of Public Accountants had a total membership of 75, of whom perhaps 5 members were non-nationals. Figures are not available as to the number actually engaged in audit practice.

The Code of Ethics which was prescribed by Decree No. 8 of 1949 is mainly composed of rules of deportment for CPAs in relations with clients. The CPA Law contains rules relative to independence of professional accountants.

The Colegio de Contadores Publicos (College of Public Accountants) has two-fold purposes. Besides being the official regulatory body, it is the professional association which serves to protect its members and to advance the profession.

Practice by United States Citizens or Firms:

If a United States citizen can establish to the satisfaction of the College of Public Accountants that his State is ready to reciprocate the privilege, he will be incorporated in the Costa Rican College upon presentation of his diploma from a recognized school in the United States; he will be allowed to work as an accountant as freely as any United States citizen is permitted to engage in any other activity in Costa Rica. If reciprocity is considered not to be granted by candidates State, it will be necessary for him to submit to examinations required of Costa Rican candidates.

United States citizens are permitted to perform engagements, data for which is intended for use in the United States or elsewhere outside of Costa Rica. Under the CPA Law and regulations, reports and financial statements intended for publication or for taxation or for credit purposes in Costa Rica must be signed by a Costa Rican CPA.

Treaties and Legislation Pending:

There is no commercial treaty in effect between the United States and Costa Rica dealing with public accountants or other technical experts.

So far as is known, there is no legislation pending which is aimed at restricting the public practice of accounting by United States citizens. Under the CPA Law the College of Public Accountants has the authority to establish a schedule of minimum fees. Some action on this matter may be expected during 1951.