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# Accounting in Mexico

BY ROBERTO CASAS ALATRISTE

I have considered that the American accountants would be interested in knowing the development and present conditions of the accounting profession in the neighboring southern republic, so that they may realize, in the first place, the continuous efforts made to secure a high standing for our profession in Mexico; secondly, that Mexican accountants are now entitled to the respect of their contemporaries abroad, who lead the way in this branch of commercial activity, and thirdly, that Mexican accountants may rightly claim to be depended upon for technical skill as well as for their observance of professional ethics.

I shall, therefore, deal with the following subjects:

1. The development of accounting in Mexico.
2. Commercial education and training.
3. Laws affecting the accountancy profession.
4. Conclusion.

## I

### THE DEVELOPMENT OF ACCOUNTING IN MEXICO

Political and military vicissitudes in Mexico after her independence, from 1821 to 1880, greatly hindered the development of commerce and industry and, with it, the development of accountancy. It was not until the second term of office of President Porfirio Díaz that attempts were made towards the organization of the economical forces of the country. In 1889 the president issued a code of commerce—a Federal law to be enforced in all the states of the republic—which was based upon similar French and Spanish laws.

According to this law, recently amended, merchants are obliged to keep three indispensable books, namely: journal, ledger, and annual balance-sheet book, all three to be bound, ruled, paged, judicially sealed and bearing the prescribed amount of revenue stamps.

Transactions are to be entered day by day in consecutive order, specifying the nature of each entry, and only such entries as are of a like nature may be consolidated under their proper classification.

It is not permitted to erase or scratch out an entry, nor is interlining allowed, as mistakes can be rectified solely by an adjusting entry.

Our ancestors inherited a pride in bookkeeping which they instilled in the minds of all their clerks who became models of neatness in inscribing the entries in copper-plate style, so that their penmanship was artistic. Firms now in existence still preserve the principal books of accounts dating back 100 years, which are as clear and intelligible as those of the present period. Numerous amateur auditors were attracted by the official position accorded to the comisario (stockholders' auditor), although they may not have taken advantage of the powers conferred upon them to check thoroughly the books and vouchers of companies whose affairs were entrusted to their vigilance. They were required to be shareholders, their duties being described in several sections of the act.

Such regulations retarded the adaptation of modern accounting systems to the needs of the clients, although the former have been gradually relaxed during recent years. The installation of auxiliary books has been recognized and loose-leaf books are utilized for recording customers' accounts, distribution of expenses and the like.

During the last 10 years of the nineteenth century, foreign investments were made in Mexico, which required the issue of loans in foreign stock exchanges, the lenders demanding that the accounts of their clients be audited, and this work was originally performed by foreign accountants sent to visit Mexico for this purpose. Subsequently such examinations increased and were extended to the accounts of merchants with foreign connections, with the result that Mexico offered a favorable opportunity for accountancy firms to establish a local office.

At the same time the Mexican government realized the necessity of training specialists—expert accountants—and issued the law of commercial education, authorizing the organization of commercial training and regulating the course of commercial accountancy. The first accountants were graduated at the Escuela Superior de Comercio y Administración (Superior School of Commerce and Administration) in 1907. This date marks the starting point of the efforts made by Mexican accountants to modernize commercial training as well as accounting practices in Mexico.

Fortunately for our profession, the first to obtain the accountant's diploma was Fernando Diez Barroso, a highly educated man who had studied under his father, the latter being an expert accountant, mathematician, author of a work on current accounts, and for many years head of the office deputed by Congress to audit the accounts of the Federal government. Mr. Fernando Diez Barroso, who passed away prematurely five years ago, was the soul and inspiration of our profession, our teacher and leader, as all those who were graduated after him still recognize. I can not refrain from paying brief but sincere homage to his memory.

The accountants who were graduated during the first six years after 1907 occupied unimportant positions in business and in public offices, which they resigned in order to open offices of their own and practise as public accountants. At the same time they voluntarily taught at the Escuela Superior de Comercio y Administración. Their influence was positive in the improvement and modernization of general plans and curriculum, but during the most active years of the revolution—from 1913 to 1917—practically no progress was made in this direction.

About 1917 the Asociación de Contadores Titulados (Certified Accountants Association) was founded, with Mr. Fernando Diez Barroso as its first president, and represented the first serious step towards the organization of our Institute. In 1925, after fulfilling all legal requirements, this association became the Instituto de Contadores Públicos Titulados de México (The Institute of Certified Public Accountants of Mexico) now in existence. This Institute has been active during the last eleven years and has made it a point to enforce on its members a rigorous observance of professional ethics, imposed by by-laws which are similar to those governing accounting institutes in the United States and the British Empire.

Although membership has not greatly increased—due perhaps to a desire to make as careful a selection as possible—the group which forms our Institute has achieved substantial repute.

Mexican public accountants have actually held high official positions. We had a unique experience at a social gathering of members of our Institute and foreign accountants, as the chairman was the president of our Institute and also Finance Minister in the cabinet of President Calles.

Other confidential positions are occupied by Mexican accountants with important enterprises such as the Mexican Railway,

*Excelsior* newspaper, the old-established cigarette factory of El Buen Tono, S. A. Their services are utilized by the principal banks, including the Bank of Mexico, the National Railways of Mexico, breweries, paper mills, textile industries, etc. Furthermore, they are required to act as advisers on matters of taxation, specially income and export-of-capital taxes by the principal English, American and Canadian concerns, who are interested in mining, electric power, tramways, etc. Their voluntary efforts in the field of teaching have been rewarded by increasing attendance at the numerous classes arranged for students at the school of commerce and the commercial department of the university, where they hold the principal positions in their section.

A desire to attract students prompted me to publish since January, 1934, a monthly magazine entitled *Finanzas y Contabilidad (Finance and Accountancy)*, which has met with very favorable acceptance, and interest therein has been stimulated by a series of essays and articles written by public accountants to popularize the principles of accountancy. This work follows the issue of other works published by Mr. Fernando Diez Barroso on modern systems of accounting, compound interest and annuities, which are still in demand. By other writers, text books on bookkeeping, banking practice, accounting and organization, and costs were recently issued, while an excellent translation of the American Institute's *Verification of Financial Statements* is also being circulated in Spanish.

## II

### COMMERCIAL EDUCATION AND TRAINING

During the years previous to 1929 a public accounting course was given at the Escuela Superior de Comercio y Administración, a branch of the Department of Education of the Federal government. From 1929 to this day the best organized course for public accounting has been given at the university. Some states in the republic issue diplomas of public accountant but their requirements are less stringent.

The training for the course of public accountant proceeds as follows: six years of primary education, three years of high school, and two years at the preparatory school (a part of the university corresponding to college), after which students are graduated with the degree of Bachelor of Commercial Sciences. These last two years cover three half-yearly terms of bookkeeping and prac-

tice, three of commercial calculations, two of Spanish, two of general and Mexican history, one of history of economics, two of Mexican geography, two of economic and social geography, one of elements of law, one of mathematics, and four half-yearly terms of English.

Students holding the degree of Bachelor of Commercial Sciences, granted by either the National University or the Escuela Superior de Comercio y Administración, can take the professional course which, up to 1933, was given by the Faculty of Commerce. Lately this faculty was closed for economic reasons and is now a section of the Faculty of Law and Social Sciences. The "Escuela" also created the professional courses.

The professional course covers three years including the following subjects:

Modern systems of accounting; mechanical bookkeeping; costs; financial calculations; economics; constitutional and administrative law; agencies and branches; industrial accounting; agricultural and mining accounts; civil and commercial law; fiscal legislation; organization; mathematical statistics; public utilities; commercial law; fiscal problems of the accountant; accounts of corporations and private firms; government and municipal accounts; liquidations and bankruptcies; auditing; auditing practice; labor law; insurance and banking laws; banking stock exchange.

After covering these subjects, students must submit themselves to a professional examination upon presentation of a thesis, the solution of a concrete problem given the applicant 48 hours before the examination and an oral test by five examiners. The examiners question the applicant on any point pertaining to accountancy, but generally limit their questioning to the obscure points of both the thesis and the problem.

Article IV of the political constitution of the United States of Mexico guarantees freedom to work and decrees that it is left for legal enactments to decide which professions deserve the special grant of a title to authorize their members to practise. No measures have yet been taken to regulate public accountancy, and practitioners are not required to hold any degree or credential in order to practise their profession. There are a number of laws, however, which in many cases demand the intervention of graduate public accountants. In Mexico the title is granted by the National University which was, until recently, supported by the

Federal government and by the Ministry of Public Education. Holders of the title are authorized to practise their profession provided they are formally registered as required. The state does not authorize the practice of the profession as it does in the United States, but the degree or title is a sufficient credential to be legally accepted in any case in which the public accountant may officially intervene.

### III

#### LAWS AFFECTING THE ACCOUNTING PROFESSION

Our recent legislation often calls for the services of public accountants and shows that public accountants have been able to conquer a broad field of action and have succeeded in holding on to it.

Special laws have been issued which have gradually amended the above-mentioned code of commerce, such as the act governing credit documents and transactions, and the commercial-companies act. The former rules the supervision of a public accountant over the issue of debentures as well as the certification of the balance-sheets of the issuing concerns (articles 212 and 213). The latter also requires that the balance-sheets of foreign concerns operating in Mexico be certified by a public accountant (article 251). It also sets up a series of duties for "comisarios" (stockholders' auditors) which can only be fulfilled by someone perfectly trained in the principles of accounting.

Fiscal laws have also opened the way for the public accountants, but their activities in this respect have not yet been legally regulated.

The tax law of the Federal district provides that the declaration made by merchants upon which the taxation of their capital is based must be accompanied by an estimate of said capital made by the interested party or by a certified public accountant (article 75, section 11). This law also provides for the formation of a body of accountants to represent the Treasury in the examination of the declarations of taxable capital.

The law which regulates the functioning of the Bank of Mexico, which is the bank of issue and rediscount and, therefore, the most important banking institution in the republic, decrees that stockholders will appoint expert accountants to examine their balance-sheets. The banking law demands that concerns issuing securi-

ties quoted on the stock exchange must submit financial statements certified by a public accountant (article 126).

The judges and courts needing technical advice may and should appoint titled accountants to act as experts for the court.

Article 580 of the Federal labor law stipulates that, in case of economic conflict, petitions must be accompanied by a statement of the financial status of the interested firm, prepared by an expert accountant.

The oil company and the company for the production and import of paper, officially organized by the Department of National Economy, have also made provision in their by-laws for an audit of the balance-sheet by public accountants.

Finally, not to make this list too long, we shall mention the significant fact that at the last convention of the Bankers Association of Mexico, several prominent bankers stressed the need of obtaining from borrowers balance-sheets and financial statements certified by public accountants.

#### CONCLUSION

I have endeavored to give a concise view of the efforts put forward in Mexico during the past 30 years since the first Mexican accountant received his diploma. It can be realized that they have not been unsuccessful, but on the contrary, they have resulted in a great improvement of accountancy practice in our republic. The technical training now being given to students who may become certified public accountants approaches that of the best system afforded by foreign countries and probably surpasses the immediate needs of our country. The importance of the services rendered to the community by present practitioners is generally acknowledged. Finally, step by step, the Mexican Institute of Certified Public Accountants contemplates a wider field of operations throughout the whole of the republic, as a logical consequence of its influence, which is already being felt in the larger cities.

Bureaucracy has spread in Mexico in a manner similar to that observed in other countries and impractical legislative measures have been enacted by Congress, which are left to government departments to interpret and put into practice. The result is that a considerable amount of time and attention is devoted by merchants and professional men to studying the difficulties presented by such laws and giving effect to them to a reasonable

extent. Under the eye of the law, the critical judgment of financiers, the demands of public companies and the lesser, though more numerous, requirements of small traders, the accountancy profession is conspicuous in all commercial circles, and members of the profession have to continue reasoning, discriminating and working at high pressure to maintain and advance the repute of their respective institutes more strenuously today than before, and with the prospect of increasing labor in the future.

Our Institute has derived great benefit from the teaching circulated in standard works and magazines published in foreign countries, especially those of the United States and the British Empire, and they feel confident they may count upon the goodwill and the friendly advice of those who, like public accountants in North America, have been confronted with more difficult problems than theirs and have reached solutions which have reflected creditably upon their prestige.