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## Public Practice of Accounting in Bolivia

Angela M. Lyons

Haskins & Sells Foundation

American Institute of Accountants

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PUBLIC PRACTICE OF ACCOUNTING IN

B O L I V I A

Prepared for

AMERICAN INSTITUTE OF ACCOUNTANTS

Under the Auspices of

HASKINS & SELLS FOUNDATION, INC.

By

Angela M. Lyons

New York, N. Y., March 1951

# C O N T E N T S

|                                                                                              | Page |
|----------------------------------------------------------------------------------------------|------|
| General Information . . . . .                                                                | 1    |
| <br>Section I                                                                                |      |
| Public Practice of Accounting by Nationals . . .                                             | 4    |
| Basic Laws and Regulations . . . . .                                                         | 4    |
| Concept of the Profession . . . . .                                                          | 6    |
| Regulatory Authority . . . . .                                                               | 7    |
| Who May Practice . . . . .                                                                   | 7    |
| Exercise of the Profession . . . . .                                                         | 9    |
| Registration . . . . .                                                                       | 11   |
| Education of Accountants . . . . .                                                           | 17   |
| Some Aspects of Practice with Respect to<br>Corporations . . . . .                           | 20   |
| Professional Accountants Engaged in Practice .                                               | 21   |
| Professional Accounting Societies . . . . .                                                  | 23   |
| <br>Section II                                                                               |      |
| Public Practice of Accounting by United States<br>Citizens and Other Non-Nationals . . . . . | 25   |
| Basic Laws and Regulations . . . . .                                                         | 25   |
| Qualification of a United States CPA . . . .                                                 | 25   |
| Permanent Practice . . . . .                                                                 | 27   |
| Isolated Engagements . . . . .                                                               | 29   |
| Immigration Requirements . . . . .                                                           | 29   |
| Accountants Established in Practice . . . .                                                  | 30   |
| <br>Section III                                                                              |      |
| Treaties and Legislation Pending . . . . .                                                   | 31   |
| Treaties . . . . .                                                                           | 31   |
| Legislation Pending . . . . .                                                                | 31   |
| <br>Appendix                                                                                 |      |
| Sources of Information . . . . .                                                             | 1    |

## BOLIVIA

### General Information

#### Geography:

The republic of Bolivia has an area estimated at 537,792 square miles -- about twice the size of the State of Texas -- and is one of the two countries in South America without a sea-coast or seaport. The republic is cut off from the Pacific Ocean by a narrow strip of land between northern Chile and southern Peru, and is bordered by Brazil on the north and east, Paraguay on the southeast, Argentina on the south, and Chile and Peru on the west. Two principal mountain ranges cross the country from northwest to southeast.

Bolivia is divided into nine Departments. Sucre, with an estimated population of 375,000, is the nominal capital but La Paz, with an estimated population of nearly 1,200,000, is the seat of the government and the political center as well as the chief commercial city of Bolivia. Other principal towns are Cochabamba (76,500), Oruro (50,000), Potosi (40,000), and Santa Cruz (33,000).

#### People:

The population of Bolivia was estimated at 3,787,800 in 1947. Approximately 25 percent of the inhabitants are Indians; an estimated 500,000 are white, principally of Spanish descent; and the remainder are mestizos (mixed blood). About 80 percent of the population inhabit the highlands where the mining industry

is concentrated. According to recent estimates, about 75 percent of the people of Bolivia are illiterate.

The language spoken by the educated classes is Spanish but Quechua and Aymara are spoken by most of the Indian and mestizo portion of the population.

#### Economy:

Although other metals are produced and exported, tin is by far the leading export product of Bolivia and has had an extensive effect upon the economy of the country. Bolivia is said to be the second largest producer of the world's supply of tin. Other metals such as silver, zinc, copper, lead, antimony, wolfram, and gold, though not presently being mined to any extent, are said to exist in the mountains of the country and to represent potential national wealth.

The principal agricultural products include cocoa leaves from which cocaine is made, chinchona bark for the making of quinine, rubber, animal products (hides and wool), and nuts. There is little or no manufacturing in the country. What small amount is manufactured is used for domestic consumption. However, some industrial expansion occurred during 1949. A commercial sulfuric acid factory and a new textile mill were opened, and plans were announced for several other smaller factories.

In 1949 the United States supplied most of Bolivia's imports, the other principal suppliers being Argentina, Peru, and Chile. The chief imports are sugar, wheat, coal, petroleum, iron and steel products, mining machinery, coaches, motor vehicles,

textiles, and ready-made clothes. Tin ore constituted 81 percent in value of Bolivia's mineral exports for 1949, practically all of which was taken by the United States and the United Kingdom, roughly in the proportions of two-thirds and one-third, respectively.

## SECTION I

### PUBLIC PRACTICE OF ACCOUNTING BY NATIONALS

#### Basic Laws and Regulations

The republic of Bolivia is governed by the Constitution of 1938. (A revolution followed the adoption of a new Constitution in 1945 and the Congress of Bolivia is charged with revising it.) The 1938 Constitution makes no distinction between Bolivians by birth and Bolivians by naturalization with respect to civil rights. In the matter of engaging in the accounting profession, a naturalized citizen is accorded the same treatment as a citizen by birth and he must comply with the registration requirements.

A compilation of the laws and regulations governing the public practice of accounting is given below:

Supreme Decree of December 27, 1923, providing for inscription in a book denominated Matriculation of Accountants.

Regulatory Decree of May 15, 1929, Chapter VII, outlining responsibility of Accountants and providing for inscription in the Permanent Fiscal Commission.

Supreme Decree-Law of April 10, 1940, providing that degree of Licenciatura in Economics and Financial Sciences would thereafter be the only legal requirement for the title of Accountant granted by the State.

Supreme Decree of October 10, 1940, relative to conditions for inscription in the National Register of Accountants.

Supreme Decree of April 1, 1941, relative to control of the accounting profession and providing that every Accountant registered in the Permanent Fiscal Commission should receive a carnet (license) and a seal, accrediting his capacity.

Regulatory Supreme Decree No. 68 of October 4, 1941, authorizing the creation of a Council for supervision of the National Register of Accountants and providing regulations for registration

Law of December 27, 1944, providing for registration of Financial Auditors, Accountants, and Bookkeepers in their respective categories.

Regulatory Decree No. 755 of March 7, 1947, prescribing conditions for the practice of financial auditing as well as activities of accountants and bookkeepers.

Supreme Decree of April 19, 1948, extending the time to December 31, 1948 for registration of practical accountants in the National Register.

The National Federation of Accountants brought proceedings to test the constitutionality of the laws and regulations requiring classification of accountants and depriving practical accountants of vested rights acquired as a result of many years of practice. The Supreme Court of Bolivia rendered a decision on September 25, 1950 which held inapplicable Articles 11 and 17 of the Law of December 27, 1944. Clause b) of Article 11 contained a provision to the effect that practical accountants could not sign balance sheets of enterprises whose net worth exceeded 5,000,000 bolivianos. Article 17 declared that after the year 1950 all enterprises whose liquid capital exceeded 10,000,000 bolivianos would be obliged to have as Chief or General Accountant a professional Boliviano.

In addition to the foregoing legislation and decision, professional accountants are subject to Decree-Law No. 33 of January 31, 1944. This Decree-Law states that every individual over 21 years of age who is engaged in a profession, or is in



industry or commerce, or who is a proprietor, and all public and private employers as well as all other inhabitants must have an identity card. Each individual must have his card renewed every five years.

### Concept of the Profession

Previous to the promulgation of the Supreme Decree of April 10, 1940 there had been no official recognition of the true profession of public accountant. There had been both titled and practical accountants, registered as such with the Permanent Fiscal Commission, in accordance with the Regulatory Decree of May 15, 1929. The Regulatory Supreme Decree No. 68 of October 4, 1941 provided for registration as contadores (accountants) of individuals holding the university degree of Licenciatura (Licensee) in Economics and Financial Sciences or the diploma of contador (accountant) granted by commercial schools legally empowered to award such diplomas.

The Law of December 27, 1944 (Article 2) provided that the profession of Auditor Financiero (Financial Auditor) could be practiced only by the holder of a university degree conferred by a Bolivian university or an equivalent foreign degree, under certain conditions. By this Law and the applicable Regulations of March 7, 1947, the profession of Financial Auditor has a status equal to the professions of lawyer and doctor.

The functions of a Financial Auditor, which are discussed hereafter under the heading of Exercise of the Profession, corres-

pond in some respects to the activities of a CPA in the United States. As is the custom in many of the Latin American countries, a qualified public accountant must be assigned to matters before the courts involving appraisals, bankruptcies, liquidations, and other similar questions which require expert accounting opinion.

### Regulatory Authority

The National Register of Financial Auditors, Accountants and Bookkeepers functions under an honorary Council. The Register must be kept in the City of La Paz, and the Council is presided over by a delegate of the Ministry of Education.

Also included in the membership of the Council is a representative from each of these bodies: Ministry of Treasury, College of Economists, University at La Paz, and Association of Accountants and Bookkeepers. The Council, whose powers are derived from the Law dated December 27, 1944, supervises the activities of all accountants, including professional auditors as well as accountants and bookkeepers in private employment.

### Who May Practice

As mentioned in the preceding paragraph, all accountants whether in public or private practice must be registered. Specific functions, including auditing and certification of accounts, are attributed to Financial Auditors. Article 2 of the Law of December 27, 1944 states that the university degree of Licenciado (Licensed) in Economics and Financial Sciences constitutes the

only requisite sufficient for granting the title of Financial Auditor to an individual who must also hold a diploma of Bachelor of Humanities. This latter diploma is awarded upon the completion of six years of secondary school education and is roughly equivalent to a high school diploma in the United States.

Article 9 of the Regulations of March 7, 1947 provide that in order to practice the profession of Financial Auditor, an individual must be of full age, be inscribed in the proper category of the National Register, and hold the license issued by the Permanent Fiscal Commission which evidences his registration. He must also take an oath before the Council that he will practice his profession with morality and subject to the laws of the country.

The Law of December 27, 1944 defined the functions which could be performed by other accountants -- non-university graduates. The scope of their activities is discussed under Exercise of the Profession and Registration. By the decision of the Supreme Court rendered on September 27, 1950, which was cited on page 5, practical accountants who acquired vested rights prior to the enactment of the Law of December 27, 1944 and who have been registered are permitted to continue in practice and are not limited to performing the functions attributed to them by the law.

That the practice of public accounting may be carried on by firms is inferred in Article 16 of the Regulations of 1947. According to this provision, partnership agreements and any

rescission or modification thereof must be in writing and duly registered with the Council. Failure of a firm to comply with this formality renders invalid all balance sheets, appraisals, certifications, reports, or documents issued by such firm. The Council maintains a special register of firms in which is recorded the date of formation, term of duration, names of partners and their nationality, firm name, etc.

### Exercise of the Profession

In order to practice any form of accounting in Bolivia, a person must be registered in one of three categories and, according to the 1944 Law, he may perform only such functions as the law attributes to his classification. However, because of the Supreme Court Decision of 1950, accountants in public practice, who are without university degrees but who have acquired vested rights because of practical experience, may still perform certain work which falls within the category of Financial Auditor.

The matters which are assigned by law to each class are stated below.

#### Financial Auditors:

Article 9 of the Law of December 27, 1944 defines the functions of individuals registered in this category as follows:

- a) To practice auditing of books of account and to make studies, revisions, and examinations of the economic condition of fiscal or private institutions, which may be submitted for their consideration for the purpose of furnishing an isolated or permanent copy, judicial or extra-judicial, and for giving an opinion about their financial condition.

- b) To perform the technical offices with respect to accounting, administration and controller in fiscal departments, autonomous or semi-autonomous dependencies of the State, without prejudice to those who may be performing such functions.
- c) In bankruptcy cases, at least one of the examining judges must be a Financial Auditor (for the purposes of Article 2 of the Law of August 21, 1920), when there are more than two of such professionals.
- d) To make expert appraisals in judicial or administrative matters with respect to all actions which are brought before competent authorities concerning operations of banks, stock exchanges, exchanges, insurance companies, transportation companies, public securities, and other similar matters.
- e) To enter the consular career and to occupy by preference the offices of Commercial and Economic Attache, without prior examination.
- f) To organize and to keep books of account of any kind and to certify the balance sheets which are presented before the pertinent authorities.

Other Accountants:

Accountants who are inscribed in the second category of the National Register may also perform the functions outlined in clauses b) and d) and may organize and keep books of account. Bookkeepers, registered under the third category, may keep books of account of any kind and may sign balance sheets of companies whose liquid capital is less than 5,000,000 bolivianos.

Article 11 of the 1944 Law stated that when the liquid capital of a company exceeded 5,000,000 bolivianos but was less than 10,000,000 bolivianos, its balance sheet should carry the certification of a Financial Auditor or an Accountant, in the first and second classifications, respectively. The Law also

provided that when the liquid capital of a company exceeded 10,000,000 bolivianos, its balance sheet should be certified by an accountant inscribed in the first category. As has been already intimated, the Supreme Court of Bolivia has ruled that these two provisions are not applicable, which means that non-university accountants in public practice who have been duly registered may certify balance sheets without restrictions.

### Registration

#### General Conditions:

Article 6 of the Law of 1944 states that registration in the National Register may be made in one of three categories, viz.:

#### First category for-

Individuals holding the title of Financial Auditor, based upon the university degree of Licenciatura.

Individuals holding equivalent titles granted in foreign countries providing that they comply with other legal requirements.

Individuals holding the title of General Accountant obtained before the promulgation of the Law of December 27, 1944.

#### Second category for-

Individuals holding the title of Accountant conferred by the Ministry of Education to graduates of commercial schools.

Individuals holding equivalent titles granted in foreign countries which, in accordance with international treaties, are valid in Bolivia.

#### Third category for-

Individuals holding the diploma of Bookkeeper.

Individuals inscribed in the previous register as practical accountants and legally authorized to practice their profession.

### Application Requirements:

Applications for registration must be presented to the Council, accompanied by original degrees, diplomas, or certificates. The applicant must declare under oath the remaining information which is required for registration. The Register contains the following data with respect to each individual:

- 1) Number of application and date of receipt.
- 2) Number and date of inscription in the corresponding register.
- 3) First name and paternal and maternal surnames of applicant.
- 4) Civil status.
- 5) Nationality, place and date of birth.
- 6) Domicil, office and postal address.
- 7) University diploma and certificate of professional capacity.
- 8) Title in national provision granted by the State.
- 9) General license for the practice of the profession, previous revalidation of the corresponding title.
- 10) Length of professional practice.
- 11) Branches of specialization.
- 12) Certificates of professional work.
- 13) Number of folder of recommendations.
- 14) Sanctions.
- 15) Cancellation and disqualification of the registrant.
- 16) Signature of the President and General Secretary.
- 17) Remarks.

A Financial Auditor must be of full age. Neither the Law nor the Regulations limits registration to Bolivian citizens. The holder of a Bolivian university degree is not required to have any practical experience prior to obtaining the title of Financial Auditor.

The Council gives no examination as a prerequisite condition of registration. The only examinations which candidates must take are those given by the universities at which they take their courses for the degree which entitles them to registration as a Financial Auditor.

### Council Procedure:

The Council must hold meetings twice a month and at any other time that it may be required to do so. It has the power to fix all the necessary rules for the application of the 1944 Law, to qualify the proceedings for registration, and to decide all questions within its competence. An appeal from any decision of the Council may be taken to the Ministry of Treasury.

### License to Practice:

The university degree of Licenciatura (Licensee) in Economics and Financial Sciences gives the holder thereof right to use the title of Financial Auditor and to practice his profession in conformity with the law. Upon registration, the Council issues a carnet or booklet signed by the President and Secretary of the Council, which together with a seal that is also provided, accredits the professional capacity of the individual. This booklet must bear the signature of the individual, and he is prohibited from using any title other than the one under which he is registered. In addition to the professional license, a card of identity must be carried by every person engaged in a profession or business.

### Revalidation or Recognition of Foreign Degrees:

Article 6 of the 1944 Law provides for the inscription of individuals holding foreign titles equivalent to that of Financial Auditor. The Regulations of 1947 (Article 19) state



that recognition of foreign titles will be made in accordance with international treaties in force, or, in the absence of treaties, the principle of reciprocity shall govern.

Under the foregoing provisions, it might seem at first glance that a Bolivian, either native-born or naturalized, who had obtained a degree from a university in the United States would not be able to have it revalidated in Bolivia because of the absence of a convention relative to academic reciprocity between the United States and Bolivia. However, native-born Bolivians may receive by national writ a degree, whether or not they have studied in a Bolivian university, with no other formalities than the legalization and revalidation of the foreign degree. (Art. 1 of Supreme Decree of February 13, 1930; sole Article of Decree-Law of October 14, 1936; and Article 2 of Decree-Law of December 6, 1937.) Naturalized Bolivians receive the same treatment, whether or not the foreign degree was obtained before or after naturalization.

Bolivia was signatory to the Treaty of Montevideo of 1889 with Argentina, Brazil, Chile, Paraguay, Peru, and Uruguay. This treaty provides for revalidation of professional titles or diplomas obtained and for recognition of studies made in one country by each of the other countries.

Accountants in Practice at Date of Restrictive Legislation:

Although accountants had been registered with the Permanent Fiscal Commission, in accordance with a Regulatory Decree of May

15, 1929, the first official recognition of the profession of public accountant was made by Decree-Law of April 10, 1940. This decree provided that the university degree of Licenciatura in Economics and Financial Sciences would thereafter be the only adequate and legal qualification for the title of Accountant. In order to practice, Accountants were obliged to register their titles with the Permanent Fiscal Commission.

Under the 1940 decree 939 Accountants, both titled and practical, were registered. Of this number, 771 were Bolivians and 168 were foreigners. Out of the total of 939, only 4 were registered as university graduates.

The Supreme Decree of October 10, 1940 modified conditions for inscription prescribed by Regulatory Decree of May 15, 1929, and left the door open for practical accountants. The Regulatory Supreme Decree of October 4, 1941 outlined the conditions for registration in the first National Register of Accountants. Under this decree, Accountants without Bolivian or revalidated foreign degrees who had been engaged in practice for three or more years could be registered by passing an examination given by a commission designated by the Council. Practical accountants who had been registered in the Permanent Fiscal Commission were obliged to re-register in the National Register; the licenses which had been issued by that Commission were revalidated by the Council for all individuals who had been accepted for re-inscription. Persons holding the title of Accountant granted by authorized commercial schools as well as persons holding foreign titles were also entitled to be registered.

The restrictive Law of December 27, 1944 provided that the titled (or certified) accountants as well as the practical accountants inscribed in the previous Register should be reinscribed and that the licenses issued by the Permanent Fiscal Commission should be revalidated. Accountants who had previously been registered as General Accountants were permitted to be registered in the first category of the new Register, along with the university graduates, as Financial Auditors.

Under Article 8 of the Law, practical accountants who had been inscribed in the old Register were allowed to be registered in the third category of the new Register as Bookkeepers. Their functions were limited to keeping books of account and to signing balance sheets of public and private enterprises when the capital was less than 5,000,000 bolivianos. The regulations of March 7, 1947 provided that this class of accountants had until December 31, 1947 to comply with registration requirements. This date was further extended to December 31, 1948.

As mentioned on page 5, the National Federation of Accountants brought an action to test the constitutionality of the 1944 Law and the 1947 Regulations, which it alleged deprived practical accountants of vested rights acquired in the matter of signing balance sheets. The decision of the Supreme Court of Bolivia of September 25, 1950, also discussed on page 5, held that the practical accountants who had been registered in accordance with the laws prior to the Law of 1944 could continue in public practice.

### Education of Accountants

Commercial education on the secondary level is offered in five public and six private commercial schools in Bolivia. The commercial schools offer only three-year elementary courses leading to the title of bookkeeper. The schools which offer the three-year advanced cycle are known as advanced or superior commercial schools. Training in these schools is open to bookkeepers who have completed the three-year elementary commercial course. After completion of the advanced course, the student takes a practical examination given by a board which requires at least two hours. If he passes this examination, he is granted the title of contador general (general accountant).

Higher education for accountants is available in the universities of Bolivia, several of which maintain technical institutes or specialized training courses on a secondary or pre-university level. The outstanding difference between these university courses and the public vocational or commercial schools is the fact that the former do not, as a rule, include in their curricula the academic secondary subjects offered in the public vocational schools. For admission to these pre-university courses, completion of four years of secondary school work is required.

#### Universities:

Bolivia has seven universities, comprising a national entity known as The Bolivian University. All the universities are under the general direction of the Ministry of Education. There follows a list of the six universities which offer advanced courses for

accountants together with the degrees conferred by each and the length of the course therefor:

Gabriel Rene Moreno Autonomous University,  
Santa Cruz-

Bachelor in Economic Sciences, 3 years  
Financial Accountant and Auditor, 5 years in  
addition to 3-year course for Bachelor's degree.

Juan Misael Sarcho Autonomous University-  
Tarija-

Licensee in Economic and Financial Sciences, 4 years  
Accountant, 3 years

Tomas Frias Autonomous University,  
Potosi-

Licensee in Economic and Financial Sciences, 5 years  
and thesis  
General Accountant, 4 years

Royal and Pontifical University of Saint Francis Xavier  
of Chuquisaca, Sucre-

Licensee in Economic and Financial Sciences, 4 years  
Accountant, 3 years

University of San Andres,  
La Paz-

Licensee in Economic and Financial Sciences, 4 years  
Bachelor in Economic Sciences, 4 years  
Doctor in Economic Sciences or Doctor in Financial  
Sciences, 1 year beyond Licensee and thesis

Technical University of Oruro,  
Oruro-

Bachelor in Economic and Financial Sciences, 3 years  
Licensee in Economic and Financial Sciences, 4 years

#### Admission Requirements:

The diploma of Bachelor of Humanities is about the equivalent of a high school diploma in the United States and is awarded upon the completion of six-years of secondary school work. It entitles the holder to be admitted to the universities, subject to passing entrance examinations. Graduates from a four-year secondary school course may be admitted to the institutions which offer

the pre-university courses leading to the Bachillerato (Bachelor's degree) in Economic Sciences.

Courses of Study:

The University of San Andres in La Paz is said to be the largest and most important one in Bolivia and is also said to have higher standards than the other universities. The following is the curriculum offered to students who have completed the University's preparatory course and who have been awarded the Bachelor's degree:

First year-

- Civil law I
- Law of mining and petroleum mining
- Economic geography I
- Political economy I
- Accounting
- Integral calculus and analytical geometry

Second year-

- Civil law II
- Business law
- Political economy II
- Economic geography II
- Industrial and agricultural accounting
- Business mathematics

Third year-

- Public international law
- Constitutional law
- General economic history
- Political economy
- Finance and actuarial mathematics
- Bank and insurance accounting

Fourth year-

- Administrative law
- Economic history of Bolivia
- Fiscal accounting
- Mathematical statistics
- International private law

It will be noted that the foregoing includes no course on auditing.

Upon the successful termination of the university course and satisfactory performance in four general examinations on juridical science, economic science, accounting, and mathematics, the student receives the degree of Licensee in Economic and Financial Sciences which enables him to practice as a Financial Auditor.

Some Aspects of Practice  
With Respect to Corporations

Annual Audits:

Annual audits of commercial companies are required by the Commercial Code of Bolivia. The following financial statements must be submitted to the Treasury Department:

- Balance sheets
- Statement of general expenses
- Statement of salaries, wages, and gratuities
- Statement of personal accounts of the owner
- Statement of reserve accounts
- Statement of depreciation with rates indicated
- Statement of inventory values

These statements are subject to examination by revisores (auditors) attached to the Permanent Fiscal Commission. Although the Law of 1944 states that balance sheets of companies whose net capital exceeds 10,000,000 bolivianos must be signed by Financial Auditors, there appears to be no requirement that such auditors must be in independent, public practice.

Tax Returns:

Under Regulatory Decree of May 15, 1929, balance sheets and trial balances as well as supporting documents must be presented

with declarations of taxes and must carry the signatures of the proprietor, manager or administrator, and of the accountant or auditor who shall have prepared them. The accountant or auditor is responsible jointly with the proprietor, manager, or administrator for the entries made in the books of account and for the balance sheets and supporting statements issued over his signature.

### Professional Accountants Engaged in Practice

#### Standards and Code of Ethics:

The need for improving the standards of public accountants appears to have been the motive for enacting the Supreme Decree-Law of April 10, 1940, which provided that a university degree would thereafter be the legal requirement for individuals who wished to engage in auditing work. The University of San Andres is said to be largely responsible for whatever advancement has taken place in the accounting profession during the last ten or fifteen years.

Under the Law and Regulations the Council has disciplinary powers which it may invoke against a professional accountant who authorizes or certifies balance sheets without verifying their correctness or who certifies audit reports without having reviewed the accounting books and records. The Council may also cancel the registration, either temporarily or permanently, of all the members of a firm if the firm fails to exclude from the partnership a disqualified member. The disqualification of a firm for serious faults disqualifies all the partners from individually practicing



the profession, except those who are able to prove that they either opposed or had no knowledge of the wrongdoing.

The Council has the power to prescribe a Code of Ethics for professional accountants. None has yet been issued. The profession being relatively new in Bolivia has apparently not yet reached the point of developing a unified organization of professions demanding rules for professional conduct. The total number of university graduates with the title of Financial Auditor is said to be less than twenty-five.

#### Independence of Professional Accountants:

Both the Law and the Regulations are silent on this subject.

#### Minimum Fees:

Accountants may contract freely as to their fees, but in the absence of an agreement, fees must be based upon the scale set forth in the 1947 Regulations. For example, fees for auditing and certification must be charged at the rate of 2 percent of the net capital when there is no agreement. Fees for expert appraisal must be based upon 1 percent of the amount litigated, unless there is an agreement.

#### Number of Public Accountants:

The National Federation of Accountants had a membership of 859 at the end of 1950. Of this number, only 16 were listed as Financial Auditors, being inscribed in the first category of the National Register. The National Register shows a total registration at the end of 1950 of 2,156, including all three classes --

auditors, accountants, and bookkeepers. It is reported that only about 1 percent of the total registration is composed of Financial Auditors. Exact figures are not available as to the number of accountants who are actually engaged in independent, public practice.

### Professional Accounting Societies

The Colegio de Economistas (College of Economists) in La Paz represents the university graduates. Inasmuch as no reply has been received to an inquiry directed to this association, it is not possible to state its purposes, requirements for membership, or whether or not it is interested in international accounting matters.

The Federacion Nacional de Contadores (National Federation of Accountants), Casilla 1087, in La Paz, is a professional association which was founded in 1947. It is made up of Sociedad de Tecnicos-Contables (Society of Accounting Technicians) in La Paz and similar entities existing within the territory of the Republic. Affiliated with this organization are Departmental Associations in La Paz, Oruro, Cochabamba, Sucre, Potosi, Tarija, Santa Cruz, Beni, and Pando, as well as societies in the Provinces of Tupiza, Riberalta, and Uyuni.

Membership in an association is not compulsory in Bolivia. As has already been stated, the Federation had a total membership of 859 at the end of 1950. Membership in the National Federation depends upon membership in an affiliated society and may be active, honorary, or transient. For active membership, a person must be of

age and in full enjoyment of his civil rights, and he must be duly registered in the National Register of Accountants. Transient membership is open to foreign professional accountants who may be visiting the country and who may wish to join local associations.

The Federation, while it is a non-governmental body, has been recognized as the entity which represents the professional accountants of Bolivia. It has for its main objectives the defense of the moral, social, and economic interests of its members and the advancement of the accounting profession as a whole.

Being a relatively new organization, the Federation has not yet published an official journal. Mimeographed bulletins are issued for the information of members.

A representative of the Federation was present at the First Inter-American Congress on Accounting which was held in Puerto Rico in 1949. The President of the Federation, Mr. Jorge Espejo Zapata,<sup>1</sup> has expressed considerable interest in learning more about public accounting as it is practiced in the United States, about recommended books for accounting studies, and, particularly, about the American Institute of Accountants -- its history, development, and code of ethics.

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<sup>1</sup>

The 1950 Registration list shows one Espejo Zapata Jorge registered in Category Two, Matriculation No. 860, and Seal No. 142.

## SECTION II

### PUBLIC PRACTICE OF ACCOUNTING BY UNITED STATES CITIZENS AND OTHER NON-NATIONALS

#### Basic Laws and Regulations

The same basic laws which govern the practice of the profession by nationals govern the practice by United States citizens or other non-nationals. There appears to be no constitutional limitation on the rights of non-nationals to engage in the profession of public accounting, subject to compliance with the formality of registration and with the immigration laws.

#### Qualification of a United States CPA

##### Examination:

A United States CPA may be registered in Bolivia as an auditor by passing an examination for the revalidation of his degree at the University in La Paz.

##### Revalidation of United States or Other Foreign Degrees:

The rule is that foreigners from countries which do not maintain academic reciprocity with Bolivia may obtain a general license after examination and revalidation by the University of La Paz. Since there is no convention between the United States and Bolivia relative to academic reciprocity, United States citizens fall within this rule.

Foreigners who are citizens of countries which have a treaty with Bolivia, whatever may be the origin of their diploma, and persons coming from countries not having such a treaty but with a university diploma recognized by countries which do have such a reciprocal treaty with Bolivia may be authorized by the Executive Power to receive a license to practice a profession, without an examination but after revalidation by the head of the University of La Paz. The matter of revalidation of foreign diplomas is covered by Article 4 of the Law of November 21, 1907; Articles 41 and 43 of the Regulatory Decree of March 23, 1910; Article 6 of Supreme Decree of May 6, 1916; Article 3 of Supreme Decree of August 21, 1928; Article 3 of Supreme Decree of February 13, 1930; and Articles 3 and 9 of Decree-Law of December 6, 1937.

Bolivia was signatory to the Treaty of Montevideo of 1889 with Argentina, Brazil, Chile, Paraguay, Peru, and Uruguay. Under the terms of this treaty, professionals of one country may have their degrees recognized in the other countries.

Proof of Practical Experience:

Proof of practical experience as a Public Accountant acquired in the United States is not a factor with respect to registration in Bolivia. Under Regulatory Supreme Decree No. 68 of October 4, 1941, individuals who were able to furnish proof of practical experience acquired in Bolivia were entitled to be registered as Accountants, but after December 31, 1948 persons could no longer be registered by merely furnishing proof of practical experience.

### Membership in Recognized Society:

Membership in a United States professional society would not facilitate registration of a United States CPA in Bolivia. However, it is possible that under Article 6 (b) of the 1944 Law an individual who holds a title equivalent to that of Financial Auditor granted in a foreign country may be registered. Article 19 of the 1947 Regulations provides that with respect to the registration of Auditors or Accountants for foreign companies the treaties in force shall govern, or, in their absence, the principle of reciprocity shall govern. It would appear that under these provisions, members of the British accounting societies should be eligible for registration.

### Permanent Practice

There are no restrictions against a United States CPA establishing an office in Bolivia provided that he has his degree or certificate revalidated. Any non-national who has already been registered may continue to practice. According to the registration list for 1950, there appear to be no United States citizens presently engaged in public practice in Bolivia.

Although the Law and Regulations refer to "associations" of professionals, no conditions are laid down as to qualification of all partners of a firm. There is no requirement as to Bolivian citizenship for the public practice of accounting but whoever certifies a balance sheet, whether he is a partner or a manager, must be registered.

There is no restriction against a Bolivian qualified accountant engaging in practice with a duly registered United States CPA or a United States accounting firm. Practice may be conducted under a "trade" or firm name.

The size of a staff is not limited. But under the Supreme Decree of February 2, 1937, 85 percent of the employees of a single employer must be of Bolivian nationality and at least 85 percent of all wages paid by a single employer must be paid to Bolivians. Employers operating on a capital of less than 100,000 bolivianos and hiring five employees or less are exempt from these restrictions. Nationals must be paid the same amount as foreigners for the same work. Regarded as Bolivians are foreigners having a Bolivian spouse or Bolivian children and foreigners who have resided in the country for more than ten years.

It is reported that actually little control is exercised with respect to the foregoing provisions of the labor laws. The present staff of a foreign accounting firm could probably be replaced with United States citizens, subject to approval from the Ministry of Immigration in Bolivia with respect to permanent residence.

There appear to be no restrictions as to types of commercial engagements that may be undertaken by United States CPA's. However, the law does provide that a person must be of Bolivian nationality in order to hold the position of director, administrator, counsel, or representative in State institutions and in private institutions the activities of which are directly related

to the interests of the State, particularly in the realm of economics or finance. Therefore, it is conceivable that there could be some restrictions imposed against the performance by United States CPA's or United States accounting firms of examinations of banks and insurance companies which are supervised by the Superintendent of Banks.

### Isolated Engagements

Although under the law all accountants must be registered, it is reported that no control is exercised over accountants who enter Bolivia for the purpose of performing temporary engagements. There appears to be nothing in the law to prevent a United States citizen from making an examination of a Bolivian enterprise in connection with reports for use in the United States, but balance sheets submitted to governmental authorities in Bolivia must be certified by registered accountants.

### Immigration Requirements

#### Permanent Residence:

In order to obtain a visa for permanent residence in Bolivia, authorization of the Ministry of Immigration is an absolute requirement. This type of visa is called the "Indefinite Permit" and is granted in the cases of technicians or specialists who go there under contract.

#### Temporary Entry:

For temporary entry, a visa called "Fixed Purpose Classification" allows an individual to remain in Bolivia for a limited



period of 30, 60, or 90 days. Request must be made by the interested person to the Bolivian Consulate in this country, or made through agents who negotiate at the seat of the government in Bolivia. Applications should be made considerably in advance of the time of expected departure because Bolivian consular officials are sometimes compelled to secure prior approval from La Paz.

#### Accountants Established in Practice

No United States citizens appear to be engaged in auditing practice in Bolivia, since none were registered as auditors up to the end of 1950. Three United States citizens were registered as bookkeepers.

The following firms maintain offices in Bolivia:

Peat, Marwick, Mitchell & Co., La Paz  
Price, Waterhouse, Peat & Co., La Paz  
and Oruro

### SECTION III

#### TREATIES AND LEGISLATION PENDING

##### Treaties:

It has previously been stated that there is no treaty between the United States and Bolivia providing for academic reciprocity or revalidation of professional titles. Nor is there any treaty between the two countries, similar to that signed in 1949 by Uruguay and the United States, whereby accountants of either country may enter the other for the purpose of making examinations of enterprises financed by investors of such other country.

As previously stated, Bolivia was signatory to the Treaty of Montevideo of 1889 with Argentina, Brazil, Chile, Paraguay, Peru, and Uruguay. This Treaty provides for recognition in one country of professional titles or diplomas obtained as well as studies made in the other countries.

##### 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 Bolivia has been prepared from 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.

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MEMORANDUM RE PUBLIC PRACTICE OF ACCOUNTING IN THE  
REPUBLIC OF BOLIVIA

Status of Profession:

✓ The profession of Auditoria Financiera (Financial Auditor) is probably a "liberal" profession in Bolivia, inasmuch as a university degree is required for practice.

✓ Regulatory Laws:

Various laws dating from 1923 to 1948 relative to inscription of accountants in the National Register of Accountants are in effect. Supreme Decree-Law of April 10, 1940 provided that the degree of Licenciado (Licensed) in Economic and Financial Sciences would thereafter be the only legal requirement for the title of Accountant granted by the State.

Supreme Decree of April 10, 1941 relates to control of the accounting profession. Regulatory Supreme Decree of October 4, 1941 provided for the establishment of a council to supervise the National Register and for rules relative to registration. The Law of December 27, 1944 provided for registration of Financial Auditors, Accountants, and Bookkeepers in their respective categories. Regulatory Decree of March 7, 1947 prescribes the conditions for the practice of financial auditing as well as the activities of accountants and bookkeepers.

A decision of the Supreme Court of Bolivia, rendered on September 27, 1950, held inapplicable certain provisions of the 1944 Law and the 1947 Regulations which deprived practical accountants of vested rights.

✓ Regulatory Authority:

The National Register of Financial Auditors, Accountants, and Bookkeepers functions under an honorary Council.

✓ Registration:

Financial Auditors must be registered in the first category of the National Register; the second and third categories are for accountants and bookkeepers, respectively. Applications for registration must be presented to the Council.

✓ Requirements for Registration:

Citizenship is not a condition for registration. The degree of Licenciado in Economic and Financial Sciences awarded by a Bolivian university entitles its holder to registration as a Financial Auditor.

The candidate must be of full age (21 years). The university degree is sufficient qualification, without practical experience, for a person to practice as Financial Auditor, and no examination is necessary for a license.

✓ Professional Accountants in Practice:

The National Federation of Accountants had a membership of 859 at the end of 1950. Of this number, only 16 were listed as Financial Auditors, being inscribed in the first category of the National Register. The National Register shows a total registration at the end of 1950 of 2,156, including all three classes: auditors, accountants, and bookkeepers. It is reported that only about 1 percent of the total registration is composed of university graduates entitled to call themselves Financial Auditors.

The need for improving the standards of public accountants seems to have been the motive for enacting the Supreme Decree-Law of April 10, 1940, which provided that a university degree would thereafter be necessary for persons to engage in auditing work. Information is not available as to the present standards of practice of professional accountants. Under the Law and Regulations the Council which supervises the registration of accountants has disciplinary powers which it may invoke against a professional accountant who certifies balance sheets without verifying their correctness.

Accountants may contract freely as to their fees, but in the absence of an agreement, fees must be based upon the schedule set forth in the 1947 Regulations.

The Colegio de Economistas (College of Economists) in La Paz represents the university graduates; its membership probably does not exceed 25.

The Federacion Nacional de Contadores (National Federation of Accountants), also in La Paz, is made up of Sociedad de Tecnicos-Contables (Society of Accounting Technicians) and similar entities existing in the various departments of Bolivia. Membership is not compulsory. A delegate from the National Federation was present at the First Inter-American Congress on Accounting which was held in Puerto Rico in 1949.

✓ Practice by United States Citizens or Firms:

There is no prohibition against United States citizens opening offices for permanent practice in Bolivia. In order for a United States citizen to be registered as a Financial Auditor, he must pass an examination for the revalidation of his degree at the University in La Paz.

Certain restrictions, imposed by law, as to certification of balance sheets by a Financial Auditor or by a General Accountant registered in the first category of the National Register, are said not to be strictly enforced. United States citizens or firms may make examinations of enterprises doing business in Bolivia in connection with reports for use in the United States.

Treaties and Legislation Pending:

There is no treaty between the United States and Bolivia providing for academic reciprocity or revalidation of professional titles. Nor is there any treaty between the two countries whereby United States accountants may make examinations of enterprises doing business in Bolivia which are financed by United States investors.

Bolivia was signatory to the Treaty of Montevideo of 1889 with Argentina, Brazil, Chile, Paraguay, Peru, and Uruguay which contains provisions relative to recognition of professional titles.

So far as is known, there is no legislation pending which is aimed at restricting the public practice of accounting by United States citizens or firms.