

Honors Program at the University of Rhode Island

Senior Honors Projects

University of Rhode Island

Year 2009

An Examination of Accounting
Education in Mexico and the United
States

Jaime Eastman
University of Rhode Island, tmygr1951@aol.com

An Examination of Accounting Education in Mexico and the United States

Jaimé Eastman
Senior in the Accounting Major
University of Rhode Island

Alejandro Hazera DBA CPA
Professor of Accounting and International Business
308 Ballentine Hall
College of Business Administration
University of Rhode Island
Kingston RI 02881
Phone 401-874-4332
Fax 401-874-4312
Hazera@uriacc.uri.edu
aha8047u@postoffice.uri.edu

Prof. Carmen Quirvan*, LC, MA, MS.
(Doctoral Student, Thesis Phase, Universidad de Murcia)
Latin American Studies
123 Independence Hall
University of Rhode Island
Kingston, Rhode Island 02881-0802
Telephone: 401-874-5911. Fax: 401-874-4694. E-mail: cquirvan@mail.uri.edu

An Examination of Accounting Education in Mexico and the United States

Abstract

In order to gain a better understanding of accounting education in Mexico and the United States, this study examines how differences in the countries' business culture, economic history and financial market structure affect accounting education at the university level. A literature review was first conducted of each country's economic history, business culture, and capital markets. This review then served as the basis for the construction of an interview questionnaire which concerned how differences in the countries' business environments affect accounting education. The questionnaire focused on several aspects of accounting education, including the accounting curriculum, the professional exam (required to practice as a certified public accountant), internship opportunities, the job market, and the overall objective of accounting information (i.e. the investor's interest in the company).

The questionnaire was then used to conduct interviews in Mexico City of accounting academics and professionals. The individuals interviewed included business professors at the National Autonomous University of Mexico (UNAM), leaders in Mexico's academic accounting organizations (e.g., Asociación Nacional de Facultades y Escuelas de Contaduría y Administración (ANFECA) and Asociación de Profesores de Contaduría y Administración de México (APCAM)), and practicing professionals, such as a partner and a senior manager of the major CPA firm, PricewaterhouseCoopers. The professors at the National Autonomous University described key aspects of Mexican accounting education, including internship programs, key courses offered, and teaching methods. The leaders in Mexico's academic accounting organizations discussed how the objectives of Mexican accounting impact accounting education. The practicing professionals discussed how the objectives of Mexican accounting are reflected in the professional work environment.

An Examination of Accounting Education in Mexico and the United States

1.0 Introduction

In recent years, economists have recognized that an increased share of world economic growth will emanate from developing countries. For example, Brazil, Russia, China, and India, (i.e. the “BRIC” nations) are expected to account for a large share of the growth in World Gross Domestic Product (GDP) during the first half of the Twenty First Century. Correspondingly, investors are expected to direct an increased share of capital at these emerging markets.

As a result of this increased flow of capital directed at these economies, many developing countries have adopted international financial reporting standards (IFRS). Authorities in these nations believe that the adoption of these standards, which are promulgated by the International Accounting Standards Board (IASB), will facilitate the flow of investment toward their countries.

Corresponding with this adoption of IFRS, many nations are redesigning their accountants’ education, training, and professional certification requirements. These efforts are generally aimed at training accountants to understand IFRS, increasing the ability of accountants to audit IFRS based financial statements, and improving accountants’ professional testing/licensing requirements.

From the standpoint of the United States, this trend toward the harmonization of financial reporting standards has been especially prevalent with respect to Mexico. The trend was initiated in 1993-1994, when the United States, Mexico, and Canada signed and implemented the North American Free Trade Agreement (NAFTA). At that time investors anticipated that the agreement would result in increased capital flows between Mexico and the United States and a corresponding increase in firms which are cross-listed on the nations’ stock exchanges.

In anticipation of these trends, the three countries' accounting professions published the study entitled *Financial Reporting in North America* [1995]. The study examines how the structure of the countries' capital markets (e.g. concentration of ownership) and financial reporting standard-setting processes affect financial reporting standards and practices in each nation. However, the report and subsequent studies did not examine the accounting education system in each nation. Thus, in spite of the trend toward financial integration and accounting harmonization between the United States and Mexico, there is little correspondence between the countries' accounting education and accounting licensing requirements.

Given this lack of knowledge concerning accounting education in each nation, in this paper we provide a comparative examination of accounting education in Mexico and the United States. Emphasis is placed on examining how differences in the nations' corporations and capital markets may be reflected in aspects of the nations' accounting education. In the first part of the paper, each country's corporate environment is discussed. Emphasis is placed on examining the historical concept of the corporation in each country and how each concept is reflected in the structure of each country's capital markets. Based on the differences in each country's corporate environment, in the second section of the paper we report on the results of a study which was conducted in Mexico City concerning the relative nature of Mexican accounting education relative to its U.S. counterpart. The study consisted of a series of interviews conducted of key Mexican accounting professionals and educators regarding differences in important aspects of Mexican and U.S. accounting education. Conclusions and policy implications are provided in the final section of the paper.

2.0 The Concept of the Corporation and Financial Reporting

Mexico and the United States possess different economic histories which affect the concept of the corporation in each country. In Mexico, corporations are controlled by small groups of families. Thus, corporations are seen as “family businesses.” By contrast, in the United States, the corporation has increasingly been seen as an independent vehicle for enhancing the wealth of independent third party owners (i.e. shareholders). As shown in Exhibit 1, each concept affects the role and nature of financial reporting.

Insert Exhibit 1 Here

2.1 The Mexican Corporate Family

In Latin America, kinship has long dominated businesses organizations. For example, Hyland [1982] describes how in nineteenth century Colombia, families turned to kinsmen for funds and credit. This structure facilitated the ability to integrate family members into the business [Benedict, 1968]. As a result, managers’ trust and loyalty to the company were strongly reinforced through kinship ties. The relation was frequently extended and cemented by marriage ties.

These family firms adapted to fluctuations in the economy by diversifying investments and broadening the social and political connections through intermarriage [Balmori et.al, 1984]. Sometimes they would adapt by investing more in government and foreign bonds or by forming alliances with other elite families.

In Mexico, the “closely-held” ownership structure of business was reflected in the concept of ‘patronismo.’ Originally, ‘patronismo’ represented the relationship that existed between owners of ranches or farms and their workers. Owners provided their workers with hospitality including housing, salaries, wages, and even advice on knowledge and social matters.

In return, the workers provided the owners and their families with labor and loyalty. In essence, the workers and businesses were part of the *patron's* "extended family."

In the early 20th Century, two trends threatened the continuing commercial dominance of these closely-held businesses. First, in the 1920s, the Mexican government initiated a nationalistic political and economic movement which lasted into the 1980s. During this movement, the government attempted to influence the productive activities of the large family-owned enterprises. For example, official groups of industries ("Cámaras") were formed which influenced the types of goods produced by businesses. Also, in order to finance a greater number of social welfare programs, the government increased the types and amounts of taxes collected both from small and large businesses. As the level of government expenditures increased, greater efforts were made to form a formal income tax collection system which prevented tax fraud. This strong tax regime has continued to the present day. Second, the Bolsa Mexicana de Valores (BMV), or Mexican Securities Exchange, became increasingly accepted as a market for trading various types of financial instruments. Thus, a potential market for publicly trading the ownership shares (and loosening the control of families) of the large closely-held companies came into practical existence.

In spite of these pressures, Mexican family firms continued to prosper well into the Twentieth Century. For example, DeRossi [1970] found that a majority of firms in Mexico during the 1950s and 1960s were family owned. She identified four "stages "of familism." In 25% of the cases, the board was exclusively composed of relatives. In 31% of companies, some of the executives on the board were not relatives but technical and legal experts. In 21% of companies, other industrialists made up the board. Finally, in 23% of firms some members were bankers.

This closeness is supported by the presence of multiple interlocking relationships between the banks, major firms, holding companies and entrepreneurial families [Camp, 1982].¹

Given this strong bond between the family and the company, it is very difficult to separate or draw a line between the owners and management. Thus, in the case of groups, Nathaniel Leff [1978, 663] notes that:

“... the group draws its capital and its high-level managers from sources which transcend a single family. The capital managers may come from a number of wealthy families, but they remain within the group as a single economic unit. The group's owner- managers typically include some (but by no means all) members of the family within which the group's activity originated.”

Given this context, elite Mexican business management is confined to a rather small group of individuals [Camp, 1989, 192]. Moreover, even where family firms have sought capital from outside the family, external investors have come from a small number of select individuals with close ties to the family. In other words,

“.....the continued importance of family ownership is the unwillingness of many capitalists to switch their philosophy completely in favor of professional management.”[Camp, 1989. 207].

Given this orientation, from an external perspective, as shown in Exhibit 1, the close relationship between families and the control of major companies is reflected in the structure of Mexican capital markets. Most notable, in order to maintain control, most large and medium sized firms do not list shares on the Mexican stock exchange. Also, the majority of shares of the few listed firms are generally maintained in the hands of the small ownership group. Thus, only small minority interests trade publicly on the Mexican stock exchange.²

Moreover, given the strong control by the small groups of owners and the lack of third party demand for external financial reports, management's function of financial information is to facilitate control of the firm through the maintenance of sound internal reporting systems (e.g. budgeting systems) (See Exhibit 1). Correspondingly, given the strong tax regime, virtually all audited-Mexican GAAP financial statements (approximately 60,000) are prepared for tax purposes [Hazera and Quirvan, 2000]. These financial statements are annexed to companies' tax returns and filed with the Treasury Secretariat (Secretaría de Hacienda y Crédito Público).³ As a consequence, while financial statements are prepared in accordance with the GAAP prescribed by the Mexican accounting profession, the tax code provides the accounting profession with the underlying legal authority to promulgate and apply its standards.

The tax code also establishes three professional requirements for auditors. First, the accountant must provide proof of Mexican nationality to the Treasury Secretariat. Second, the accountant must provide proof of active membership with one of the 55 regional colleges of the Mexican Institute of Public Accountants (MIPA). Finally, the accountant must provide proof of a professional license. [Hazera and Quirvan, 2000, 185]

In the few cases where financial statements are filed with the Mexican Stock Exchange: companies must "...provide their shareholders with comprehensive financial reports which include an explanation of the accounting principles used as well as a full set of financial statements" [Hazera and Quirvan, 2000, 183]. These financial statements must also be audited in accordance with Mexican GAAP.⁴

As an example, the clients of PricewaterhouseCoopers file financial statements with a "tax opinion" with the tax authorities ("la Hacienda"). Additionally, if the firm trades shares on the Mexican Stock Exchange, the firm is required to submit financial statements which include

an “audit opinion” to “la Bolsa” (Mexican SEC and stock exchange). The tax opinion filed with the tax authorities is issued to ensure that the company has followed the tax laws. The audit opinion filed with “la Bolsa” is issued to ensure that the company has followed Mexican GAAP. Public companies are also required to file a letter with “la Bolsa” that reconfirms the accuracy of the financial statement numbers. Finally, as in the case of public companies, privately-held firms are required to be audited for tax purposes [Monroy and Tussie, 2009].

2.2 The U.S. Corporate Entity

In contrast to the Mexican “corporate family,” throughout U.S. business history, the management of corporations has become increasingly separated from corporate ownership. During Colonial times businesses consisted of small crafts shops in which there was no real separation between owners and management. However, the separation of management and ownership commenced under merchant capitalism. Under this system capitalists would invest large amounts of capital in large physical facilities and large quantities of raw materials. Large numbers of crafters would then produce the final goods. In the late 1700s, joint stock companies began to appear. This scheme encouraged the further separation of owners and management as entrepreneurs would sell ownership shares in large entities to local investors. During the first half of the 19th century, railroads were the first companies to require financing at a national level; consequently, these companies became the first large corporations publicly listed on the New York Stock Exchange. The marketability of ownership shares lessened owners’ loyalty to the corporate entity. In the 1870s and 1880s growing urbanization spawned the need for more such large publicly listed companies. The need for equity capital increased during the industrial revolution and accelerated with the stock market boom of the 1920s.

After the stock market crash of 1929, the U.S. government formed the Securities and Exchange Commission (SEC). The purpose of the agency was to oversee securities market operations, promote market transparency, and investigate and prosecute the securities fraud which had prevailed prior to the fall of the stock market. In spite of these broad legal powers, the commission generally opted for self-regulation by the private sector.

This policy contributed to the post-war conglomerate movement of the 1960s and 1970s and the merger mania of the 1980s. During these eras, corporations became “portfolios of assets.” Thus, corporations were merged or split up in order to manage shareholder risk and return. Today, the U.S. corporation has come to be seen as a series of contracts between management and shareholders. In this arrangement, shareholders hire management to enhance returns. In return, management is compensated on the basis of schemes (e.g. stock options) which are tied to financial profit.

As shown in Exhibit 1, this concept of the corporation is reflected in two facets of U.S. capital market structure. First, relatively large numbers of companies list on U.S. stock exchanges. Second, relatively large numbers of shares are publicly traded. This ability to trade shares quickly decreases shareholders’ closeness with management and with the corporate entity.

Given this distance between shareholders and management, the primary purpose of audited financial statements is to provide shareholders with independently verified information concerning management’s performance. Thus, the securities laws and regulations (rather than the tax laws) provide the accounting profession with the authority to promulgate standards and apply its principles. According to these statutes all publicly listed companies must file an initial prospectus with Securities and Exchange Commission (SEC). The companies must then file

periodic quarterly and annual reports. Both the prospectus and periodic reports must contain financial statements based on GAAP approved by the SEC.

Additionally, securities laws and regulations state that financial statements must be certified by a Certified Public Accountant. In this respect, the SEC states that the auditor should meet certain criteria. First, an accountant must be independent in mind and in appearance. Secondly, an accountant must possess due professional care, i.e. he or she must be a prudent CPA. Finally, an accountant must have adequate technical training, meet educational and experience requirements, and pass the CPA exam (“Generally Accepted Auditing Standards”, AU Section 150, PCAOB)

3.0 Accounting Education in Mexico and the United States

As discussed above, Mexican management primarily uses financial information to facilitate control of companies. Also, audited publicly released financial reports are primarily used to support tax returns. By contrast, in the United States audited financial reports are primarily used to provide investors with information concerning management performance.

In order to study the possible impact of these structures on Mexican accounting education, we constructed an interview questionnaire (Appendix) regarding key aspects of the country’s accounting education. The questions focused on the country’s accounting education curriculum, professional accounting exams, and other qualification requirements of accounting professionals. During the third week of March, 2009, we traveled to Mexico City to interview key individuals involved in Mexican accounting education. The results of those interviews are provided below.

3.1 Accounting Curriculum

Accounting Curriculum in Mexico

To a large extent, the accounting education curriculum in Mexico is influenced by the National Autonomous University of Mexico (La Universidad Nacional Autónoma de México, “UNAM”). This institution was founded in 1929 as part of the country’s move toward more nationalistic political and economic policies. The purpose of the university was to provide qualified students with a world-class education, free of charge (to this day UNAM does not charge tuition). Today, the institution, which enrolls approximately 300,000 students, serves as the country’s “flagship” state university and influences curricular matters of the public universities at the state level.

In spite of this dominance, UNAM has experienced several problems over the years. For example, in the late 1960s, the university suffered violent student strikes. In the 1990s, the institution experienced a long shut down when the administration threatened to start charging tuition. Finally, in recent decades, the university has increasingly confronted competition from a growing number of private universities.

Regardless of these challenges, UNAM has continued to strongly influence the nation’s curriculum in many fields. This influence is reflected in the University’s Business Faculty (La Facultad de Contaduría y Administración, “FCA” (enrollment app. 18,000)), which sets the model accounting curriculum for many of the public universities in the country. Thus, knowledge of the FCA curriculum provides a broad overview of the curriculum throughout the nations.

In this vein, the FCA’s accounting curriculum is influenced by the FCA director, the accounting firms (“despachos”) that hire UNAM’s graduates, and the professional accounting

bodies which promulgate accounting and auditing standards. According to Dr. Nadima Simón, one of the country's premier business researchers, one of the principal goals of the accounting curriculum is to provide students with a basic knowledge of accounting, (i.e. courses in general accounting and finance) as well as a broad background in supporting classes, such as business management, economics, science, and statistics.

The process of setting the accounting curriculum, however, is subject to a political negotiation involving the Director of the FCA and FCA faculty. The FCA Director serves a four year term. During that time, the accounting curriculum is impacted by the academic preferences of the particular director in charge. One recent Director, for example, promoted a greater emphasis on business ethics in the curriculum. From the perspective of faculty, as in most business schools, individual professors attempt to preserve their individual courses. However, as emphasized by Dr. Nadima, the curriculum also depends on the "vision" of the faculty. In this respect, greater numbers of faculty are encouraging the incorporation of IFRS into the curriculum.

Professor Salvador Ruiz de Chavez, the former dean/director of the FCA at UNAM, stressed that the accounting curriculum is also highly influenced by the accounting firms (los despachos). Public accounting firms such as PricewaterhouseCoopers especially want students to obtain a deep understanding of auditing. Thus, the audit curriculum includes specialized classes in internal control, the audit opinion, financial auditing, and governmental auditing. Management of these firms is especially keen to hire students with an understanding of internal control concepts. These firms believe that a curriculum that includes only one audit course (such as in most U.S. universities) does not prepare students to be employed in public accounting [Tussie, 2009].

In addition to auditing, accounting firms have traditionally expected students to have a deep understanding of such topics as taxes, financial accounting, and ethics. Also, given the trend to international accounting harmonization, the firms are emphasizing a need for students to understand both international standards and U.S. Generally Accepted Accounting Principles (GAAP). These firms feel, however, that basic accounting concepts have never really changed and are applicable in all cases.

This recent emphasis on international standards has been reinforced by the professional bodies which promulgate accounting standards. Mexican accounting standard setting bodies influence the accounting course curriculum and students' career paths. Until recently, the Mexican Institute of Public Accountants (MIPA) was the country's main standard-setting group. These standards directly influenced the accounting curriculum in ways unique to Mexico. For example, the MIPA's well known Bulletin B-10 virtually required that every university include accounting for inflation as an integral part of the curriculum. More recently, the MIPA has become the organization which administers the country's professional exam. The contents of this exam have begun to affect course content.

The MIPA, however, has been recently replaced by the Mexican Board for the Research and Development of Financial Accounting Principles (MBRDFAP) as the country's principal standard-setter. The purpose of the MBRDFAP is to harmonize the country's financial reporting standards with international standards. The MBRDFAP has created a Research and Development Center (RDC), which is charged with researching issues related to the harmonization of Mexican financial accounting standards with International Financial Reporting Standards. As part of this process, the RDC compares Mexican standards with international standards (including IASB and FASB), identifies the differences between them, determines the reasons underlying differences,

and identifies possible areas for reconciliation. These efforts have not only resulted in the modification of several standards, but also required that the harmonized standards be made part of the curriculum.

In the context of these influences, Exhibit 2 summarizes the two major characteristics of the accounting curriculum in Mexico. First, in a reflection of the traditional emphasis on providing audits for tax purposes, the Mexican accounting curriculum places little emphasis on “general education” courses. Rather, the curriculum emphasizes providing students with several technical courses in various topics in accounting. Thus, in order to graduate from UNAM, students are required to complete 170 to 225 credits, which can usually be completed in five years (Simón and Ruiz de Chavez).

Insert Exhibit 2 Here

Secondly, students are required to complete an “exit requirement” before graduating. According to Professor Salvador Ruiz de Chavez, this requirement can be satisfied in two ways. First, students can take a comprehensive exam (“Examen general de Egreso Licenciatura”).⁵

This exam consists of written and oral parts. Under the written requirement, students can prepare a dissertation, take additional courses, or take a “written examination prepared by the school” [Ruiz de Chavez, 1995, p.3]. Once students pass the written exam, they are required to take an “oral examination with a committee consisting of three to five senior faculty members” [Ruiz de Chavez, 1995, p.3]. This committee will generally ask questions that relate to the profession. Upon completion students will be issued a certificate and an academic degree. This professional exam can only be taken after students have attained all required courses and “have rendered 480 hours of community service” [Ruiz de Chavez, 1995, p.3].⁶

As a second method for satisfying the “exit requirement” students can take additional courses. (The latter option is frequently chosen by students with lower GPAs.) Many of the additional classes offered in Mexico’s accounting curriculum are electives that are used to specialize in a major, as well as an option for students to opt out of the academic exit exam (Examen general de Egreso Licenciatura).

However, according to Professor Carmen Quirvan-Hazera, the former coordinator of UNAM’s audit faculty, since many small accounting firms do not have the resources to train prospective employees; the additional accounting courses are also used to provide students with professional preparation. Thus, the additional courses serve to supplant (or replace) the training departments of small accounting firms.

Accounting Curriculum in the United States

U.S. university curriculums have traditionally emphasized the need to provide students with a broad education and the ability to solve problems. Thus, even technical schools’ curriculums have traditionally included two years of education grounded in the liberal arts and humanities. Thus, as shown in Exhibit 2, unlike Mexico, the U.S. accounting curriculum includes greater numbers of courses outside the accounting (and business) field.

However, as in Mexico, the accounting curriculum in the United States is influenced by the accounting faculty, accounting firms, and accounting associations (including the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards Accountancy (NASBA).) Employees of accounting firms often network with university faculty members in order to recommend certain courses that will help prepare students in public accounting. Accounting firms including the BIG 4 (PricewaterhouseCoopers, Ernst & Young, Deloitte & Touche, and KPMG), encourage students to meet the 120 or 150 credit requirement in

order to sit for the CPA exam so they may begin working immediately afterward. NASBA and the AICPA both influence accounting curriculum in the United States by recommending education and/or exam requirements in each jurisdiction. For example, the AICPA recommended that some states increase the education requirements to five years or 150 credits, which can be obtained through a master's degree or additional courses. Unlike in Mexico, however, these credits do not need to be in the field of accounting. NASBA also issues the necessary applications for the CPA exam and lists all relevant exam requirements by jurisdiction.

In the United States, a bachelor's degree in accounting can be completed in four years or 120 credits. Unlike the curriculum in Mexico, students in the U.S. are only required to take one course in Audit and one in Tax. U.S. students are also required to take courses in Finance, Economics, Ethics, Business Law, Advanced accounting, Intermediate Accounting I and II, and other relevant courses in accounting and business. However, students are not required to take an academic exit exam prior to graduation nor are they required to prepare a thesis or project. Although, students who want to graduate with honors are required to complete a project or thesis in their senior year, as well as take a certain amount of honors courses.

3.2 Professional Examinations:

Professional Exams in Mexico

In Mexico there are two professional accounting examinations. One is required of all accounting students in the university in order to receive an academic degree ("título profesional"). The other is required to be taken in order to receive a professional license ("cédula profesional"). The "academic exam" includes course topics unrelated to accounting, such as economics and management [Salvador Ruiz de Chavez, 2009]. However, the "professional" examination, which is required to become a CPA (i.e. the "CPA" exam) is

focused solely on accounting topics. The requirements to sit for this CPA exam include a (Mexican) degree in accounting and five years of work experience. The broader nature of the “academic” exam (required for graduation) (i.e. the “Examen general de Egreso Licenciatura” as mentioned earlier) make that test the more difficult of the two.

The former director of the FCA at UNAM, Professor Salvador Ruiz de Chavez, influenced the creation of both these exams.⁷ The academic examination (in the school) was initially created to be used as the professional certification exam for accountants; however, the MIPA desired an exam that focused solely on accounting. Thus, the MIPA did not recognize the exam as a basis for certifying professional auditors. Thus, members of the MIPA and Professor Salvador Ruiz de Chavez eventually created a professional exam that followed the model of the United States [Salvador Ruiz de Chavez, 2009].

Finally, unlike universities in the United States, universities in Mexico do not encourage students to take the CPA exam. Rather, students take the CPA exam three years after graduation since accounting firms (‘los despachos’) encourage employees to do so. The CPA exam in Mexico is taken using pencil and paper.

Professional Exam in the United States

In contrast to Mexico, in the United States there is only one exam that is used to license professionals in the accounting field, the Uniform CPA examination. This exam is issued by one of the 54 jurisdictions in the United States including the 50 U.S. states, District of Columbia, Puerto Rico, the Virgin Islands, and Guam. Each jurisdiction has its own qualification requirements in reference to education and experience; however, most states require a minimum of 120 credits of college education in accounting and business to sit for the exam and two years of work experience in public accounting. According to NASBA, in Rhode Island, 150 credits

must be attained by either earning a graduate degree with a concentration in accounting from a “program that is accredited by an accrediting agency recognized by the Board” or by earning a “baccalaureate degree from a program accredited by an accrediting agency recognized by the Board and completed a minimum of 24 semester hours of accounting at the undergraduate or graduate level and 24 semester hours of general business courses (other than accounting) at the undergraduate or graduate level.”

Students in the United States are highly encouraged to take the CPA exam immediately after they receive their educational requirements. Professors and employers of accounting firms view the CPA as a necessary credential for a future accountant. Becoming a CPA opens many doors for future opportunities.

Finally, it is important to note that currently there is no reciprocity between the Mexican licensing requirements and the United States licensing requirements. Thus, a CPA in Mexico is not a CPA in the U.S.

3.3 Professional Associations:

In order to inhibit possible political debates or empower faculty members, universities in Mexico do not allow students to form professional associations or networking groups such as Beta Alpha Psi or Beta Gamma Sigma. However, students may become members of professional organizations that are not associated with the university, such as a ‘colegio’ within the Mexican Institute of Public Accountants [Ruiz de Chavez, 2009].

By contrast, professional associations in universities in the U.S. such as Beta Alpha Psi and Beta Gamma Sigma are highly encouraged. Beta Alpha Psi, an “international scholastic and professional accounting and financial organization,” gives students the opportunity to network with other students and prospective employers, as well as to learn more about the business

profession and its environment. The organization also gives students a chance to work in a team atmosphere, to develop leadership skills, and to get to know the college of business faculty.

Professor Henry Schwarzbach, an accounting professor at the University of Rhode Island, mentions that, “Beta Alpha Psi creates an easy entry into the accounting profession”.

3.4 Experience/Internships:

Students in Mexico do not gain professional work experience through formal internships. Typically accounting firms, such as PricewaterhouseCoopers hire ten to twenty students six months before graduation as part of the training process. Thus, students normally work part time during their last six months of schooling [Monroy, 2009].⁸

Managers at PriceWaterhouseCoopers note a disparity in the attitudes of graduates from public universities versus the attitudes of graduates from private universities. As described by a partner of PricewaterhouseCoopers, students from public universities (such as UNAM and the National Polytechnic Institute (Instituto Politécnico Nacional, IPN)) display persistent and diligent work habits. These students generally behave in a “technical” fashion. However, students from private universities (such as Tec de Monterrey or ITAM) portray an “entrepreneurship” image which reflects a desire for rapid promotion and a desire to own their own companies. As a result, many firms prefer public university graduates. It’s apparent that Mexican firms want their prospective employees to be team players that work hard, rather than employees aiming for fame and money.

In contrast to Mexico, firms in the U.S. recruit students through summer, fall or spring internships. Internships provide students with professional experience in the field and open many doors to the future. Internships also help students decide whether or not to pursue a

graduated degree in accounting. In most U.S. states, two years of work experience is required to become professionally certified.

4.0 Summary and Conclusion

Ever since the 1993 signing of the North American Free Trade Agreement, Mexican and U. S. capital markets have become increasingly financially integrated. Accordingly, the countries have increasingly studied aspects of each others' accounting professions. (E.g. standard-setting processes). In spite of these efforts, there is still a lack of understanding regarding accounting education in each nation. Accordingly, in this paper we have provided a comparison of several aspects of the training and professional certification of accountants in each nation.

In this vein, each country has a distinct concept of the corporate entity which affects the purpose of financial reporting. In the United States, shareholders contract managers to operate the corporation and enhance shareholder wealth. Thus, a company's owners are separate from its managers. As a result, the purpose of audited financial reports in the United States is to provide shareholders with an independently verified account of management's performance. In Mexico, corporations are frequently owned and operated by families. The shareholders and management are frequently bound through familial or institutional ties (e.g. boards of directors). Thus, the purpose of Mexican financial reports is to aid the managers/owners control their corporation. Correspondingly, external reports are prepared to support tax returns.

In this study, we emphasize how these differences may affect several aspects of accounting education and training. For example, in a reflection of the investor orientation of U.S. accounting, in the 1930s the CPA certification was created to train auditors to attest to the reliability of the financial statements provided by management to shareholders. In Mexico,

however, the creation of a formal CPA certification is a recent event. Also, the U.S. accounting curriculum encompasses relatively few courses which frequently emphasize the theoretical aspects of accounting. However, the Mexican curriculum includes many courses which emphasize the detailed rules and procedures of accounting.

In spite of these differences, given the move toward worldwide harmonization of accounting standards, accounting education in the two countries may be converging. For example, both countries are in the process of changing their curriculums to incorporate International Financial Reporting Standards (IFRS). Also, Mexico is moving toward a U.S. style CPA exam. However, many differences still exist between the countries' accounting education systems. Thus, further study and cooperation between educational institutions will be necessary to develop a truly North American system of accounting education.

Appendix

Academic Questionnaire: UNAM

1. What influences the courses that are taught at UNAM?
2. What is the process you go through in reviewing and evaluating your curriculum?
3. What professional associations are students associated with? Networking opportunities?
4. What influence does the MIPA have on the course curriculum and on student's career path?
5. Do you encourage students to take the professional exam?
6. What options do students have in order to receive their license/degree in accounting?
7. How many credits are needed to graduate? How many years?

Professional Questionnaire: PricewaterhouseCoopers

1. Which universities do you typically recruit from?
2. Does PricewaterhouseCoopers refer to recruit students through internships? Why?
3. Why does Mexico offer more classes in comparison to the United States? What's the history/background of this management?
4. What courses should students be taking and how many in each topic?
5. Has Mexico moved toward International standards? Why?
6. Are audits in Mexico prepared for a tax or an investment basis?
7. What role does the professional exam play in hiring and promoting employees? Is the exam part of the licensing requirements?
8. Do you believe there will be reciprocity with respect to the Mexican licensing requirements and the United States?
9. Who are the MIPA/IFRS statements filed with?
10. What's the capital structure of Mexican companies? Publicly traded or family controlling interest?

Bibliography

- Balmori, Notable Family Networks in Latin America. University of Chicago Press, Chicago, 1984
- Benedict, B. "Family Firms and Economic Development". Southwestern Journal of Anthropology, 24(1), 1-19, 1968.
- Camp, Roderic A. Entrepreneurs and Politics in Twentieth Century Mexico. Oxford University Press New York, 1989..
- Cifuentes, Carlos Llano y Héctor Zagal Arreguín. El Rescate Ético de la Empresa y el Mercado. México, D.F.:Editorial Trillas, 2001.
- DeRossi, F. The Mexican Entrepreneur. Development Centre of the Organization for Economic Cooperation and Development, Paris, 1971.
- Edwards, James Don, "The Emergence of Public Accounting in the United States, 1748-1895." 52-63.
- Financial Accounting Standards Board, Canadian Institute of Chartered Accountants, and Instituto Mexicano de Contadores Públicos. (1995). *Financial Reporting in North America*.
- Geiger, Marshall, Carmen Quirvan and Alejandro Hazera, "An International Comparison of Student Perceptions of Earnings Management Evidence of Effects of National Origin Between Mexico and the United States." Contaduría y Administración 223 (2007): 53-68.
- Hazera, Alejandro, "A Comparison of Japanese and U.S. Corporate Financial Accountability and Its Impact on the Responsibilities of Corporate Managers." Business Ethics Quarterly 5 (1995):479-497.
- Hazera, Alejandro and Carmen Quirvan Mendoza, "The Report on Financial Reporting in North America: Some Extensions from a User Orientation and the Case of Mexico" The Mid-Atlantic Journal of Business 36 (2000): 179-191.
- Hyland, Richard P. "A Fragile Prosperity: Credit and Agrarian Structure in the Cauca Valley, Colombia, 1851-87," Hispanic American Historical Review, 62,3 (1982), 369-406
- Kicza, J. E. "The Role of the Family in Economic Development in Nineteenth Century Latin America" Journal of Family History, Fall (1985), 235-246
- Lomnitz, P.-L. An American Elite Family, 1820-1980: Kinship, Class and Culture. Princeton University Press, Princeton, New Jersey, . 1987.

McGhee, Thomas and Leland G. Jordan, "A Comparison of the Continuing Education Requirements of Canada, Mexico, and the United States with a View to Harmonization of Accounting." Advances in International Accounting 13 (2000): 173-184.

Monroy, Javier and Marcos Tussie. Personal Interview. PricewaterhouseCoopers, Mexico City, Mexico. 17 Mar. 2009.

National Association of State Boards of Accountancy. NASBA
Exam Requirements, Rhode Island. 18 April, 2009.< <http://www.nasba.org/nasbaweb/NASBAWeb.nsf/wpecer?openform&stateabbrev=RI>>.

Simón, Nadima. Personal Interview. Universidad Nacional Autónoma de México, Mexico City, Mexico. 18 Mar. 2009.

Quirvan, -Hazera, Carmen. Personal Interview. Mexico City, Mexico, 17 Mar. 2009.

Ruiz de Chavez, Salvador. Personal Interview. Mexico City, Mexico. 18 Mar. 2009

Exhibit 1

Concept of the Corporation and Financial Reporting in Mexico and the United States

Description	Mexico	United States
I. Concept of the Corporation	The corporation is analogous to a large-family owned business with a small set of related owners.	The corporation is an independent entity created to enhance the wealth of many distant third party shareholders.
II Structure of Capital Market	Few companies trade shares on the Mexican Stock Exchange and most shares are owned by a small set of related investors.	Many companies trade shares on formal stock exchanges and most shares are held by independent third party investors.
III. Objective of Financial Reporting	To help family-owners control the company.	To provide independently verified financial information (regarding management's performance) to third party investors.
IV Dissemination of Audited Financial Reports	Few audited financial statements are filed with the stock exchange (or securities commission). Rather virtually all audited financial reports are prepared for tax reporting purposes and filed with the tax authorities.	Audited financial statements are prepared in accordance with securities laws and filed with the Securities and Exchange Commission.

Exhibit 2

Comparison of Accounting Education in the United States and Mexico

Description	Mexico	United States
<u>I. Curriculum</u>		
1. General Education	Fewer Liberal Arts classes are needed	Two years focused to Liberal Arts
2. Accounting Curriculum	Accounting courses focus on practice and detail in order to prepare students for the profession Numerous accounting courses specializing in audit and tax	Accounting courses focus more on theory rather than practice Fewer accounting courses required
3. Graduation Requirements (BS)		
a) Total Credits	5 years, 170 to 225 credits	4 years, 120 credits
b) Academic Exit Exams	Thesis and/or Examen general de Egreso Licenciatura*	No written exam or thesis required
<u>II. Professional Qualifications</u>		
1. Professional Examinations	Examen general de Egreso Licenciatura* and Certified Public Accountant (CPA) Examination	Standardized CPA exam
2. Professional Associations	Academic/Professional organizations are prohibited	Beta Alpha Psi and Beta Gamma Sigma
3. Experience/Internships	No internships, rather students are hired before graduation as part of the training process.	Accounting firms recruit students through internships.
a) Licensing Requirements (CPA)	5 years of work experience and Bachelor's degree in accounting	2 years of work experience and 120-150 credits**

* General Academic Exit Exam required for Graduation

**Although some states require 150 credits, most allow students to sit for the exam at 120 credits

Notes

¹ Specific instances of family firms and detailed descriptions can be seen in the discussion of the Monterrey group [Camp, 1982] and the study of the Gomez family [Lomnitz, 1987].

² Currently, the capital structure of Mexican companies includes less than 100 publicly traded companies and less than 500 publicly registered companies [Monroy, 2009].

³ The Treasury Secretariat is similar to the Internal Revenue Service or IRS in the United States.

⁴ It is important to note that currently, Mexican accounting firms do not follow International Financial Reporting Standards (IFRS); however, the goal is to prepare financial statements according to IFRS by 2012 [Monroy, 2009].

⁵ Honors students with high GPAs are generally exempt from this exam.

⁶ As part of the free tuition policy for public universities in Mexico, students are required to give back to the community, (i.e. through community service).

⁷ The Certified Public Accountant Examination of Mexico was created in the 1990s and became part of the licensing requirements for public accounting firms. The MIPA requested that tax authorities require auditors to be licensed with a CPA in order to work in public accounting and to sign tax opinions. The partner and senior manager of PricewaterhouseCoopers state that an auditor cannot provide an audit opinion for financial statements if he or she does not have a CPA. Tax statements do not necessarily need to be audited by a CPA.

⁸ English is also a major requirement of public accounting firms. Employees are required to take the TOEFL exam and receive a minimum score of 500. In order to be promoted to management, one must receive a 650 or better on the TOEFL exam. The senior manager of PricewaterhouseCoopers in Mexico City explains, "English opens many doors," thus providing many opportunities in the business world [Tussie, 2009].