

Accounting for Growth in Latin America and the Caribbean

Improving Corporate Financial Reporting to
Support Regional Economic Development

Henri Fortin

Ana Cristina Hirata Barros

Kit Cutler



THE WORLD BANK
Washington, D.C.

Contents

<i>Foreword</i>		<i>xi</i>
<i>Preface</i>		<i>xiii</i>
<i>Acknowledgments</i>		<i>xv</i>
<i>Abbreviations</i>		<i>xvii</i>
<i>Overview</i>		<i>xxi</i>
Chapter 1	Introduction and Background	1
	Importance of Accounting and Auditing for LAC's Economic Development	2
	Accounting and Auditing in the LAC Regional Economic Context	6
	International Momentum for Reform	9
	Reforming A&A in LAC: Three Success Stories	11
	Drivers of Reform in LAC Accounting and Auditing	14
	About This Book	18
	Notes	21
Chapter 2	National Corporate Financial Reporting Frameworks	23
	Completeness	24
	Coherence	30

	Adaptability	33
	Differentiation	33
	Conclusion	36
	Notes	37
Chapter 3	Preserving the Good Name of the Accounting Profession	39
	Structure of the A&A Profession	40
	Role of A&A Professional Bodies	41
	Entry Requirements: Limits of a System Based on University Accreditation	48
	Requirements to Maintain a Professional License	49
	Regulation and Oversight of the Statutory Audit Function	52
	Role of International Organizations and Regional Cooperation	56
	Conclusion	58
	Notes	58
Chapter 4	The Role of Education Systems	61
	Recent Trends in Higher Education	62
	Course Content and Quality of Accounting- Curricula	65
	Faculty and Students	70
	Conclusion	73
	Notes	76
Chapter 5	Adoption of International Accounting and Auditing Standards	77
	IFRS in LAC: Overcoming the Adopt versus Adapt Dilemma	78
	Key Challenges in IFRS Adoption	78
	Establishing a Robust Standard-Setting Framework	82
	National GAAP: An Uncertain Future	87
	IFRS for SMEs	88
	IFRS in the Financial Sector	88
	Adoption of International Standards on Auditing in LAC	90
	Conclusion	91
	Notes	92

Chapter 6	Ensuring Compliance with Accounting and Auditing Standards	95
	Few Incentives to Produce Reliable Financial Information	96
	Enforcement of Financial Reporting Requirements	98
	Enforcement of Auditing and Professional Standards	103
	Disciplinary Regimes	104
	Conclusion	107
	Notes	108
Chapter 7	A Roadmap for Reform	109
	Pillar 1: Setting Adequate Requirements	110
	Pillar 2: Developing Capacity in Accounting and Auditing	114
	Pillar 3: Enforcement	118
	The Role of the World Bank and Other Development Partners	123
	Notes	127
Appendixes		
	A About the ROSC Accounting and Auditing Program	129
	B Coverage of ROSC A&A Program in Latin America and the Caribbean	133
	C IFRS Adoption in Latin America and the Caribbean	135
	D Country Action Plans: Developing a Strategic Vision for Reform and an Agenda for Action	137
	<i>References and Other Resources</i>	143
	<i>Glossary</i>	153
	<i>Index</i>	159
Boxes		
1.1	ROSC A&A Follow-Up Activities	19
2.1	Public Interest Entities (PIEs)	25