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From the August 2008 Issue

The '80s were wonderful — unless, of course, we're discussing fashion or technology in the practice of public accounting! Fortunately, we've come a long way since then. Unfortunately (for them), our counterparts in Brazil have not.

Many of you know that I recently led a Rotary Group Study Exchange (GSE) team to Brazil. One of the benefits of the GSE program is the opportunity for “professional visits.” In Chapeco, Santa Catarina, Brazil (population 210,000), Rotarian and Contrador Luis Klanert arranged a wonderful series of meetings for me. Luis and his English-speaking university-aged son first took me to meet with Avaci Gazoni, Director of the Sindicato das Empresas de Servicos Contabeis Assessormento, Pericias, Informacoes e Pesquisas no Estado de Santa Catarina [translation: Executive Director of the CPA Society of Santa Catarina].

Avaci was very helpful and most interested in understanding the similarities and differences in how the profession is practiced in our respective countries. We compared demographics and found that while Brazil has more firms per capita than the United States, both countries have an overwhelming majority of small (fewer than 10) firms. In reviewing the state of small business in Brazil, it's easy to understand why. There are very few franchises, and most businesses are small “Mom & Pop” owner-managed style. These businesses utilize precious little technology (the more advanced retailers have just rolled out scanners and bar codes!), and most (those with annual revenues over ~\$600,000) are required by law to engage a “Contrador” (i.e., CPA). Once engaged, the Contrador (actually the firm) performs virtually all bookkeeping and accounting services. You'll find no Sarbanes-Oxley management rules here. The outside firm does EVERYTHING and at year-end issues a signed and certified “book”

that contains a printed record of EVERY transaction, including all appropriate

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My next stop was the Revenue Service, where I met Roberto Forselius, District Manager of the Brazilian Internal Revenue Service. Roberto confirmed that the IRS and CPAs in Brazil have the same “love/hate” relationship as in the United States ... with certain significant differences. The format of the “book” is prescribed by the Service, and the accountant’s license is at risk for virtually any material error. In sharp contrast with the United States, young accountants in Brazil begin their careers in private practice and aspire to land a prestigious, high-paying position with the IRS. I was surprised to hear that the Brazilians estimate a 50 percent revenue loss attributable to under-reporting and failure to file. It sorta made me feel proud to realize that they admire our success in voluntary compliance!

My last stop was at the offices of the largest firm in Chapeco — about 160 people. The firm looks exactly like a typical U.S. firm of the ’80s — two partners, six managers, about 20 seniors, and 130 clerk/data-input/bookkeepers.

Professionally licensed “Contradors” are four-year college graduates, while clerks are basically trained “on the job.” I observed no “sense of urgency” here, and everywhere I looked I saw vestiges of the “the olden days” for the profession. From a wall full of rubber stamps to rooms full of data-entry clerks, Brazil is decidedly behind the United States in the delivery of professional services. Managing Partner Vilmar Tadeu Da Silva told me that people are cheap in Brazil; and, while they are trying to advance technology, the costs are very steep. During this discussion, I heard an interesting complaint — one that I heard at a small office in Compos Novos a few weeks before and also at the Society office earlier that day. It seems that the market-leading provider in Brazil (I.O.B.) was purchased in 2000, and practitioners feel that prices have increased substantially. The purchaser? None other than the Tax &

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had the opportunity to share with and learn from them.

Obrigado, amigos!

PS: If you're not familiar with the concept of "social networking" perhaps you should consider becoming so. Back in the '90s, we had to learn about e-mail, and many practitioners scoffed when we showed them a business card including an e-mail address. Today, many are scoffing about LinkedIn, Facebook and Second Life. The AICPA recently launched LinkedIn groups for CITP and ITMS, and Tom Hood, visionary Executive Director of the Maryland Association of CPAs has become the de facto "mayor" of SLACPA (that's the Second Life Association of CPAs). Virtual communities ARE happening, and they WILL change the way we practice public accounting. I spoke on this topic (Blogs, Podcasting, and Social Networks for Accountants) at AICPA TECH+, and I'll be covering it at several other conferences, as well. Please join me if you get the chance!

Technology

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