

# Example of Education reform Initiatives: Mexico

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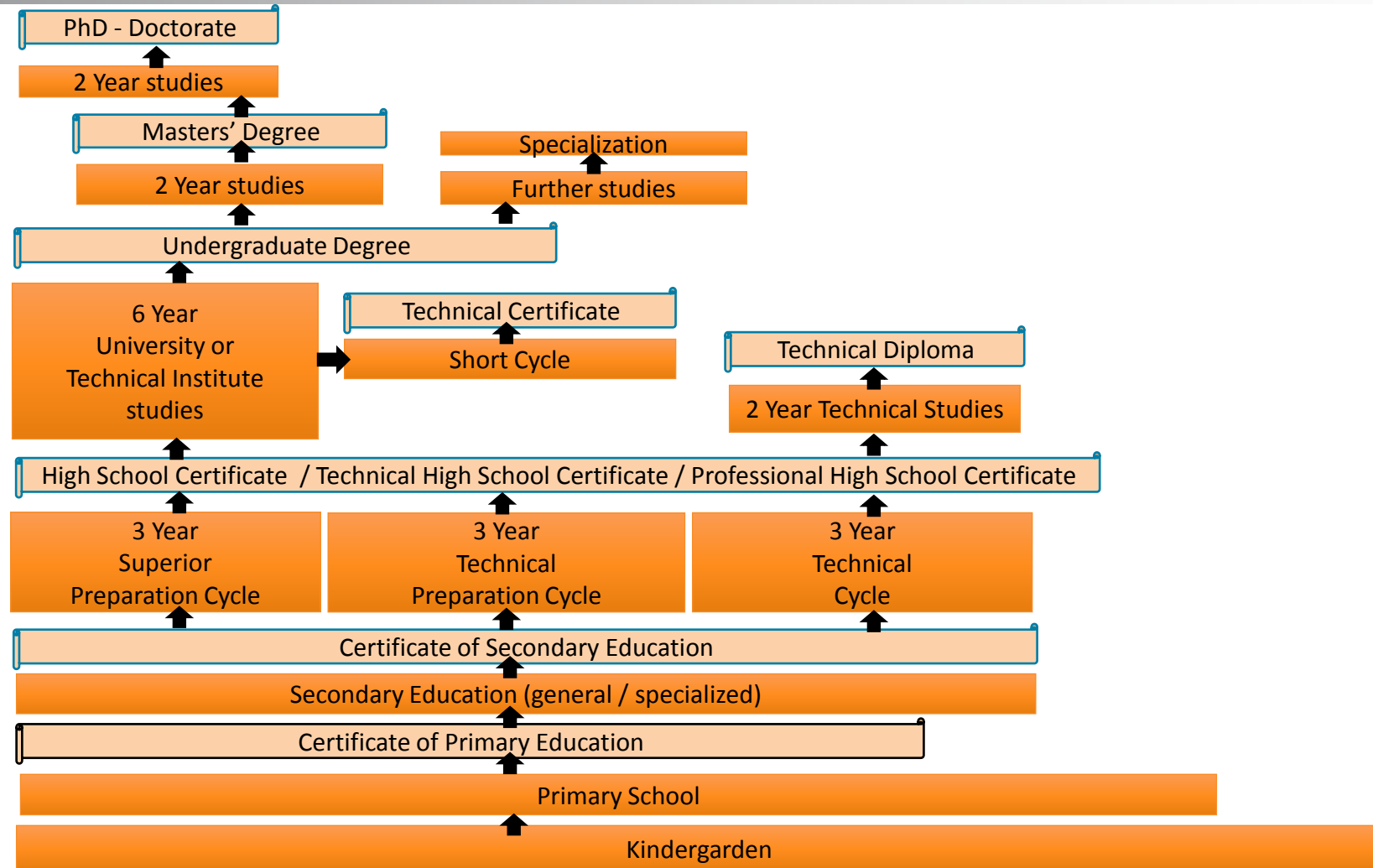


# Country and Education System Overview

# Mexico: Country and education system overview

Mexico: Country and education system overview (2012)	
Population	121,740,000 (CIA 2015 est.)
Language of Instruction	Spanish
Compulsory Education	9 years
Academic Year	September-May
Number of Schools	15,000 Secondary 61 Technological Universities (2 year) 404 Public Universities (4 year) 1,955 Private Universities
Number of Students	25,700,000 Basic Education (ages 3-14/15) 4,200,000 Secondary (14/15 to 16/17) 3,500,000 Tertiary
Tertiary Gross Enrollment Ratio	28%
Adult Literacy Rate (15+)	95% (CIA 2015)
Youth Literacy Rate (15-24)	98% (2009)
GDP on Education	5.3% (2009)
System Supervision	Secretariat of Public Education (Secretaria de Educacion Publica)

# Mexico: Country and education system overview





# Accounting and Audit regulation in Mexico



# Accounting Standards in Mexico

## » **Listed companies**

- » IFRS Standards were adopted by the Comision Nacional Bancaria y de Valores (CNBV, the National Banking and Securities Commission of Mexico) for listed companies other than financial institutions and insurance companies, effective for annual reporting periods beginning on or after 1 January 2012.
- » This applies both to entities that prepare consolidated financial statements and to entities that are not required to prepare consolidated financial statements.

## » **Financial institutions**

- » Companies within the financial and insurance sectors use Mexican Financial Reporting Standards (MFRS), plus certain requirements established by the CNBV and the National Insurance and Bonding Commission (CNSF).

## » **IFRS endorsement**

- » Companies follow IFRS Standards as issued by the IASB.
- » No endorsement process established beyond the initial CNBV regulation requiring IFRS.
- » The auditor's report asserts compliance with IFRS Standards.

## » **Accounting standards required for SMEs**

- » There are no restrictions for SMEs in Mexico to use any accounting standards, such as MFRS, IFRS Standards or US GAAP. Traditionally, MFRS has been used by most SMEs.

# Accounting and Audit regulation in Mexico

## » Accounting regulation and enforcement

### » Council for Research and Development of Financial Information Standards (CINIF)

- » Independent public/private-sector partnership patterned after FASB and IASB
- » Determines Mexican GAAP
- » Aim – align Mexican GAAP with IFRS

### » Mexican Institute of Public Accountants (IMCP)

- » Issues auditing standards through its Auditing Standards and Procedures Commission

## » Audit requirements

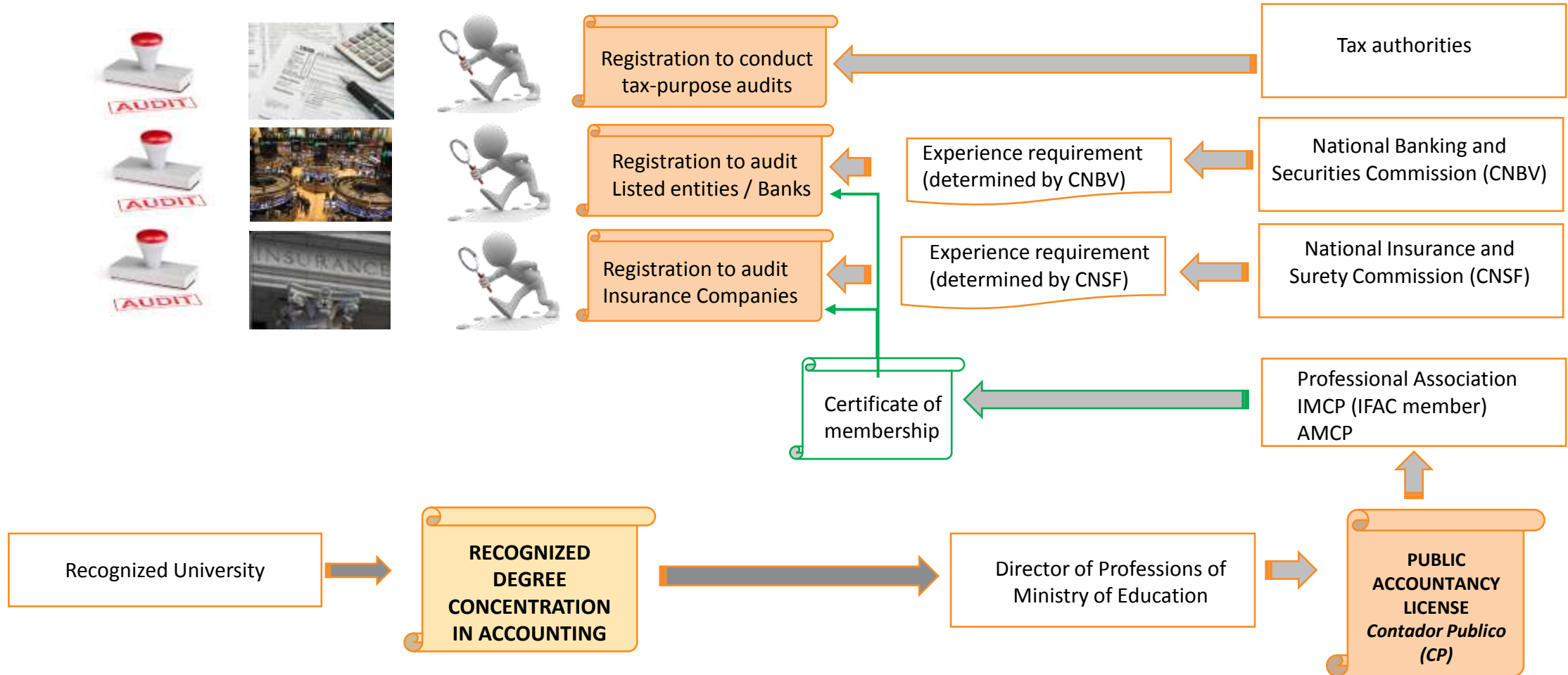
- » Audit of general-purpose financial statements is mandatory for all entities subject to the supervision of a regulatory agency.
- » Under Federal tax law, enterprises over a certain size must file their annual financial statements with the federal tax authorities together with an independent auditor's report (*dictamen fiscal*).





Process of qualification  
of accountants and  
auditors: Before the  
reforms

# Process of qualification of accountants and auditors: Before the reforms



# The catalyst for change: North American Free Trade Agreement (NAFTA)





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- » NAFTA entered into force on January 1<sup>st</sup>, 1994.
- » Article 1210: Cross border trade in professional services.
- » September 27<sup>th</sup>, 2002: Signature of a **Professional Mutual Recognition Agreement (PMRA)** that allows for accounting professionals to practice across borders in NAFTA Countries.
- » The PMRA implementation process is complicated in the US as there are 50+ boards of Accountancy that must implement it.
- » In Canada there were, at the time, 10 Provincial and three Territorial Institutes.



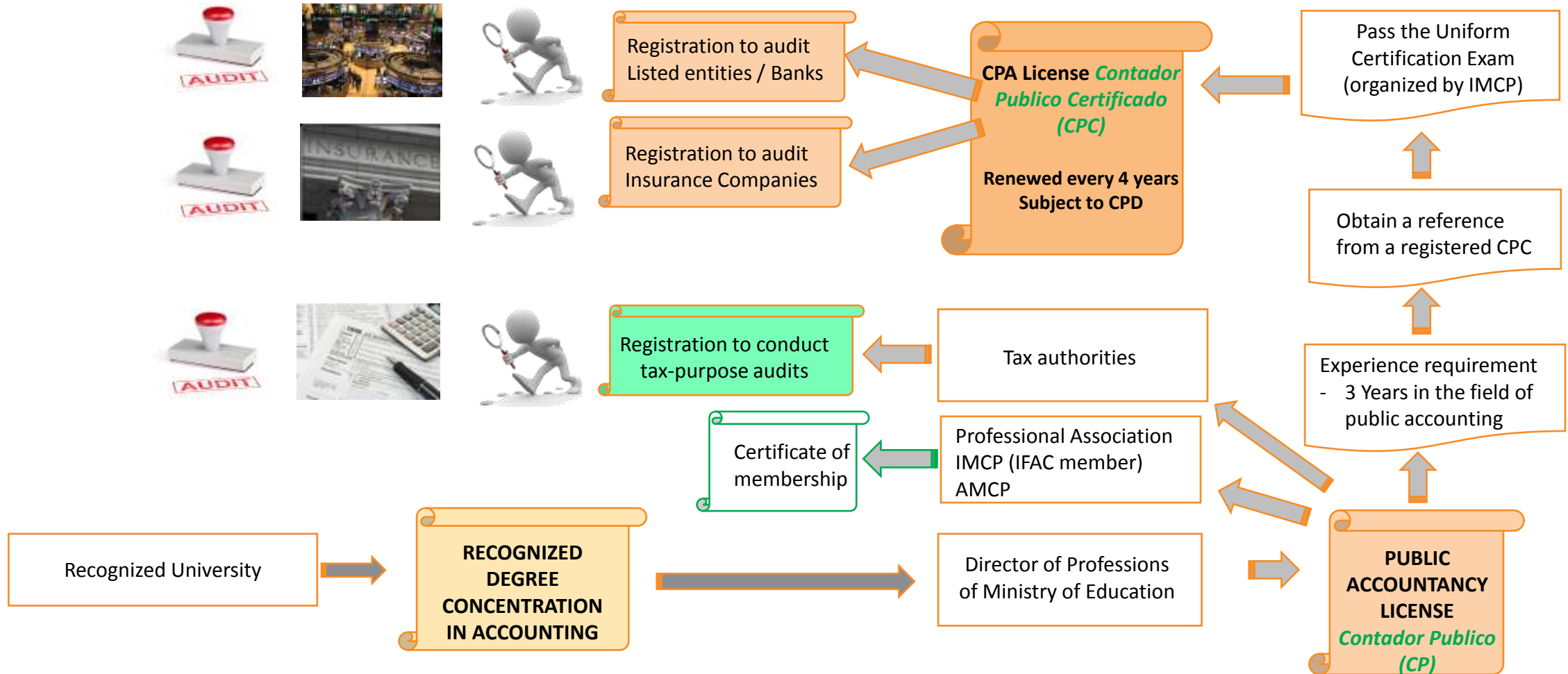
# The catalyst for change: North American Free Trade Agreement (NAFTA)

- » The elements of the PRMA were developed from the standards and criteria contained in NAFTA's Annex 1210.5 on Professional Services:
  - » **Education** – accreditation of schools or academic programs
  - » **Examinations** – qualifying examinations for licensing, including alternative methods of assessment
  - » **Experience** – length and nature of experience required for licensing
  - » **Conduct and ethics** – standards of professional conduct and disciplinary action
  - » **Professional development** and re-certification
  - » **Scope of practice** – extent of, or limitations on, permissible activities
  - » **Local knowledge** – requirements for knowledge of local laws, regulations, etc.
  - » **Consumer protection** – alternatives to residency requirements, professional liability insurance and client restitution funds



Process of qualification  
of accountants and  
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After the reforms

# Process of qualification of accountants and auditors: After the reforms





# Reforms in Mexico: lessons learnt

## » Change requires

- » Incentives: NAFTA

- » Collaboration: Working with regulatory agencies to meet their needs

- » Flexibility:

  - » Grandfathering

  - » IMCP legal status

  - » Tax audits not addressed

- » A gradual approach

  - » The Uniform Certification Exam not initially compliant with International Best Practices



Thank you / Muchas  
gracias!

