

III. Professional Infrastructure

This chapter describes the professional accountancy infrastructure in Mongolia, which comprises the Mongolian Institute of Certified Public Accountants (MICPA) and its members. The chapter is structured as follows:

- 1 –Introduction
- 2 –The Certified Public Accountant (CPA) Title – describes the development and the current status of the CPA title.
- 3 –Mongolian Institute of Certified Public Accountants – describes the legal framework, membership, and activities of MICPA.
- 4 –Mongolian Professional Accounting Council (MPAC) – describes the legal status and operations of MPAC.
- 5 –Continuing Professional Education (CPE) – describes continuing professional education arrangements.
- 6 –Initiatives to Strengthen the Profession – discusses initiatives to strengthen the profession.

1. Introduction

Because of Mongolia's state of development before 1922, and the ensuing seven decades of communism and central planning, Mongolia had no accountancy profession before 1992. In 1993, the National Association of CPAs was established and became MICPA in March 1996. MICPA was admitted to membership of the Confederation of Asian and Pacific Accountants (CAPA) in April 2000 and sees this as a step towards membership of the International Federation of Accountants (IFAC).

Three bodies are involved in the regulation and organization of Mongolia's accountancy profession: MICPA, MPAC, and the Accounting Division of MOFE. Table 2 describes respective organizational roles and responsibilities.

PROFESSIONAL INFRASTRUCTURE

Table 2: Organizational Roles and Responsibilities

Roles and Functions	MICPA	MOFE	
		MPAC	Accounting Division
Membership			
• Membership-based organization	✓
CPA Examination			
• Curriculum determination	Advises	✓	..
• Examination preparation	Advises	✓	..
• Examination administration	..	✓	..
• Examination grading	..	✓	..
CPA Candidate Preparation			
• Training courses	..	✓	..
CPA Titles			
• Grants CPA titles	..	✓	..
• Records CPA titles	..	✓	..
Auditing Firm Licenses			
• Receives and processes applications	..	✓	..
• Recommends to Minister for Finance and Economy	..	✓	..
• Maintains database of CPA firms	..	✓	..
CPA Professional Ethics			
• Drafts standards	✓
• Controls professional ethics	..	✓	..
Continuing Professional Education			
• Conducts training	✓	✓	✓

2. The Certified Public Accountant (CPA) Title

The *Accounting Law 1993* established MPAC, whose chairperson reports directly to the Minister for Finance and Economy. The Law gave MPAC the authority to administer the professional accounting examinations that qualify accountants as CPAs. The inaugural CPA examinations were administered by MPAC in accordance with the *Accounting Law 1993* in July 1993, but these examinations were prepared and graded by non-

CPAs. The syllabus, on which candidates were examined, did not include auditing.

The *Auditing Law 1997* tightened up the process for granting CPA titles and requires that accountants pass a three-stage examination (Table 3 refers). CPAs do not have to meet continuing professional education requirements to retain the title.

Table 3: CPA Examination Stages

CPA Examination	Status of CPA Title
Stage I	Candidates must have a degree in accounting. The CPA title is granted once a candidate passes this first examination – they are then permitted to conduct audits. The CPA title remains valid for two years by which time candidate must have passed second stage examination.
Stage II	CPA title is valid for another five years by which time candidate must have passed the third stage examination.
Stage III	Once the third examination is passed, and candidates can demonstrate 'suitable' practical experience, the CPA title is valid for life.

3. Mongolian Institute of Certified Public Accountants

Legal Framework

While the *Accounting Law 1993* and the *Auditing Law 1997* implicitly recognize the existence of MICPA, it has no explicit legal right to charge membership fees, nor does it have a legal right to issue accounting or auditing standards, or grant CPA titles.

Membership and Activities

MICPA had 366 members as at 31 December 1999. Females and males are represented equally; 116 members worked in the public sector (Central Government, local government and State enterprises), the other 250 worked in the private sector. Excluding honorary memberships (of which there are two), MICPA has only one membership category – that of CPA. MICPA works closely with MPAC and the Accounting Division

of the MOFE (it shares offices with MPAC). Links have been established through CAPA with the Korean and Japanese accounting professions but these relationships have yet to provide direct benefits.

MICPA has an active education campaign, including a media campaign, to improve public awareness of accountancy issues. The Institute publishes the fortnightly *Financial News* and the *Quarterly Journal on Accounting and Auditing*. These publications keep members and businesses updated on current professional issues. As membership fee payments are voluntary, 96 percent of the MICPA's revenues are derived from commercial activities (Table 4 refers).

Table 4: MICPA Revenues for the year ended 31 December 1999¹⁶

Revenue Type	T 000s	US\$
Membership fees	1,545	1,545
Training activities	31,354	31,354
Other income (primarily from sales of textbooks and manuals)	3,057	3,057
	35,956	35,956

Structure and Committees

Members elect the President of MICPA once every four to five years. In addition to the President, the Institute has four professional staff and 11 part-time support staff. The Institute carries out its activities under a four-committee system:

- I. Ethics Committee
- II. Training Committee
- III. Accountancy Committee, and
- IV. Audit Committee.

The role of the Ethics Committee is to: (i) administer and update the CPA code of professional ethics; (ii) supervise the observation of the CPA Code of Ethics; (iii) maintain the registry of CPAs and audit firms; (iv) preside over, and make conclusions on, breaches of ethics by CPAs and audit firms; (v) respond to member's submissions on ethical breaches; (vi) provide regional chapters with appropriate management; and (vii) consider membership fee issues. MICPA's Code of Ethics was

¹⁶ MICPA. 2000. *Annual Report for the year ended 31 December 1999*.

developed and approved in 1997 with ADB support.¹⁷ The Code of Ethics has provisions relating to penalties, membership suspension and membership cancellation. Three members have been disciplined in the past five years.

The role of the Training Committee is to: (i) review the training curriculum and syllabus of universities, institutions, and colleges that provide accounting training, and to make recommendations to relevant bodies; (ii) develop programs and schedules for training seminars aimed at preparing accountants for the CPA examination; (iii) keep CPAs updated on current professional issues; (iv) develop CPA examination procedures and submit proposals to the MOFE and MPAC for consideration; (v) assist accountants preparing for the CPA examination by providing manuals and other materials; (vi) organize the writing, translating, and publishing of single-theme works and textbooks on accountancy; and (vii) plan the publication of Institute's periodicals and provide editorial guidance.

The role of the Accountancy Committee is to: (i) prepare proposals on the development and improvement of accounting standards and submit these to MOFE and MPAC for consideration; (ii) introduce accounting standards to business entities in conjunction with related bodies; (iii) develop instructions, manuals, other materials on financial, cost and managerial accounting and management advisory services, and to submit these to MOFE and MPAC for approval and distribute these to the general public; (iv) coordinate with MOFE and MPAC in respect of improving standards and instructions on financial statements for both government and nongovernmental organizations; (v) manage the preparation, translation, and publication of textbooks and manuals on financial, cost and managerial accounting, accounting information systems, and financial management; and (vi) prepare other information for members.

The role of the Audit Committee is to: (i) develop audit engagement standards and submit these to MOFE and MPAC for consideration and approval; (ii) supervise the audit engagement activities of audit firms; (iii) oversee the charges of audit firms; (iv) communicate with Securities Commission, the Stock Exchange and broker firms; (v) investigate disputes arising from audit engagements

¹⁷ TA No. 2390-MON: *Strengthening the Accounting and Auditing Profession*, for \$600,000, approved in September 1995.

and submit comments on these disputes to MOFE and MPAC for consideration; (vi) organize seminars on methodological issues for audit firms; (vii) produce manuals and other required materials on internal-control issues; (viii) organize tax advisory services for organizations and individuals and encourage the development of these services; and (ix) inform members of legislative changes.

4. Mongolian Professional Accounting Council (MPAC)

MPAC was established by the *Accounting Law 1993* to regulate the accounting profession, license accounting firms and improve the accountancy profession. Chapter 31 of the *Auditing Law 1997* states that there is to be a permanent chairperson and six members. The Chairperson and members are appointed for up to five years. The Council's functions are to: (i) recommend standards for accounting and auditing; (ii) review the CPA curricula; (iii) prepare CPAs for their exams; (iv) prepare CPA exams; (v) conduct CPA exams; (vi) grant CPA titles; (vii) record CPA titles; (viii) process and review auditing licenses and make recommendations to the Minister; (ix) maintain a database on auditing companies; and (x) control professional ethics.

5. Continuing Professional Education (CPE)

CPE is provided by both MICPA and MPAC. There is no set program, nor are there set requirements for CPAs. However, MICPA is in the process of developing a program for CPE.

6. Initiatives to Strengthen the Profession

ADB has provided two Technical Assistance grants to establish and to strengthen Mongolia's accountancy profession. Chapter VII provides detailed information on these grants. In summary:

- TA No. 2390-MON: *Improving Accounting and Auditing Systems*¹⁸, assisted MICPA to develop Articles of Association, By-laws, and a Code of Professional Ethics.
- TA No. 2964-MON: *Improving Accounting and Auditing Systems II*¹⁹ activities included:

¹⁸ For \$600,000, approved in September 1995.

¹⁹ For \$688,000, approved in December 1997.

- preparing 34 accountants for international standard CPA examinations and conducting these examinations; 18 candidates passed the examinations. As at 31 October 2000, MPAC had yet to grant the CPA title to the 18 successful candidates.
- Assisting MICPA. Supporting activities involved developing policies, rules, and regulations on the preparation, administration, and grading of CPA examinations; and a study tour for accounting personnel to examine Asian professional organizations

These TAs also included other significant components such as the development of accounting and auditing laws, training, and textbook procurement and translation.