

## **Matter for 'Know Your Ethics' – May, 2014 issue of the CA Journal**

### **Q. Can the goodwill of a proprietary firm of Chartered Accountant, after his death be sold/transferred to another eligible member of the Institute?**

**A.** Yes, the Council of the Institute considered the issue whether the goodwill of a proprietary firm of Chartered Accountant can be sold/ transferred to another eligible member of the Institute, after the death of the proprietor concerned and came to the view that the same is permissible. Accordingly, the Council passed the following resolution with a view to mitigate the hardship generally faced by the families after the death of such proprietors, subject to following conditions :

(a) in respect of cases where the death of the proprietor concerned occurred on or after 30.8.1998.

Provided such a sale is completed/effected in all respects and the Institute's permission to practice in deceased's proprietary firm name is sought within a year of the death of such proprietor concerned. In respect of these cases, the name of the proprietary firm concerned would be kept in abeyance (i.e. not removed on receipt of information about the death of the proprietor as is being done at present) only up to a period of one year from the death of proprietor concerned as aforesaid.

(b) in respect of cases where the death of the proprietor concerned occurred on or after 30.8.1998 and there existed a dispute as to the legal heir of the deceased proprietor.

Provided the information as to the existence of the dispute is received by the Institute within a year of the death of the proprietor concerned. In respect of these cases, the name of proprietary firm concerned shall be kept in abeyance till one year from the date of settlement of dispute.

(c) in respect of cases where the death of the proprietor concerned had occurred on or before 29th August, 1998 (irrespective of the time lag between the date of death of the proprietor concerned and the date of sale/transfer of goodwill completed/to be completed). Provided such a sale/transfer is completed/effected and the Institute's permission to practice in the deceased's proprietary firm name is sought for by 28th August, 1999 and also further provided that the firm name concerned is still available with the Institute."

### **Q. Can a member publish a change in partnership or change in the address of practice and telephone numbers?**

**A.** Yes, a member can publish a change in partnership or change in the address of practice and telephone numbers. Such announcements should be limited to a

bare statement of facts and consideration given to the appropriateness of the area of distribution of the newspaper or magazine and number of insertions.

**Q. Can a member act as an Insurance Surveyor?**

**A.** As per Appendix (9) of the Chartered Accountants Regulations, 1988, a member of the Institute in practice is generally permitted to act as a Surveyor and Loss Assessor under the Insurance Act, 1938 provided they are otherwise eligible and can perform attest functions.

**Q. Whether the members are required to intimate his website address to the Institute?**

**A.** No, members are not required to intimate the Website address to the Institute. However, the Website has to comply with the Guidelines issued by the Institute in this regard.

**Q. Can a Concurrent Auditor of a Bank also undertake the assignment of quarterly review of the same bank?**

**A.** No, the Concurrent audit and the Assignment of quarterly review of the same entity cannot be taken simultaneously as the concurrent audit is a kind of internal audit and the quarterly review is a kind of statutory audit. It is prohibited in terms of the 'Guidance Note of Independence of Auditors'.

**Q. Can a member act as a Insurance Agent and arrange business for Insurance company?**

**A.** No, members are permitted to render Insurance Financial Advisory services. It is not permissible to the members to do any kind of marketing and business procurement for any insurance company. These services should remain limited to professional services in the form of advisory and consultancy services.

**Q. Can a member or firm advertise his/its services?**

**A.** Yes, in a restricted manner within the provisions of the Advertisement Guidelines issued by the Council on 14th May, 2008.

**Q. Can a member holding Certificate of Practice is entitled to own Agricultural land and continue agricultural activity?**

**A.** Yes, member holding Certificate of Practice can own and hold agricultural land and continue agricultural activity.

**Q. What are the Fundamental Principles which a Professional Accountant is required to comply?**

- A.** A professional accountant is required to comply with the following fundamental principles:
- (a) Integrity
  - (b) Objectivity
  - (c) Professional Competence and Due Care
  - (d) Confidentiality
  - (e) Professional Behaviour

**Q. What is the Conceptual Framework Approach?**

- A.** It is a framework that requires a professional accountant to identify, evaluate and address threats to compliance with the fundamental principles, rather than merely comply with a set of specific rules.
- Professional accountants are required to apply this conceptual framework to identify threats to compliance with the fundamental principles, to evaluate their significance and, if such threats are other than clearly insignificant than to apply safeguards to eliminate them or reduce them to an acceptable level such that compliance with the fundamental principles is not compromised.

**Q. What are the threats involved while complying with the fundamental principles?**

- A.** Compliance with the fundamental principles may potentially be threatened by a broad range of circumstances. Many threats fall into the following categories:
- (a) Self-interest threats
  - (b) Self-review threats;
  - (c) Advocacy threats;
  - (d) Familiarity threats;
  - (e) Intimidation threats.

**Q. What are the available safeguards that may eliminate or reduce the threats at an acceptable level?**

- A.** Safeguards that may eliminate or reduce such threats to an acceptable level fall into two broad categories:
- (a) Safeguards created by the profession, legislation or regulation; and
  - (b) Safeguards in the work environment.

**Q. What is Ethical Conflict Resolution?**

**A.** Ethical conflict resolution means to resolve a conflict in the application of Fundamental principles while evaluating compliance with the fundamental principles.

**Q. What is a Client Acceptance, Engagement Acceptance and Changes in Professional Appointment?**

**A.** Section 210 of Part - A of the Code of Ethics, 2009 edn. deals with Professional Appointment:

(a) Client Acceptance – Under this a professional accountant in public practice should consider, before accepting a new client relationship, whether acceptance would create any threats to compliance with the fundamental principles.

(b) Engagement Acceptance - A professional accountant in public practice should agree to provide only those services that the professional accountant in public practice is competent to perform.

(c) Changes in Professional Appointment - A professional accountant in public practice who is asked to replace another professional accountant should determine whether there are any reasons, professional or other, for not accepting the engagement, such as circumstances that threaten compliance with the fundamental principles. It shall require direct communication with the existing accountant to establish the facts and circumstances behind the proposed change so that the professional accountant in public practice can decide whether it would be appropriate to accept the engagement.

Under all the 3 circumstances, the significance of any threats should be evaluated. If identified threats are other than clearly insignificant, safeguards should be considered and applied as necessary to eliminate them or reduce them to an acceptable level. Where it is not possible to reduce the threats to an acceptable level, a professional accountant in public practice should decline to enter into the client relationship.

\*\*\*\*\*