

**Matter for 'Know Your Ethics' –January, 2016 issue of the CA Journal**

**Q. Whether a Chartered Accountant or a firm of Chartered Accountants can charge or offer to charge professional fees based on a percentage of turnovers?**

**A.** No, in terms of Clause (10) of Part I of First Schedule to the Chartered Accountants Act, 1949 it is not permitted to a Chartered Accountant or a firm of Chartered Accountant to charge fees on a percentage of turnover, except in the circumstances provided under Regulation 192 of the Chartered Accountants Regulations, 1988.

"192. Restriction on fees

No Chartered Accountant in practice shall charge or offer to charge, accept or offer to accept, in respect of any professional work, fees which are based on a percentage of profits, or which are contingent upon the findings, or results of such work:

Provided that:

(a) in the case of a receiver or a liquidator, the fees may be based on a percentage of the realization or disbursement of the assets;

(b) in the case of an auditor or a co-operative society, the fees may be based on a percentage of the paid up capital or the working capital or the gross or net income or profits; and

(c) in the case of a valuer for the purposes of direct taxes and duties, the fees may be based on a percentage of the value of the property valued.

(d) in the case of certain management consultancy services as may be decided by the resolution of the Council from time to time, the fees may be based on percentage basis which may be contingent upon the findings, or result of such work;

(e) in the case of certain fund raising services, the fees may be based on a percentage of the fund raised;

(f) in the case of debt recovery services, the fees may be based on a percentage of the debt recovered;

(g) in the case of services related to cost optimization, the fees may be based on a percentage of the benefit derived; and

(h) any other services or audit as may be decided by the Council.

**Q. Whether a member in practice is allowed to become whole-time director of a company?**

**A.** No, members are not allowed to become whole-time director of a company generally. However, a member in practice may become a managing director or a whole-time director of a body corporate within the meaning of the Companies Act, subject to the Council Guidelines of Corporate Form of practice .

**Q. Can a Chartered Accountant in practice disclose information acquired in the course of his professional engagement?**

**A.** No, as per Clause (1) of Part I of Second Schedule to the Chartered Accountants Act, 1949 a Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he discloses information acquired in the course of his professional engagement to any person other than his client so engaging him, without the consent of his client or otherwise than as required by any law for the time being in force.

**Q. Whether a Chartered Accountant in practice is entitled to accept teaching assignment?**

**A.** Yes, a Chartered Accountant in practice is allowed to accept teaching assignment in university, affiliated colleges, educational institution, coaching organization, private tutorship, provided the direct teaching hours devoted to such activities taken together do not exceed 25 hours a week with, effect from 1.4.2005.

**Q. Whether a member in practice will be liable if he fails to obtain sufficient information to warrant the expression of an opinion or his exceptions are sufficiently material to negate the expression of an opinion?**

**A.** Yes, as per Clause (8) of Part I of Second Schedule to the Chartered Accountants Act, 1949 a member in practice shall be deemed to be guilty of professional misconduct, if he fails to obtain sufficient information to warrant the expression of an opinion or his exceptions are sufficiently material to negate the expression of an opinion.

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