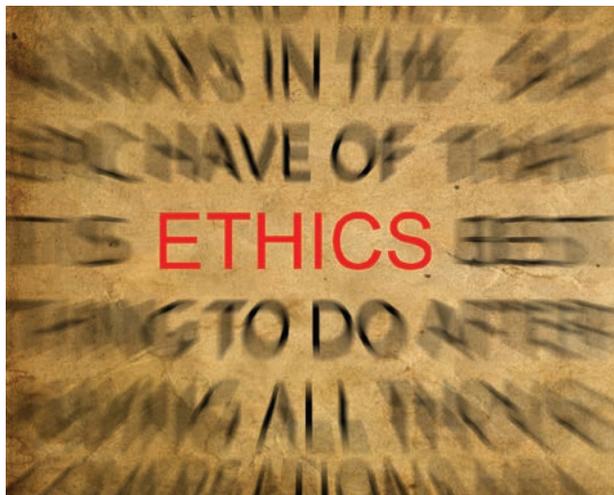


# Know Your Ethics

Ethical Issues in Question-Answer Form\*



**Q. Whether a member in practice can be a director of a company?**

A. Yes. A member in practice is permitted generally to be a Director *Simpliciter* in a company, provided he is not a Managing Director or Whole-time Director. He should not be engaged in day to day affairs of the company, required only in the Board Meetings of the company, and not paid any remuneration except for attending such meetings.

**Q. Can a Chartered Accountant in Service accept or agree to accept any part of fees, profits or gains from a lawyer, a Chartered Accountant or broker engaged by such company, firm or person or agent or customer of such company, firm or person by way of commission or gratification?**

A. No, Clause (2) of Part II of First Schedule to the Chartered Accountants Act, 1949, prohibits a member in service from accepting or agreeing to accept any part of fees, profits or gains from a lawyer, a Chartered Accountant or broker engaged by such company, firm or person or agent or customer of such company, firm or person by way of commission or gratification.

**Q. Whether a member of the Institute shall be deemed to be guilty of professional misconduct, if he does not supply the**

**information called for, or does not comply with the requirements asked for, by the Institute?**

A. Yes, a member of the Institute shall be deemed to be guilty of professional misconduct if he does not supply the information called for, or does not comply with the requirements asked for by the Institute. (As per Clause (2) of Part-III of the First Schedule to the Chartered Accountants Act, 1949).

**Q. Whether a Chartered Accountant in practice can engage in any business or occupation other than the profession of Chartered Accountancy?**

A. No, in terms of Clause (11) of Part I of First Schedule to the Chartered Accountants Act, 1949 in general a Chartered Accountant in practice is not permitted to engage himself in any business or occupation other than the profession of Chartered Accountants. However, there are following exceptions to it:-

- (i) A Chartered Accountant can be a Director of a Company (not being a Managing Director or Whole-Time Director), unless he or any of his partners is interested in such company as an auditor [Proviso to Clause (11)].
- (ii) A Chartered Accountant in practice may engage in any business or occupation with the permission granted in accordance with a Resolution of the Council. Appendix-9 to the Chartered Accountants Regulations, 1988 contains the above resolution under two heads (A) permission granted generally and (B) permission to be granted specifically.

**Q. Whether the member in practice can permit his name or the name of his firm to be used in connection with an estimate of earnings contingent upon future transactions in a manner which may lead to the belief that he vouches for the accuracy of the forecast?**

A. No, under Clause (3) of Part-I of the Second Schedule to the Chartered Accountants Act,

\* Contributed by the Ethical Standards Board of ICAI

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# Know Your Ethics

1949, a member in practice cannot permit his name or the name of his firm to be used in connection with an estimate of earnings contingent upon future transaction in a manner which may lead to the belief that he vouches for the accuracy of the forecast. However, the Council has decided that a Chartered Accountant can participate in the preparation of profit or financial forecasts and can review them, provided he indicates clearly in his report the sources of information, the basis of forecasts and also the major assumptions made in arriving at the forecasts and so long as he does not vouch for the accuracy of the forecasts. The Council has further opined that the same opinion would also apply to projections made on the basis of hypothetical assumptions about future events and management actions which are not necessarily expected to take place so long as the auditor does not vouch for the accuracy of the projection.

## Q. Whether a Chartered Accountant in practice be settlor of Trust?

A. It is permissible for a Chartered Accountant is permitted to be settlor of a Trust.

## Q. Whether a Chartered Accountant in service can appear/represent before the Tax Authorities on behalf of other employees of the company?

A. A Chartered Accountant in service may appear as tax/represent before tax authorities on behalf of the employer, but not on behalf of the employees of the Company.

## Q. Whether a Chartered Accountant in practice can list his firm on Just Dial online portal ?

A. Yes, a Chartered Accountant in practice may get himself/ his firm listed on 'Just Dial' within the Guidelines laid down by the Council as under:-

*"(c) Publication of Name or Firm Name by Chartered Accountants in the Telephone or other Directories published by Telephone Authorities or Private Bodies*

*The Council has held that it would not be proper for a Chartered Accountant to have entries made in a Telephone Directory either by making a special request or by means of an additional payment. The Council has also considered the question of permitting entries in respect of Chartered Accountants and their firms under specified groups in telephone/trade directories brought out by government and non-government agencies. It has decided to permit such entries subject to the following restrictions:-*

1. *The entry should appear in the section/category of 'Chartered Accountants.'*
2. *The member/firm should belong to the town/city in respect of which the directory is being published.*
3. *The entry should be in normal type of letters. Entry in bolder type or abnormal type of letters or in a box is not permissible.*
4. *The order of the entries should be alphabetical and logical.*
5. *The entry should not appear in a manner giving the impression of publicity/advertisement. Entry should not be given in a manner which gives prominence to it as compared to other entries.*
6. *The payment, if any, for the entry should not be unreasonable.*
7. *The entries should not be restricted and should be open to all the Chartered Accountants/firms of Chartered Accountants in the particular city/town in respect whereof the directory is published.*
8. *Subject to the above conditions, the members can also include their names in trade directories which are published and/or otherwise available such as electronic media e.g. internet, telephone services like "Ask Me Services" etc." ■*

### Corrigendum

The answer to the question at serial number 7 of "Know Your Ethics" published on page 108 in July, 2017 issue of *The Chartered Accountant* journal, "**Whether a Member of the Institute shall be deemed to be guilty of professional misconduct, if he includes in any statement, return or form to be submitted to the Council any particulars knowing to be false?**", inadvertently referred to Clause(3) of Part III of the First Schedule to the Chartered Accountants Act, 1949, which should be read as Clause(3) of Part II of the Second Schedule to the Chartered Accountants Act, 1949.