

RULES OF PROFESSIONAL CONDUCT

RELATIONS WITH CLIENT AND PUBLIC

RULE NO. 1: CONFIDENTIALITY

A member shall not violate the confidential relationship between himself and his client or former client.

RULE NO. 2: CONTINGENT FEES

Professional service shall not be rendered or offered for a fee which shall be contingent upon the finding or result of such service. This rule does not apply to cases involving federal, state, or other taxes in which the findings are those of the tax authorities and not those of the member. Fees to be fixed by courts or other public authorities, which are therefore of an undetermined amount at the time the engagement is undertaken, are not regarded as contingent fees within the meaning of this rule.

RULE NO. 3: INDEPENDENCE

A member or a firm of which he is a partner or shareholder shall not express an opinion on financial statements of an enterprise unless he and his firm are independent of such enterprise. Accordingly, a member shall not express an opinion on financial statements of an enterprise financed in whole, or in part, by public distribution of securities or on financial statements for the use as a basis of credit if he or a member of his immediate family owns or is committed to acquire a substantial financial interest in the enterprise, or during the period covered by the examination he has been a director, officer, or employee of the enterprise unless such interest or relationship is disclosed in the report.

OPERATING PRACTICES

RULE NO. 4: USE OF FIRM NAME

A member shall not allow any person to practice in his corporate, partnership, or individual name who is not a partner, professional corporation co-shareholder, or in his employ.

RULE NO. 5: CONFLICT OF INTEREST

A member who is engaged in the practice of public accounting shall not concurrently engage in any business or occupation which would create a conflict of interest in rendering professional services.

TECHNICAL STANDARDS

RULE NO. 6: FINANCIAL STATEMENTS

In expressing an opinion on representations in financial statements which he has examined, a member shall:

- (a) Acquire sufficient information to warrant the expression of an opinion, or if his exceptions are sufficiently material to negate the expression of an opinion, he shall clearly disclaim an opinion;
- (b) Disclose any material fact known to him, the disclosure of which is necessary to make financial statements not misleading;
- (c) Report any material mis-statement known to him to appear in the financial statement; and
- (d) Direct attention to any material departure from generally accepted auditing procedures applicable in the circumstances.

RULE NO. 7: RESPONSIBILITY FOR WORK

A member shall not sign a report purporting to express his opinion as the result of an examination of financial statements, unless they have been examined by him, or by a member or employee of his firm.

RULE NO. 8: FORECAST

A member shall not permit his name to be used in conjunction with any special purpose statement prepared for his clients that anticipates results of the future operation, unless he discloses the source of the information used and what assumptions he has made, and unless he does not vouch for the accuracy of the forecast.

PROMOTIONAL PRACTICES

RULE NO. 9: COMMISSIONS

A member shall not pay a commission to obtain a client, nor shall he accept a commission for a referral to a client of products or services of others.

RULE NO. 10: ADVERTISING AND SOLICITATION

A member shall not seek to obtain clients by advertising or other forms of solicitation in a manner that is false, misleading, or deceptive. Solicitation by the use of coercion, overreaching, or harassing conduct is prohibited.

RULE NO. 11: FIRM NAMES

A member in practice as an individual shall not use a firm name or plural term as “and company” or “and associates” or any other designation indicating anything other than individual ownership.

RULE NO. 12: PROFESSIONAL REFERRALS

A member who receives an engagement for services by referral from another accountant shall not discuss or accept an extension of his services beyond the specific engagement without first consulting with the referring accountant.

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