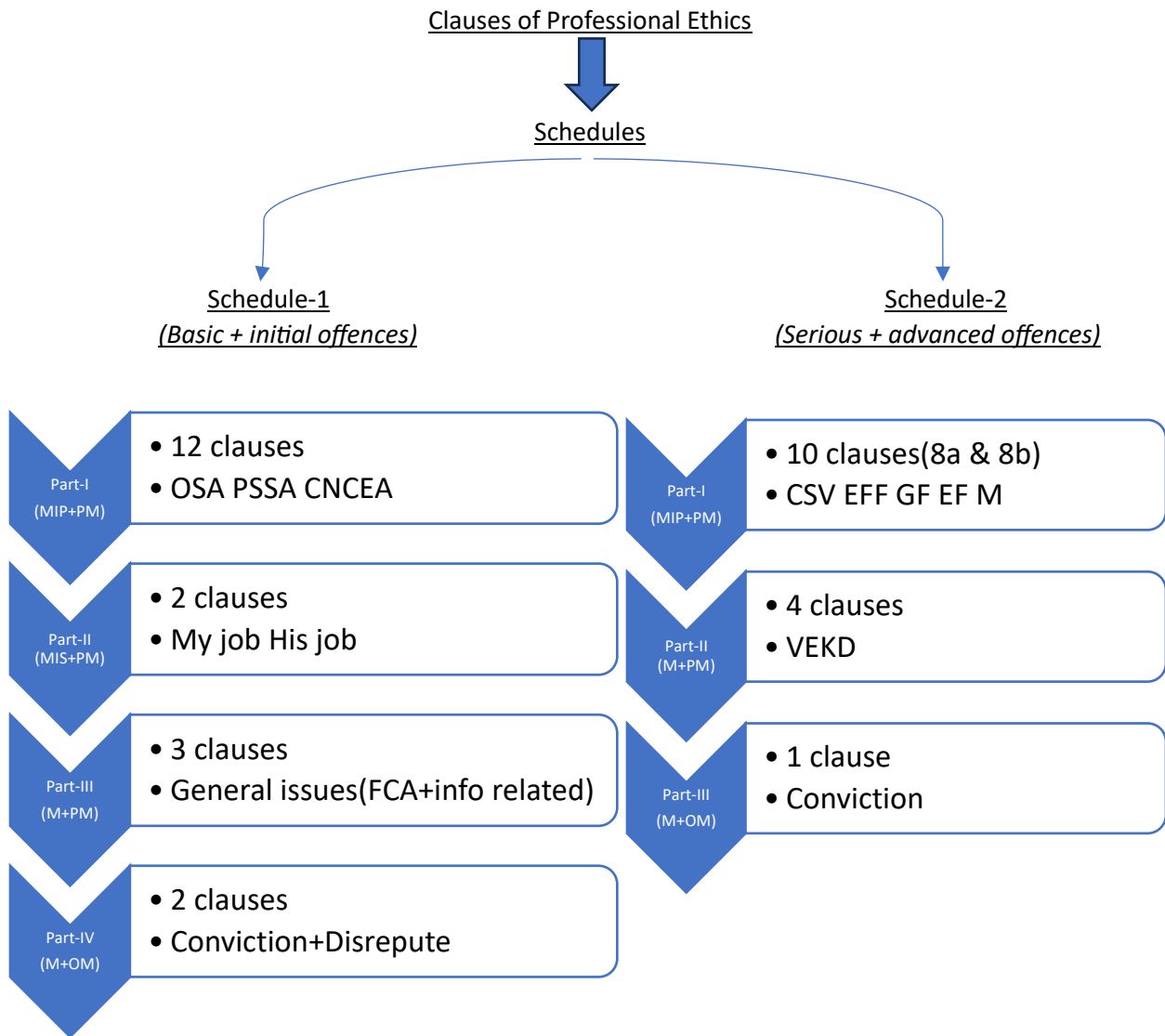


## **CA Final Audit Professional ethics (Summary notes)**

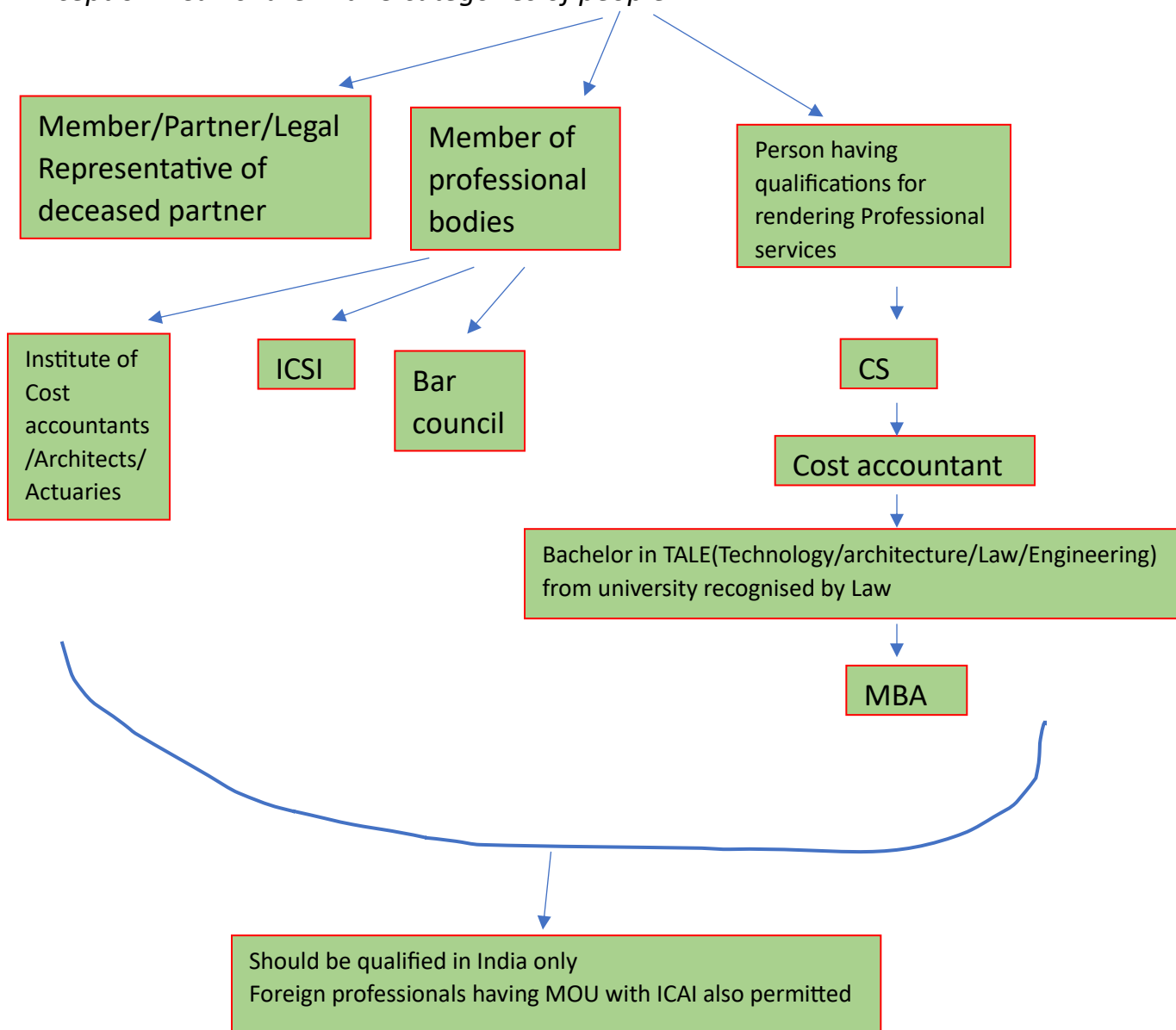
**Wordings to be used in exams:** - As per clause (--) of Part (--) of First/Second Schedule of CA Act,1949, a Member in practice (MIP)/Member in service (MIS)/a member(M) shall be deemed to be guilty of Professional Misconduct (PM)/Other Misconduct (OM) if he/she..... (description of offence/clause)

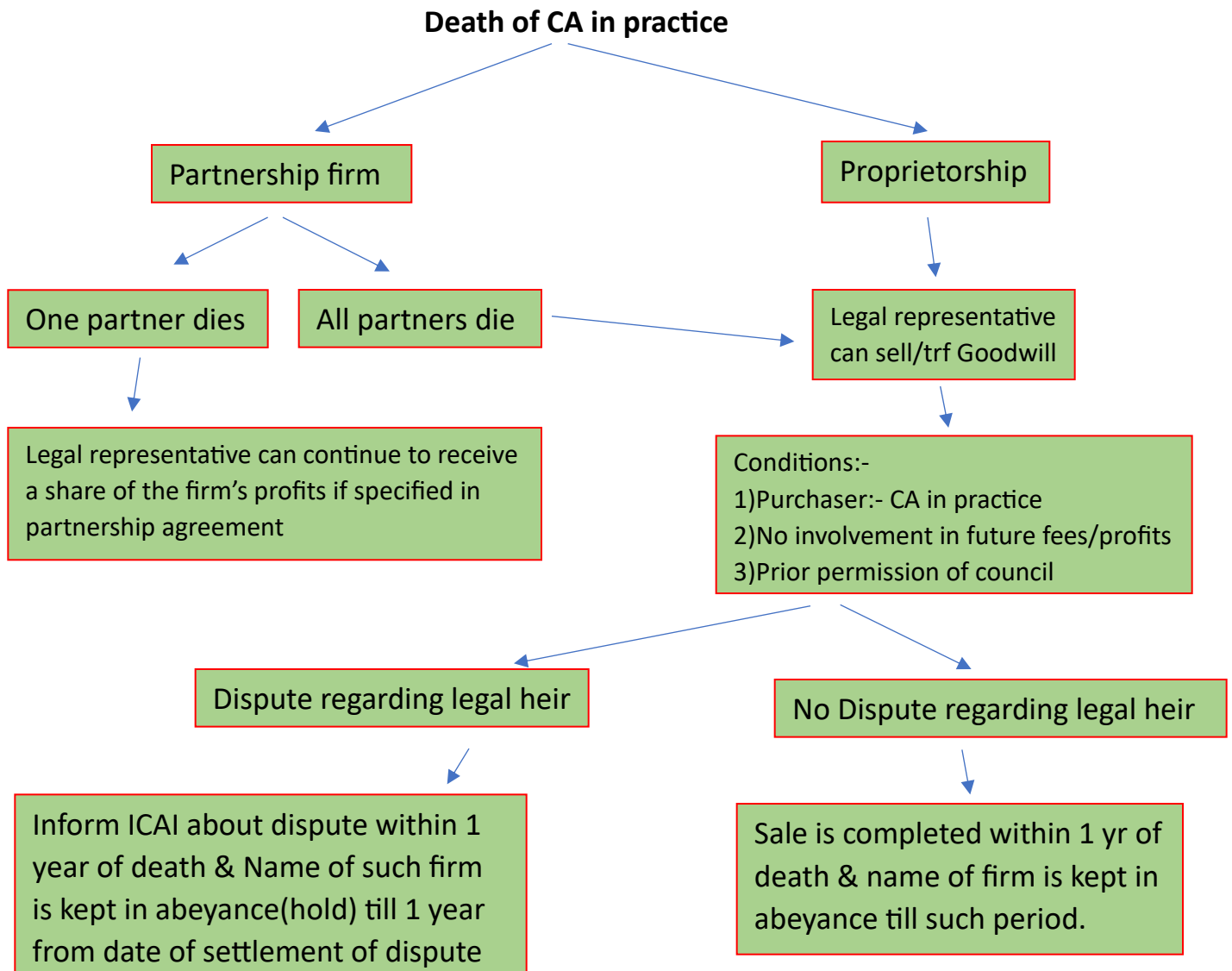


**Schedule-1 Part-I MIP+PM (12 clauses)**

**(Mnemonic:- OSA PSSA CNCEA)**

- Clause-1 :- allows Others to practice in his/her name  
*Allows person other than MIP + employed with him/her to practice in his name*
- Clause-2 :- Sharing fees/profits/gains with others  
*Exception:- Can share with 3 categories of people*





- Clause-3 :- Accepting fees/profits/gains of others  
*Exception:- Can share with MIP & persons specified in clause 2*
  
- Clause-4 :- Partnership with others  
*Exception: - Can enter with MIP/Foreign CA(ICAI MOU) & persons specified in clause 2*  
*MIP should check whether respective regulators (of other person) permit such partnership*

- Clause-5 :- Securing work through unlawful means  
*Through services of such person who is not employee/partner*
- Clause-6 :- Soliciting through advertisements

<b><u>Method</u></b>	<b><u>Permitted</u></b>	<b><u>Restricted/Disallowed</u></b>
1)Communication with MIP	Requesting other MIP	Superiority element Disclosing names of existing clients
2)Responding through tenders	Only if:- a)Tender not specifically for CA's <u>OR</u> b)Tender exclusively for CA's & minimum fees are prescribed Paying EMD(Earnest money deposit) is permitted	Should maintain a cost sheet
3)Coaching/teaching	Sign board outside premises mentioning name, contact & subjects	Advertising of their association with coaching / teaching activities through hoardings, posters, banners and by any other means.
4)Press note	Changes in partnership Dissolution of partnership Changes in address/Ph. No.	Only fact to be mentioned in the geographical area of firm Headline font=Text font No promotional element
5)Journal/newsletter of ICAI	Ads for sharing work/partnership/vacancies Can state experience	No other details than name,address,ph. no., social media
6)Application for empanelment for allotment of audit	Only if existence of panel is known by MIP Can quote fees if inquired Can make inquiry regarding reasons for non-allotment without solicitation	Cannot make random inquiries for name inclusion in panel Cannot recommend organisations to set up such panel or pressurize for work

**PE summary by Rachit Choudhary**

7)Publication of articles/book	Can use designation 'Chartered accountant' Can mention name of firm	Cannot mention professional achievements of firm/member
8)Greeting card/invitation	Can use designation 'Chartered accountant' Can mention name of firm	Circulation only to clients, relatives, friend of partners
9)Ads for silver/golden jubilee	Can publish in newspapers	Only fact to be mentioned in the geographical area of firm Headline font=Text font No promotional element
10)Sponsoring activities	ICAI events(with prior approval)-firm & individual basis CSR in individual capacity with CA prefix	Firm name/CA Logo Other events
11)Firm profile sharing	Allowed as a response to query	
12)TV/Movie credits	Allowed to be mentioned	No special mention compared to others
13)Representation against removal(Section 140(4) of Companies act,2013)	It is right of auditor Allowed to mention independence Allowed to express willingness to be reappointed by shareholders	No solicitation/promotional element
14)Acceptance of work(work emanating from a client introduced to him by another member)	If any professional work of such client comes to him directly, it should be his duty to ask the client that he should come through the other member dealing generally with his original work.	MIP should not accept the original professional work emanating from a client introduced to him by another member.

**PE summary by Rachit Choudhary**

15) Giving public interview	Allowed	No publicity element Prof. achievements of firm/members should not be highlighted Details must be as a response & of factual nature Cannot request interviewer to read profile/achievements in interview
16) Advertisement under box numbers (newspaper classifieds)		Not allowed
17) Educational videos	Allowed	No reference to firm, contact details or website address No promotional element

**Other points(Clause 6)**

- ❖ Not allowed to send letters for professional work to small field of possible clients
- ❖ Not allowed to canvas for clients of previous employer or employee's previous employer
- ❖ Not allowed to send letters to persons who may require services of CA unless it is as a response to query by them(Can respond but not initiate)
- ❖ Website:- No standard format/colour  
Name should be as near as possible to firm name  
Not mention details in variance with ICAI records  
No ads on website

**PE summary by Rachit Choudhary**

Details on website should not amount to solicitation  
Details of clients(names/fees) allowed only if required by Law in India/Outside India & reference of such law should be given below such disclosure.

Should function as a pull model(not push model)

No pop-ups

Mentioning website on prof. stationery & email is allowed

Cannot issue circular/ad asking people to visit website

Nature of services:-allowed on separate tab where users can click & reach(not allowed on homepage)

Year of establishment is allowed to be mentioned(not allowed on card)

Addresses of branch/HO/member/ph. no's/Employee

Details/area of experience is allowed on pull model

Job/article vacancies/No of articles/Nature of

assignments/Passport photo of partners /Updates /Blogs/

News regarding profession is allowed

Chat rooms among members is allowed(no pop-up chat rooms)-should consider confidentiality

Docs mgmt. facility for clients with ID & Password is allowed

Online advice only on request basis(free & paid)

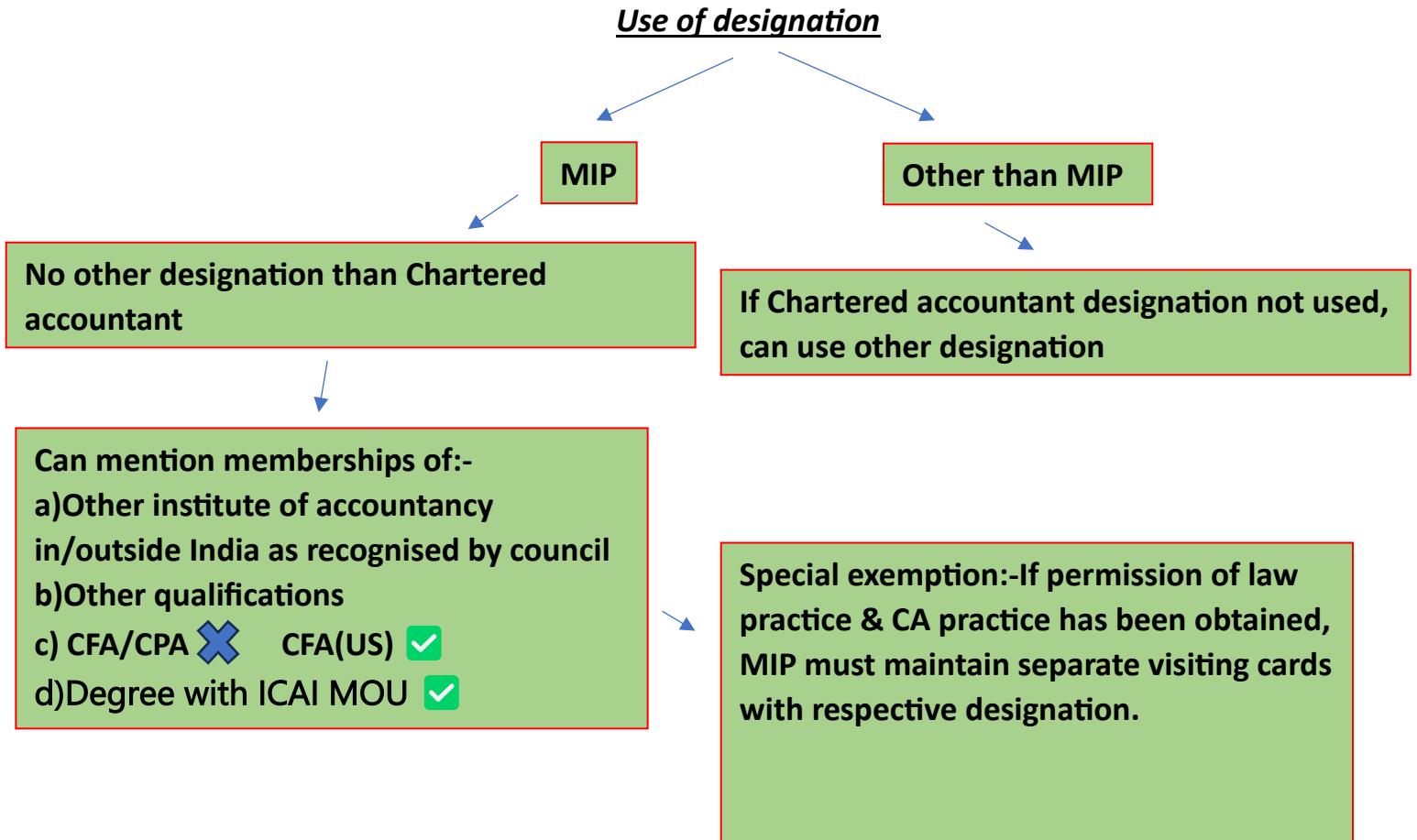
ICAI/Govt. website links allowed

Links for donation are not allowed

- Clause-7 :- Advertising professional achievements/nature of services/designation other than CA

*Exception:- Can use designation of degree recognised by Law & title indicating membership of ICAI*

*MIP can advertise through write-ups, explaining services of firm subject to council's guidelines.*



Other points(Clause 7)

- ❖ Merchant banker/advisor to issue:- allowed to provide service  
However, only mention of MIP as advisor to issue is permitted on client docs & ads(Since it is a SEBI requirement)
- ❖ Director of co./Member of political party/Position in clubs:-Not allowed as designation
- ❖ Corporate lawyer:-Not allowed as designation
- ❖ CPA ❌ CPA(UK) ✅
- ❖ CS/Cost accountant/Lawyer in practice(with approval):-Don't mention both designations on same card
- ❖ Member of parliament/Municipal councillor:-Not allowed as designation
- ❖ Insolvency professional/Registered valuer:-Allowed as designation



- ❖ Date of commencement of practice:-Only allowed on website, not on professional stationery
- ❖ Press notice(Article/staff passing CA exam):-Candidate details+exam details+Name of principal/firm+Town name allowed, no promotional element
- ❖ Reports & certificates:-Only assurance purpose, no promotional element
- ❖ Appearance on electronic media:-CA Designation, firm name, qualification, knowledge details relevant to subject matter of programme allowed
- ❖ Publicity for position of national/local importance:-Desirable to mention membership of ICAI, Name of firm ❌
- ❖ Training courses, seminars:-Can invite staff of other CA's  
No undue importance to be given to firm/partner in any document at such course/seminar
- ❖ Articles/letter to press:-Can designate as a CA
- ❖ Sign board:-Glow signs/lights not allowed  
Name board at residence mentioning CA designation ✅, Firm name ❌
- ❖ **Public announcement with details of directors(appointed by companies)**  
*MIP should take necessary steps to ensure that such prospectus or public announcements do not advertise professional attainment & do not directly/indirectly amount to solicitation of clients for professional work by the member.*  
*Should use good judgement & request company to take approval before making public announcements containing such details*
- ❖ Logo & monogram:- Not allowed on professional stationery



Use ICAI Logo(Tick mark)

- ❖ Write ups: - Honest & truthful, no exaggerated claims regarding services, experience, no comparisons with others, no testimonials/endorsements by members/clients(past or present)& details regarding fees charged, no achievements/awards by Govt., no

details regarding other positions held, no monogram, not violate code of ethics:-Can be sent as a response **OR** sent to existing clients

Qualification & experience of members 

Font size not more than 14

Member registration number is mandatory

**Member details**:-Name, Membership no.,age, date of ACA/FCA ,Date of COP, Languages, qualification, Ph.no., Prof. address, Website, E-mail, CA Logo, Photo, Employee details, Services provided, Position held as director or MD in MCS registered with institute.

- Clause-8 :- Communicating with previous/predecessor/outgoing/retiring auditor

Applicable only if previous auditor is CA

MIP before accepting position as auditor, should communicate with previous auditor in writing/mail

Purpose:-To understand if there are any reasons listed under code of ethics to not accept audit(**specified below**). May accept if reasons other than code of ethics

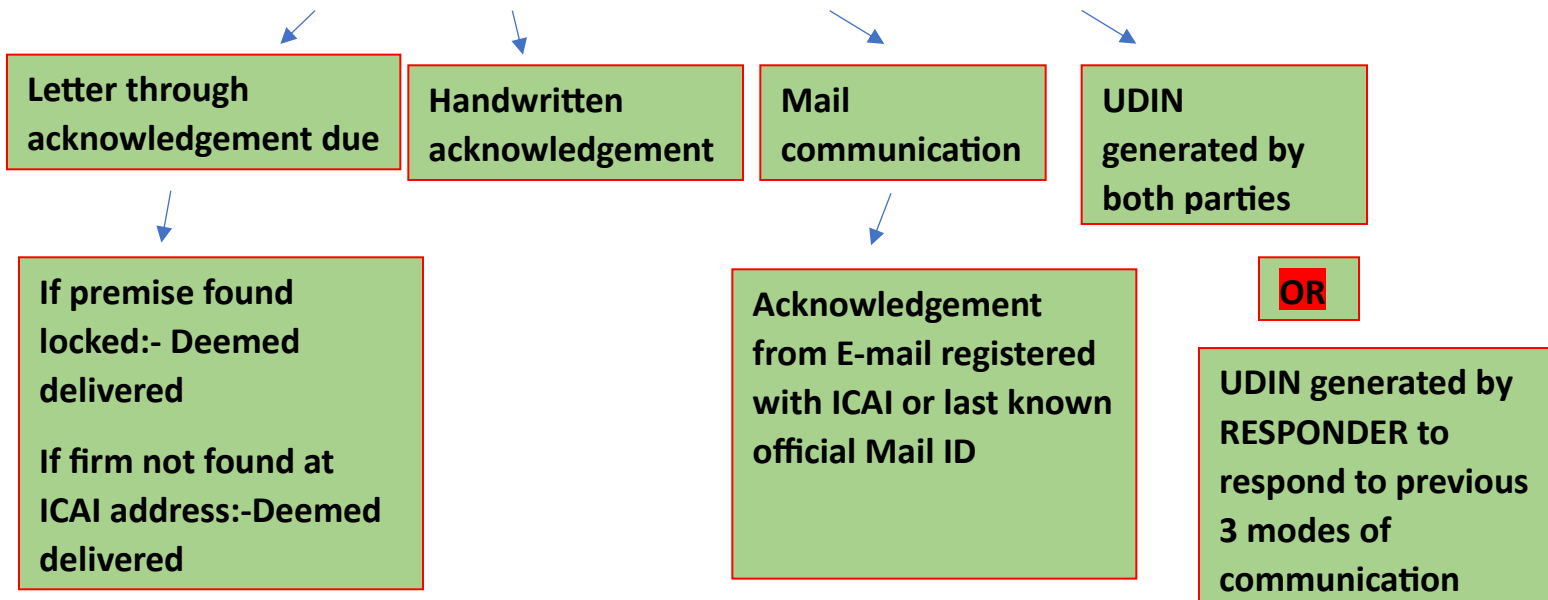
If no reply within reasonable time, may accept audit after performing client acceptance procedures, if satisfied, provide conditional acceptance, with the wordings:- Reserve our right to withdraw in case of professional objections raised by previous auditor

New tax auditor may communicate with Statutory auditor as it is a healthy practice

Previous auditor other than CA, may communicate as it is a healthy practice

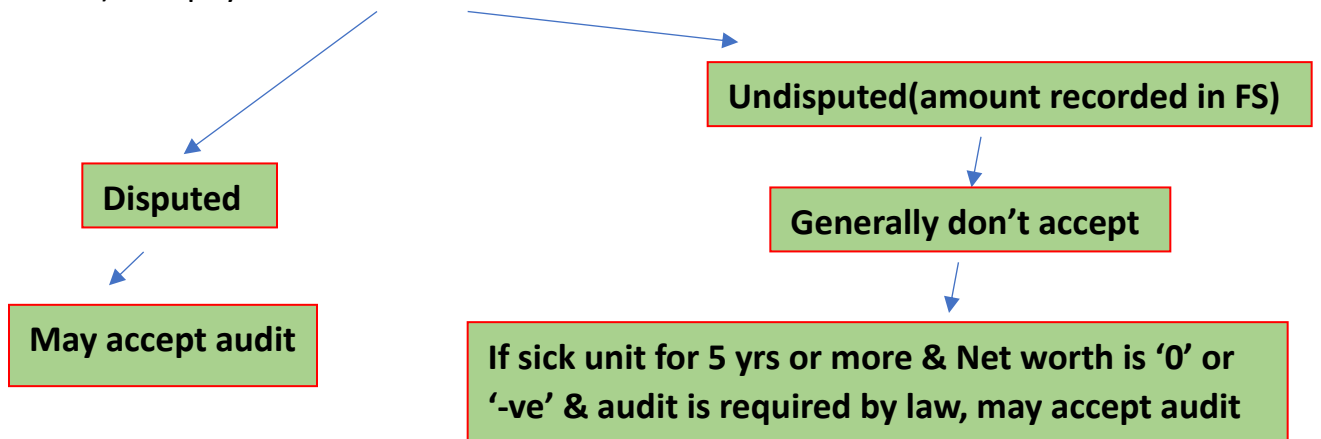
Govt audit/Banks:- Accept conditionally after sending communication to previous auditor without waiting for reasonable time

**Modes of communication(should be such that evidence of delivery exists)**



**Reasons for not accepting audit(as per code of ethics)**

- a) Non compliance with Sec 139 & 140 of Companies act,2013
- b) Non-payment of audit fees



If audit fees are not paid due to non-availability of previous auditor, new auditor can accept after checking Demand Draft of such amount prepared by client to ensure clearance at the earliest

c) If modified opinion by previous auditor & he/she is removed by Management for this:-MIP should not accept such audit

- Clause-9 :- Non-compliance with Section 139/140 of Companies Act,2013  
Applicable only in audit of FS  
Obligation of incoming auditor to check whether procedure of appointment has been followed appropriately  
Company shall follow process as per Sec 140(4) of Companies act,2013 & incoming auditor shall check records in respect of:-
- a)First auditor
  - b)Subsequent auditor
  - c)Casual vacancy
- It shall not be sufficient for the auditor to obtain a Certificate/WR/MRL from Management stating process has been followed appropriately  
If company is preventing auditor to verify records:-Should not accept audit

Unjustified removal of auditor:-As per CGG,2008

**a)If auditor does not offer himself for reappointment while having professional reasons which are material(eg:-LOSA), he/she should communicate in writing to BOD(of Company) & institute(incoming auditor is required to check this copy)**

**b)If auditor willing & eligible for re-appointment has not been re-appointed, he/she shall file copy of statement with institute which was sent to Management for circulation among shareholders(Sec 140(4) of Companies act,2013) & incoming auditor is required to check**

Other points(Clause 9)

- ESB(Ethical standards Board) may call for such further information as it may require from the incoming auditor, the outgoing auditor and

the Company and make a report to the Council in cases where it considers necessary.

- It may pass interim order directing incoming auditor not to accept such audit till investigation is completed
- Upon completion, it may pass final order restricting auditor from accepting audit.
- If incoming auditor charges lower fees than previous auditor but it is justified, then he can accept such audit.
- Minimum audit fees circular by ICAI is recommendatory.

➤ Clause-10 :- Charging fees on a % basis

*Auditor charges/offers to charge or accepts/offers to accept fees on a % basis → Guilty*

*Fees contingent upon findings/results are also covered under this clause.*

Exceptions:-

Receiver/Liquidator → % of assets realised/disbursed

Auditor of Co-op society → % of PUC/WC/Profits

Valuer of taxes → % of property valued

Fund raising → % of funds raised

Debt recovery → % of debt recovered

Cost optimisation → % of cost saved

Other services(such as IP & non-assurance services for non-audit clients)

➤ Clause-11 :- Engaging into any other BOP(Business/occupation/profession)

Allowed to hold directorship(other than MD/WTD) if he/his firm/partners are not auditors of Co. or Subsidiary Co.

Allowed to hold MD/WTD if he+relatives do not hold Significant influence with prior permission of the council.

Public conscience should be ahead of law, the intention of law should be understood & MIP should act accordingly even if it is not mentioned in law.

MIP should interpret law & take independence more strictly than required by law & not jeopardise independence.

Auditor of Subsidiary co. cannot be director of Holding co.

MIP's interest in HUF:-Can be karta or member

Interest must only arise through inheritance/succession/partition of family business

Should not be actively involved in carrying business

Can invest funds of HUF

Must have evidence to prove HUF was not formed by such MIP

Prior permission is required for formation of HUF.

(MAY 24 Exam)Allowed activities:-

Liquidator,trustee,executor,arbitrator,receiver,advisor,representative,be involved in Finance, taxation, or appointment made by CG,SG,Court,act as secretary in professional capacity only if such employment is not on salary cum full time basis.

**Exceptions(Clause 11):-**

**General resolution:-**

- MIP can provide services (only 1) without specific permission from council  
(For multiple:- permission required)
- a)Employment under MIP/CA firm
  - b)Pvt. Tutorship(Direct teaching hours not more than 45)
  - c)Part time tutorship with ICAI(Direct teaching hours not more than 45)
  - d)Author of books/articles
  - e)Life insurance license for renewal commission
  - f)Loss assessor/Surveyor
  - g)Attending classes/appearing for exams
  - h)MP/MLA/MLC
  - i)Honorary office leadership of charitable-educational & other non-commercial organisation
  - j)Notary public/Justice of peace/Magistrate
  - k)Valuation of papers, paper setter, examiner
  - l)Editor of professional journal
  - m)Recovery consultant in Banking
  - n)Agricultural activities

**Specific resolution:-**

- MIP can provide services after specific permission of council
- a)FT/PT employment in business where member/relative don't hold Significant influence
  - b) FT/PT employment in non- business concern
  - c)MD/WTD of body corporate where member & relatives do not hold SI
  - d)Interest in family business & cases where interest arises through relationships & no active part is taken in Management by MIP
  - e)Interest in educational institution
  - f)PT/FT Lecturer other than ICAI
  - g)PT/FT Tutor in educational institution other than ICAI
  - h)Editor of non-professional journal
  - i)Any other BOP for which permission may be given

**Relative:-Husband,wife,brother,sister,linear ascendant, linear descendant**

**Significant influence(SI):-**

**Company-Shares  $\geq$  20% of VP held by member, relative or entity in which member/relative hold SI**

**Other entity:- Profits  $\geq$  20% accruing to member, relative or entity in which member/relative hold SI**

**Note:- Council can refuse permission under specific resolution**

- Clause-12 :- Allowing others to sign on his/her behalf  
Person not being MIP/Partner + signs on behalf of MIP on B/S or P&L,other report or FS → **Guilty**  
**Not guilty if such other person is MIP+Partner**

**Quick recap of Part I First schedule:-**

**OSA PSSA CNCEA**

**Schedule-1 Part-II MIS+PM (2 clauses)**

**(Trick:- Person on job/service is concerned with his job/other person's job)**

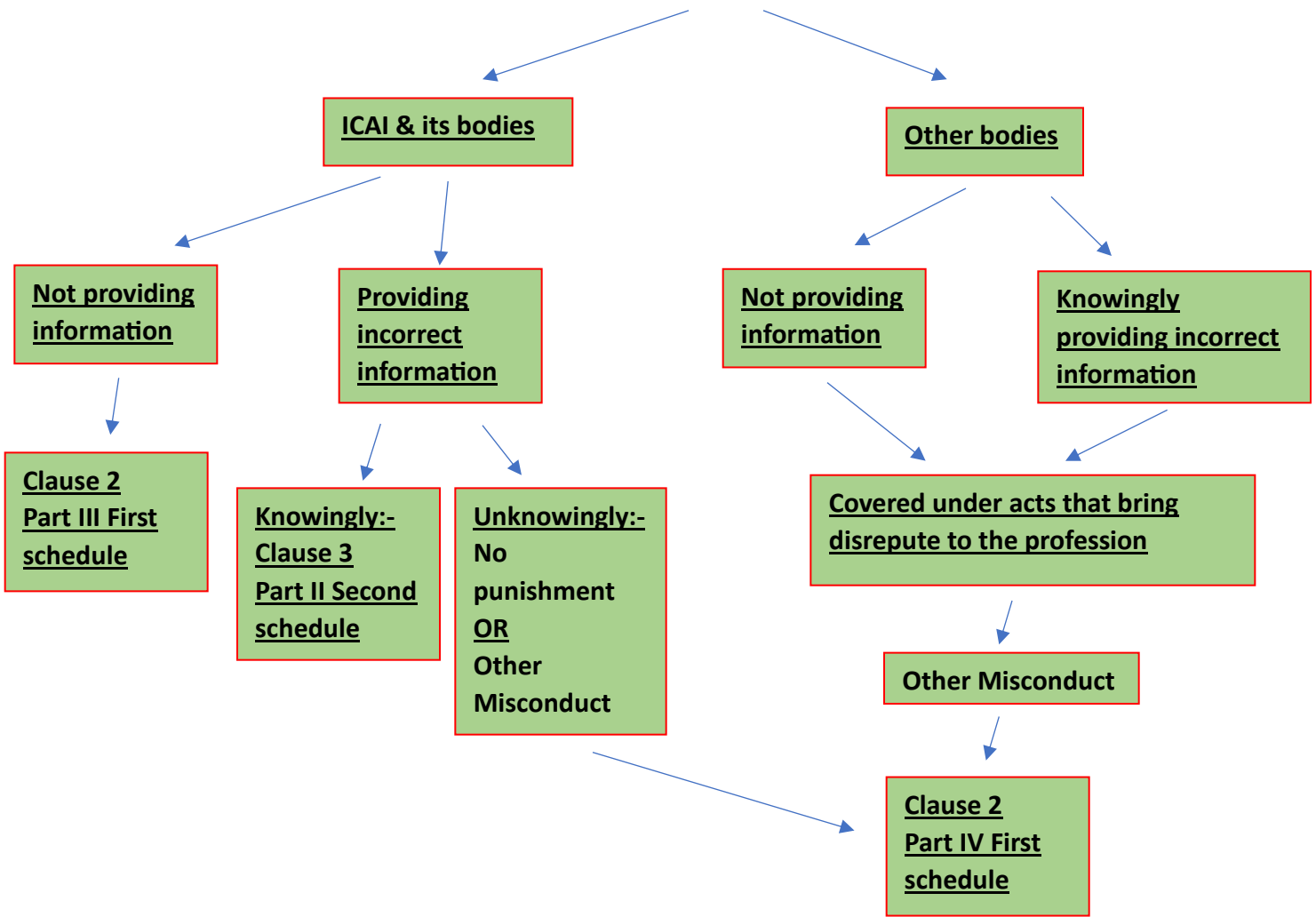
- Clause-1 :- Sharing emoluments with others for job procurement/retention  
Sharing emoluments(Salary+perks) with others as consideration towards job procurement/retention
- Clause-2 :- Accepting Commission from lawyer/CA/Broker  
MIP accepts referral commission(fees,profits,gains) from:-
  - a)Lawyer
  - b)CA
  - c)Broker
  - d)Other professionalsupon being engaged(for work lol)

**Schedule-1 Part-III M+PM (3 clauses) (FCA+information)**

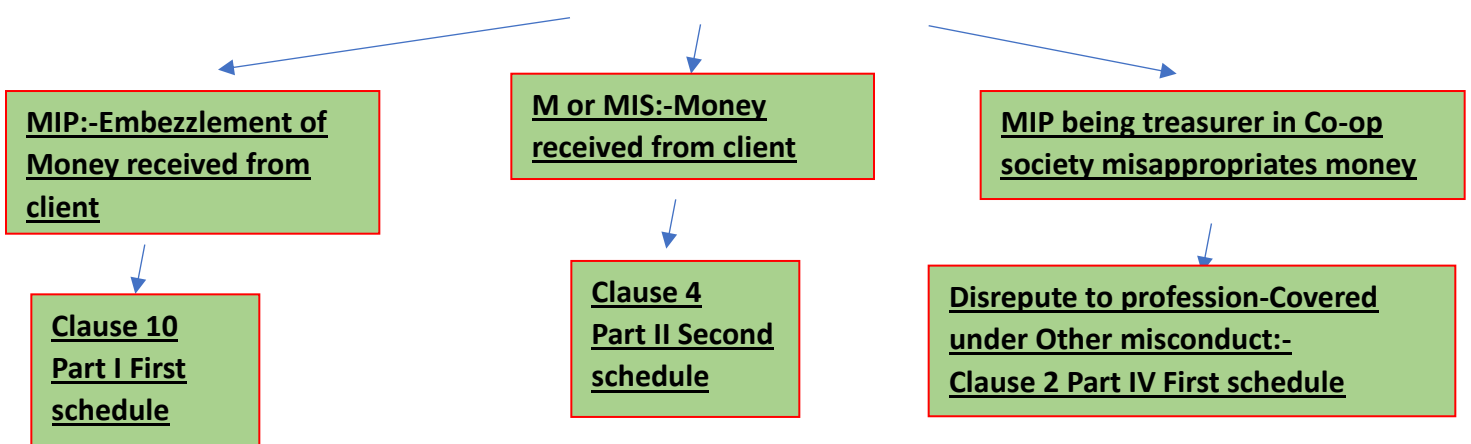
- Clause-1 :- Not being FCA acting as FCA
- Clause-2 :- Not providing information to ICAI or its bodies
- Clause-3 :- Knowingly providing incorrect information while inviting professional work/write-ups/enquiries  
If provided unknowingly, no punishment or Other Misconduct



**Summary for information asked to member**  
**(Read after all clauses are over)**



**Summary for defalcation/embezzlement/misappropriation**  
**(Read after all clauses are over)**



**Schedule-1 Part-IV M+OM (2 clauses) (Conviction 6m- & disrepute)**

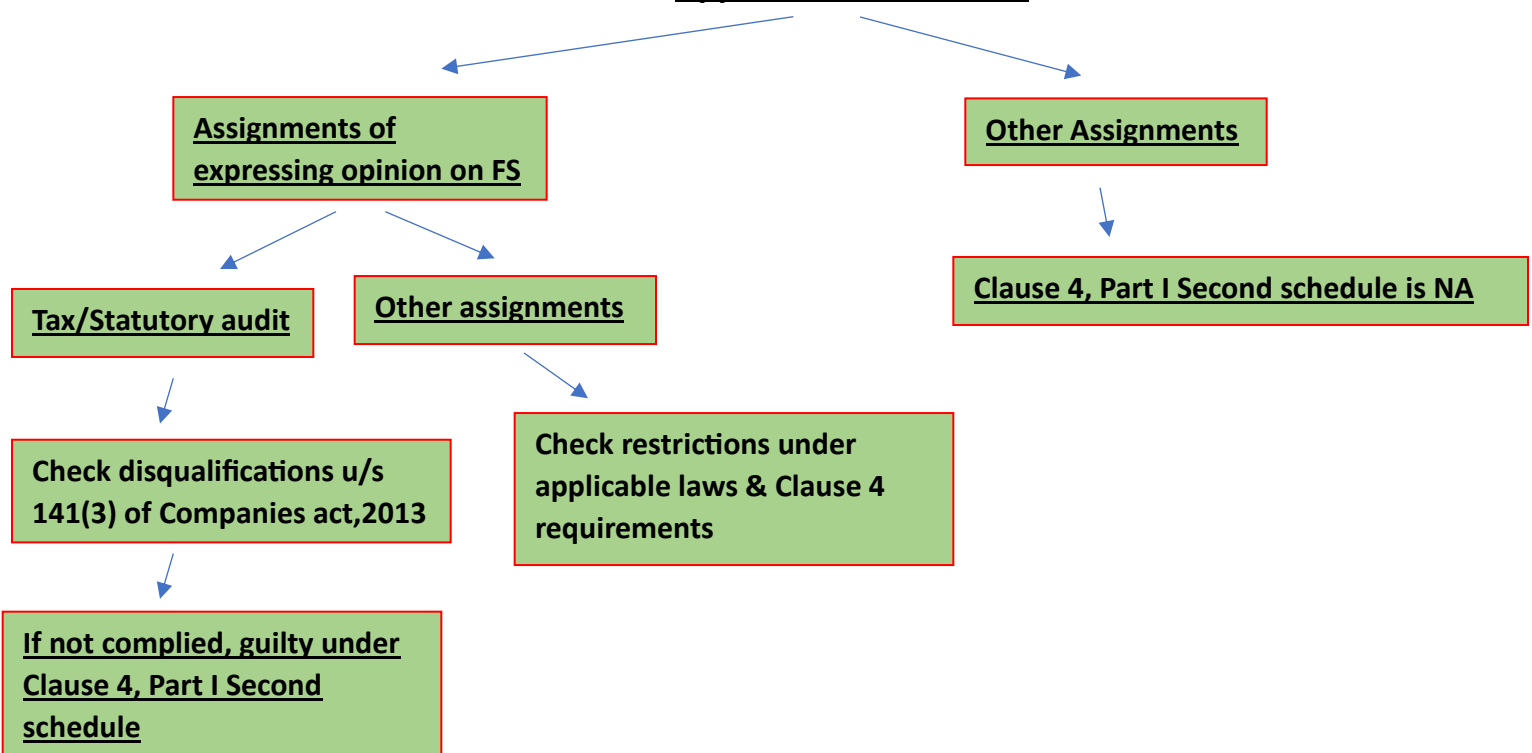
- Clause-1 :- Convicted of an offence in/outside India punishable with upto 6 months imprisonment  
Member shall be deemed guilty of Other Misconduct if he/she is held guilty by any competent court for an offence which is punishable with imprisonment of upto 6 months  
Actual punishment does not matter, prescribed punishment for offence is to be considered
- Clause-2 :- Any act that brings disrepute to the profession  
Member shall be deemed guilty of Other Misconduct if he/she brings disrepute to the profession or the institute because of his/her actions whether in professional/personal capacity

**Schedule-2 Part-I MIP+PM (10 clauses)  
(Mnemonic:- CSV EFF GF EF M)**

- Clause-1 :- Client confidentiality  
Do not disclose information acquired in course of professional engagement to any person other than client, without obtaining consent of such client, unless required by law.
  - a)Consent can be assumed if disclosure is required as part of duty, eg:-CARO reporting
  - b)Who can give consent?  
Proprietorship:-Proprietor or attorney(legally empowered)  
Partnership:-Any partner  
Company:-BOD, unless resolution is required in GM  
MD, if authorised by BOD
  - c)Working papers:-Property of auditor, may show to client at his discretion
  - d)Sharing information with authorities:-If required by law, disclose  
If privilege can be claimed under Evidence act, act as per client's instruction
- Clause-2 :- Signing/certifying without examination  
Signing/certifying without examination a report on FS when such FS have not been examined by self/partner or employee or other MIP  
Exception:- Joint audit-liable for separately defined areas

- Clause-3 :- Vouching for the accuracy of the forecast  
MIP allows his name/firm name to be used in reference to:-  
Estimate of earnings contingent on future transactions(projections) which may lead to vouching for the accuracy(guarantee)  
MIP can accept such assignments but cannot provide guarantee
- Clause-4 :- Expressing opinion on FS where SI(Significant influence) is involved  
MIP/Firm/Partner/Relative has SI+ Opinion is expressed:-MIP is **Guilty**

**Application of Clause 4**



**Other points(Clause 4):-**

- FS includes reports & certificates
- Also applies to GST Audit, Concurrent audit, etc.
- MIP cannot be auditor of college where he/she is working as part time lecturer
- MIP cannot be auditor of trust where partner is employee/trustee
- CA in employment & practice cannot be auditor of employer

f) Entity other than Company where member is owner/partner cannot be audited by MIP

g) Entity other than Company where partner/relative has SI cannot be audited by MIP

h) Company:- MIP cannot audit such companies where:-

- A. MIP is director
- B. MIP is holding security
- C. MIP is office/employee
- D. Partner of MIP is office/employee
- E. Partner of MIP is holding security
- F. Relative of MIP is director/employee/KMP
- G. Relative is holding security

MIP:- Not prepare BOA for auditee clients

Statutory auditor cannot be Internal auditor

Internal auditor cannot be Tax/GST auditor

MIP retired as director of Co.:- 2 years cooling off period

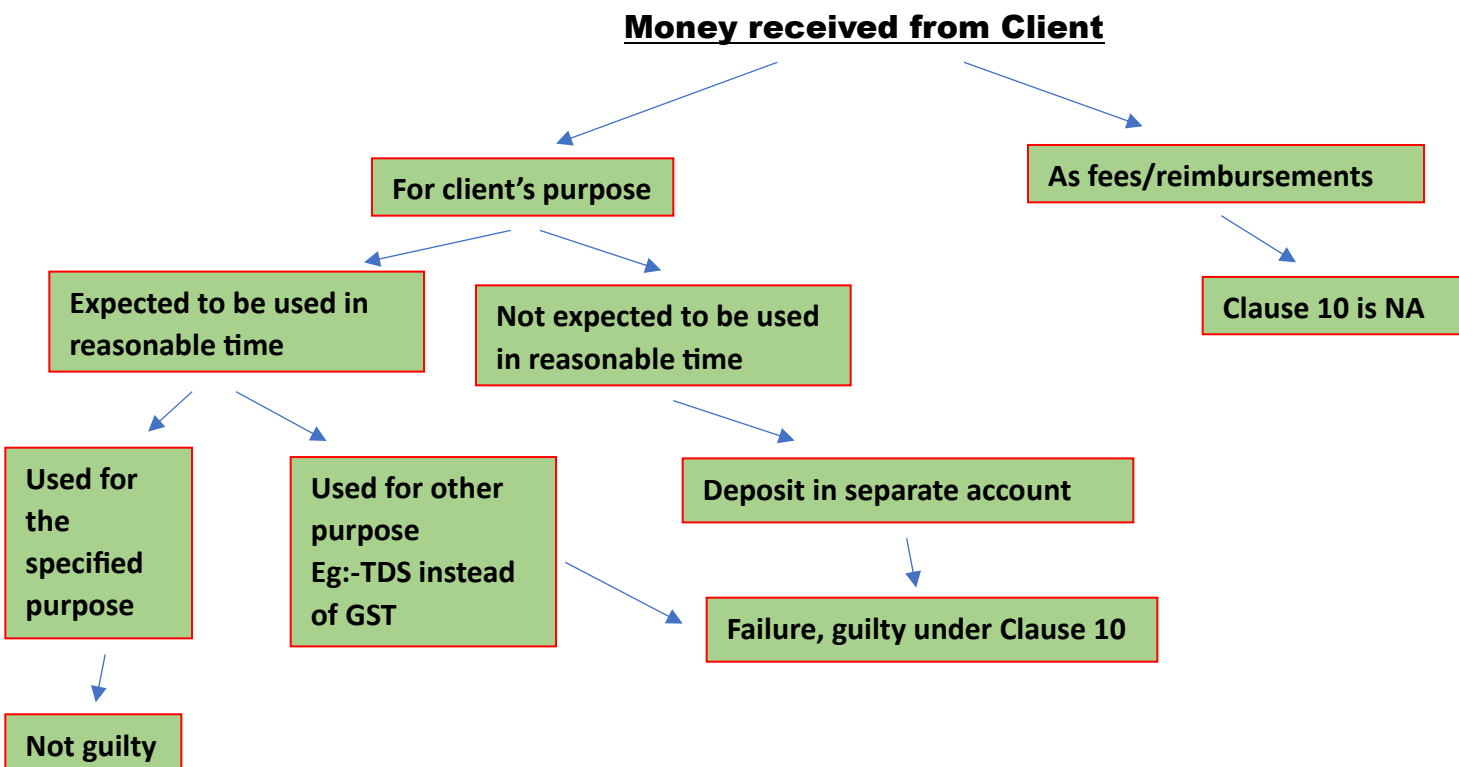
- Clause-5 :- Failure to report material fact known by auditor and such fact is not disclosed in FR but disclosure is necessary & MIP is concerned with FS in professional capacity
- Clause-6 :- Failure to report material misstatement known by auditor Such MM is appearing in FS & MIP is concerned with FS in professional capacity

For clause 5 & 6:- FS includes reports & certificates.

Materiality as per SA 320 should be considered.

- Clause-7 :- Gross negligence/non-due diligence (Read with SA 240)  
Careless attitude:- Non-maintenance of Professional skepticism  
This clause can be clubbed with other clauses while answering Q's
- Clause-8a :- Failure to obtain sufficient information for the purpose of expressing opinion
- Clause-8b :- Expressing qualified opinion on FS where disclaimer is required

- Clause-9 :- Failure to report material departure from Standard auditing practices  
Auditor not able to perform standard audit procedures:-Draw attention to such departure  
Giving qualification/reservation is not sufficient to excuse failure to perform statutory duty  
(Disclosure to be given in OM Para)
- Clause-10 :- Misappropriation of money received from client  
Includes failure to keep money received from client other than fees or remuneration in a separate account or use for the purpose intended within reasonable time.



Money received by MIP as trustee, liquidator, etc.:-Put in separate account immediately

**Schedule-2 Part-II M+PM (4 clauses)  
(Mnemonic:- VEKD)**

- **Clause-1 :- Violating provisions of CA Act/CA regulations/CGG/ESB Decisions**

**Provisions of CGG,2008:-**

1. **Chapter I Applicable to MIP,MIS & Other members**
2. **Chapter II MIS shall exercise due diligence & not be grossly negligent in duties**
3. **Chapter III NA**
4. **Chapter IV NA**
5. **Chapter V MIP/Firm shall maintain BOA including cash book & ledgers**
6. **Chapter VI Tax audit assignments**
7. **Chapter VII Appointment of auditor on payment of audit fees of previous auditor(As per clause 8 Part I First schedule)**
8. **Chapter VIII Specified number of assignments(30 including all Pvt & other co's except OPC & Dormant co's)**
9. **Chapter IX Appointment as statutory auditor of PSU,Govt. co., Listed co.,Other public co. T/O≥50cr & MIP already providing other services/assignments & fees of such other services/assignments exceeds Statutory audit fees, such MIP shall not accept the appointment as Statutory auditor.**
10. **Chapter X Appointment of auditor indebted to Co.:- MIP/Relative /Partner indebted or given guarantee of 3<sup>rd</sup> person of amount more than Rs.1L**
11. **Chapter XI MIP being incoming auditor shall not accept audit in case of unjustified removal of previous auditor(As per clause 9 Part I First schedule)**
12. **Chapter XII NA**
13. **Chapter XIII Tender guidelines(As per clause 6 Part I First schedule)**
14. **Chapter XIV UDIN:-Mandatory for all certificates & Audit reports**
15. **Chapter XV Network firm guidelines(Discussed separately)**
16. **Chapter XVI Logo guidelines(As per clause 7 Part I First schedule)**

**17. Chapter XVII MIP can be MD/WTD/Manager of Body corporate if it is engaged in MCS only**

MIP can have full time COP, no restriction on equity holding & such Body corporate should be registered with the institute

Name of such body corporate shall be approved by the institute & no audit practice can be carried out by such body corporate

If CA firm is Statutory auditor of an entity, MCS cannot be its Internal auditor or provide book keeping services

MCS will comply with Clause 6 & 7 Part I First schedule (Give such undertaking to the Institute)

**Council Guidelines for advertisement, 2008**

• **Online 3<sup>rd</sup> party platform (eg:- Cleartax)**

CA/CA Firms may provide consultation & advice through such websites

No other services can be rendered (eg:- Audit)

Allowed to mention that MIP is a CA & Firm name

Not allowed to mention contact address, advertising professional achievements or firm name with suffix "Chartered Accountants"

• **Publication of name or firm name by CA's in Telephone or other directories**

Allowed to have such entries in printed/electronic form by request/making payment

Entry should not appear in any other category/section than Chartered Accountants

Entry of the member/firm should be in the directory of town/city where such member/firm belongs

Order of the entries should be alphabetical only

Entry should not be in a differential/prominent manner.

Should be open to all CA's/Firm of CA's in the city/town where the directory is published.

• **Application based service providers/Aggregators (eg:- Urban company)**

Not permissible to list themselves with such service providers/aggregators wherein other categories like businessmen, technicians, Maintenance workers, etc are listed.

- **Specialised directories for Limited circulation**  
Allowed to have entries in alphabetical manner:-Name, description and address of firm  
May mention directorships held and reasonable personal details and outside interests  
Should not give names of his clients
- **Exemptions for advertisements in Newspapers**
  - a) Advertisement for recruiting staff in own office
  - b) Advertisement on behalf of clients requiring staff or wanting to acquire/dispose business/property.
  - c) Advertisement for sale of business/property by member acting in professional capacity as Trustee, liquidator or receiver.

*In above instances, name of member and firm name is allowed and should be limited to statement of facts. Firm name should not be bolder than substance. Avoid 'well known firm' or any other superior statements. No promotional element is allowed.*

### **Recommended self-regulatory measures**

#### **1)Branch Audits**

Should not be conducted by Statutory auditor consisting of 10 or more members, but should be conducted by local firms of auditors consisting of less than 10 members.

Not applicable if branch records are maintained at HO **OR** significant operations are carried out at branch office itself.

#### **2)Joint audit**

The practice of associating a practicing firm with less than 5 members as one of the Joint auditors should be encouraged.

#### **3)Ratio between qualified and unqualified staff**

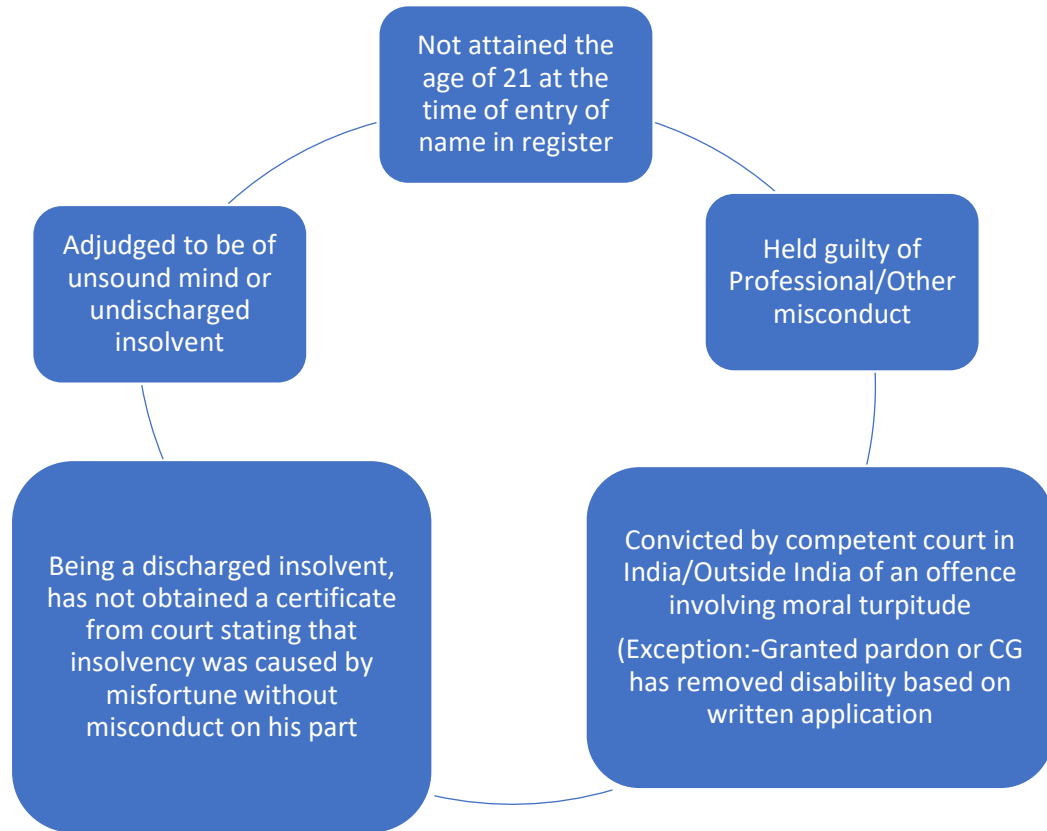
CA firm engaged in audit should have at least 1 member for every 5 non-qualified staff members excluding articles, audit assistants, peons and other persons not directly engaged in such professional work.

#### **4)Disclosure of interest by auditors in other firms**

Auditors should make disclosure of payments received by them for other services through a different firm where such auditor is partner/proprietor



**Section 8 of CA Act, 1949:-Disabilities for membership**



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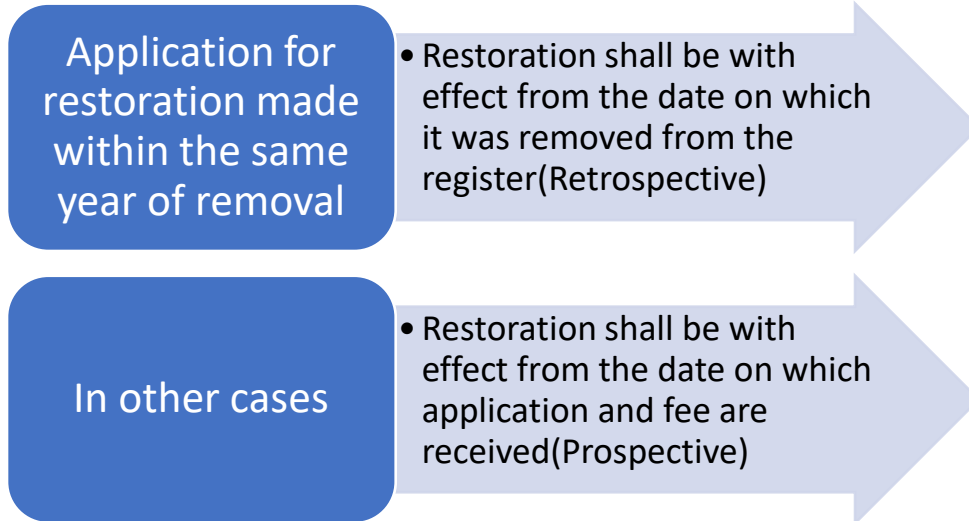
**Section 20 of CA Act, 1949:-Removal of name from Register**

Council may remove name of any member from the register of members in the following cases:-

- Death
- Request received from member
- Non-payment of prescribed fees
- Subject to disabilities specified in Section 8

If name is removed due to non-payment of prescribed fees, then on an application along with payment of arrears of annual fee and entrance fee and additional fee, the name may be entered again.

**Restoration of membership**



In Case of removal of name under orders of the Board of Discipline or the Disciplinary Committee or the Appellate authority or the High Court, restoration shall be in accordance with such orders.

**Section 24 of CA Act, 1949**

**Penalty for falsely claiming to be a member**

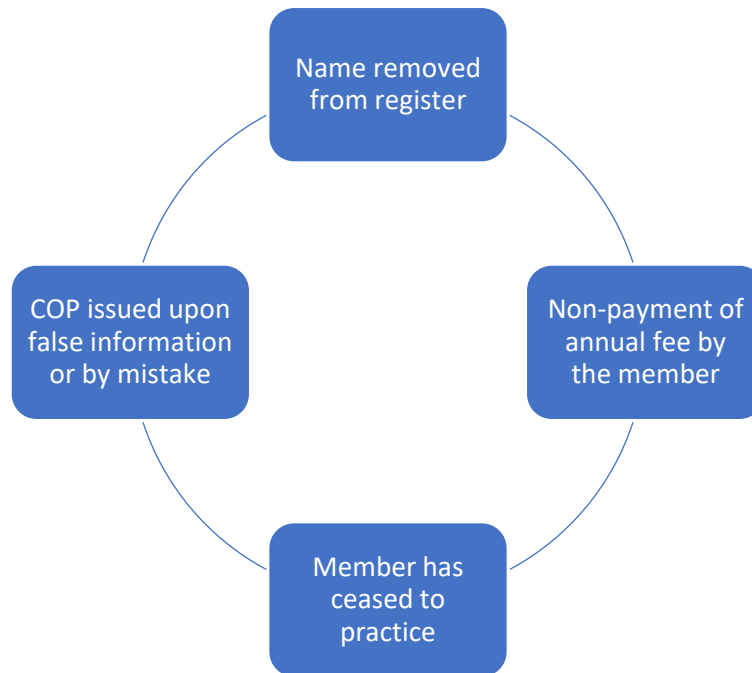
**Any person who: -**

- a) not being a member of the institute, represents that he is a member of the institute or uses the designation Chartered Accountant
- b) being a member of the institute but not having a Certificate of Practice, represents that he is in practice or practices as a Chartered Accountant, shall be punishable on first conviction with fine upto Rs 1000 and on subsequent conviction with imprisonment upto 6 months or fine upto Rs 5000 or both.

**Section 6 of CA Act, 1949**

- No member of the institute shall be entitled to practise whether in India or elsewhere unless he has obtained a Certificate of practice from the Council
- Every member shall pay such annual fee for his Certificate as determined by Council

- The Certificate of practice may be cancelled by the council under following circumstances:-



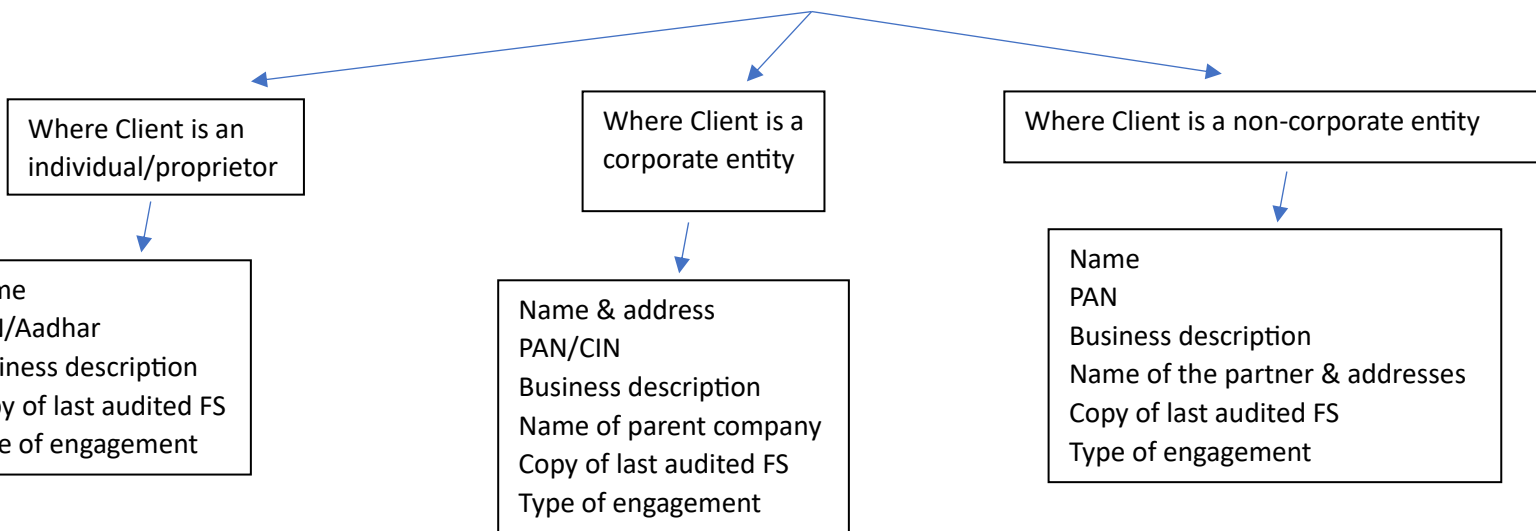
A Chartered Accountant whose name has been removed from the membership for Professional/Other Misconduct will not appear before the tax authorities/other bodies during such period of removal whom he could have appeared in his capacity as a member of the institute.

**Section 25 of CA Act, 1949**

Companies shall not engage in accountancy

If any company contravenes this provision, then any person who is knowingly a party to such contravention shall be punishable with fine on first conviction upto Rs. 1000 and on any subsequent conviction upto Rs. 5000.

**KYC Norms for CA in practice(MIP)**



**Section 27 of CA Act, 1949**

**Branch office**

If a CA in practice or CA firm has more than one office in India, each of the offices should be in the separate charge of a member of the institute (either a partner or full-time paid CA assistant). Such in-charge should be actively associated with the office.

Active association means:-

- a) Resides 182 days in a year in the place where the office is situated OR
- b) Attends the said office for a period not less than 182 days OR
- c) Such other circumstances as per the opinion of the executive committee.

**Exemption from maintenance of separate in-charge in a Branch office**

**Members practicing in hilly areas**

- a) allowed to open temporary office in plains for not more than 3 months in a year.
- b) regular office need not be closed during such period.
- c) name board of the firm in the temporary office should not be displayed at times other than such office is functioning.
- d) temporary office should not be mentioned on letterheads, visiting cards or other documents as a place of business.
- e) Must inform ICAI before opening and after closing the office.

**General exemption to all members**

- a) the second office is located in the same premises in which the first office is located OR
- b) the second office is located in the same city in which the first office is located OR
- c) the second office is located within a distance of 50 kms from the municipal limits of the city in which first office is located.

**Chapter XV Network firm**

**A) Meaning**

It is a larger structure aimed at co-operation and profit/cost sharing, shares common ownership, control or management, common quality control policies and procedures, use of a common brand name or a significant part of professional resources(staff, etc)

Examples of structures that are not considered as a network:-

- a) Only facilitate referral of work
- b) Sharing immaterial costs

A Firm is allowed to join only one network.

Firms having common partners are allowed to join only one network.

- Clause-2 :- Employer's confidentiality
- Clause-3 :- Knowingly providing information to ICAI & its bodies
- Clause-4 :- Defalcation of cash in professional capacity

**Schedule-2 Part-III M+OM (1 clause)  
(Conviction 6m+)**

- Clause-1 :- Convicted of an offence in/outside India punishable with more than 6 months imprisonment

**Other Miscellaneous Topics**

**FUNDAMENTAL PRINCIPLES as per CODE OF ETHICS (Mnemonic: -COPPI) (Nov 24)**

1. Integrity - A professional accountant should be straightforward and honest in all professional and business relationships.
2. Objectivity - A professional accountant should not allow bias, conflict of interest or undue influence of others to override professional judgments.
3. Professional Competence -A professional accountant should act diligently and in accordance with applicable technical and professional standards.
4. Confidentiality - A professional accountant should respect the confidentiality of information acquired as a result of professional and employment relationships.
5. Professional Behaviour - A professional accountant should comply with relevant laws and regulations and should avoid any action that discredits the profession

**Threats to compliance with the fundamental principles fall into one or more of the following categories: -**

**Self-interest threat** – The threat that a financial or other interest will inappropriately influence a professional accountant’s judgment or behaviour.

**Circumstances that may create self-interest threats**

1. Having a direct financial interest in a client
2. Undue dependence on total fees from a client.
3. Having a close business relationship with a client.

4. Concern about the possibility of losing a client.
5. Potential employment with a client.
6. Having access to confidential information of the client that might be used for personal gain.

**Self-review threat** – The threat that a professional accountant will not appropriately evaluate the results of a previous judgment made; or an activity performed by the accountant or by another individual within the accountant's firm or employing organization, on which the accountant will rely when forming a judgment as part of performing a current activity.

**Circumstances that may create Self Review Threat**

1. A loan to or from an assurance client or any of its directors or officers
2. A professional accountant holding a financial interest in, or receiving a loan or guarantee from, the employing organization.
3. A professional accountant participating in incentive compensation arrangements offered by the employing organization.
4. A professional accountant having access to corporate assets for personal use.
5. A professional accountant being offered a gift or special treatment from a supplier of the employing organization.

**Advocacy threat** – The threat that a professional accountant will promote a client's or employing organization's position to the point that the accountant's objectivity is compromised.

**Circumstances that may create advocacy threats**

1. Promoting shares in an entity when that entity is a financial statement audit client.
2. Acting as an advocate on behalf of an assurance client in litigation or disputes with third parties.
3. Lobbying in favour of legislation on behalf of a client.

**Familiarity threat** – The threat that due to a long or close relationship with a client, or employing organization, a professional accountant will be too sympathetic to their interests or too accepting of their work.

**Circumstances that may create familiarity threats**

1. A member of the engagement team having a close or immediate family relationship with a director or officer of the client.
2. A member of the engagement team having a close or immediate family relationship with an employee of the client who is in a position to exert direct and significant influence over the subject matter of the engagement.
3. A former partner of the firm being a director or officer of the client or an employee in a position to exert direct and significant influence over the subject matter of the engagement.
4. Long association of an audit team member with the audit client.

**Intimidation threat** – The threat that a professional accountant will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the accountant.

**Circumstances that may create intimidation threats**

1. Being threatened with dismissal or replacement in relation to a client engagement because of a disagreement about a professional matter.
2. Being feeling pressured to agree with the judgment of a client because the client has more expertise on the matter in question.
3. Being informed that a planned promotion will not occur unless the accountant agrees with an inappropriate accounting treatment

**Non-Compliance with Laws and Regulations (NOCLAR)**

In the course of providing a professional service to a client or carrying out professional activities for an employer, a Professional accountant may come across an instance of non-compliance with laws and regulations (NOCLAR) or suspected NOCLAR committed or about to be committed by the client or the employer, or by those charged with governance, management or employees of the client or employer.



However, NOCLAR under Revised Code of Ethics does not address the personal misconduct unrelated to the business activities of the client/ employing organization and non-compliance by parties other than listed out in the definition of NOCLAR.

As per the International Ethics Standards Board for Accountants (IESBA), following examples would be covered in NOCLAR:-

- a) Fraud, corruption and bribery
- b) Money laundering, terrorist financing and proceeds of crime
- c) Securities markets and trading
- d) Banking and other financial products and services
- e) Data protection
- f) Environmental protection
- g) Public health and safety
- h) Tax and pension liabilities and payment

### **NOCLAR vs. SA 250**

1. SA 250 is applicable only on Audit, and not on other Assurance engagements. However, NOCLAR is applicable on professional accountants in service, and in practice.

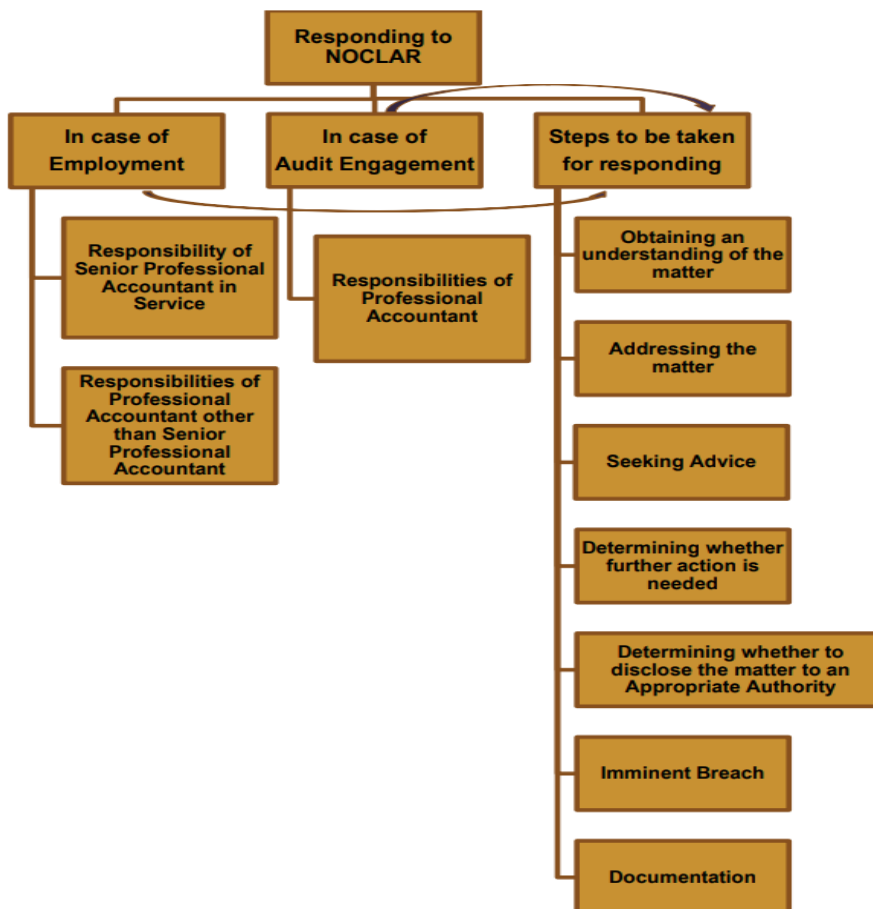
2. SA 250 talks of auditor's responsibilities for laws having direct effect on the determination of material amounts and disclosures in the financial statements (such as tax and labour laws); and other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operating aspects of the business. NOCLAR, while being alike to SA 250 till this point, is further ahead of it in that it takes into account non-compliance that causes

substantial harm resulting in serious consequences in financial or non-financial terms.

3. SA 250 does not define stakeholders. NOCLAR is related to effect of non-compliance on investors, creditors, employees and the general public.

4. As per NOCLAR, in exceptional circumstances, the professional accountant might become aware of an imminent breach of a law or regulation that would cause substantial harm to investors, creditors, employees or the general public. Having first considered whether it would be appropriate to discuss the matter with management or those charged with governance of the company, the accountant shall exercise professional judgment and determine whether to disclose the matter immediately to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach. If disclosure is made, that disclosure is permitted. This provision is not existent in SA 250.

### **Applicability of NOCLAR**



**Disciplinary Procedure Mechanism (Nov 24)**

