Frequently Asked Questions:
General Ethics Questions

As of March 1, 2015

AICPA Professional Ethics Division
INTRODUCTION

The answers to these frequently asked questions (FAQs) are based on guidance the AICPA Professional Ethics Division staff provided in response to members’ inquiries. The FAQs are not rules, regulations, or statements of the Professional Ethics Executive Committee and, therefore, are not authoritative guidance. The Conceptual Framework for Members in Public Practice [ET Section 1.000.010] and The Conceptual Framework for Members in Business [ET Section 2.000.010] should be used in conjunction with these FAQs. Further, the answers do not address the requirements of other regulatory bodies, such as the state boards of accountancy, the Securities and Exchange Commission (SEC), and the U.S. Government Accountability Office whose positions may differ from those of the AICPA.

Terms that are defined in the AICPA Code appear in italic. The first time a defined term or citation to the AICPA Code appears, it will be linked.

The date the FAQ was added or revised appears in brackets at the end of the answer. The dates that conforming edits (for example, revised citations for the Ethics Codification) were made to the FAQ will not be identified.
Table of Contents

BLIND TRUSTS ........................................................................................................................................... 4
CAMPAIGN CONTRIBUTIONS ....................................................................................................................... 4
DISCLOSURE OF COMMISSIONS .................................................................................................................. 4
INDEPENDENT CONTRACTORS ..................................................................................................................... 5
LETTER OF INTENT TO PURCHASE PRACTICE .......................................................................................... 6
PRO BONO/BELOW COST FEES ..................................................................................................................... 6
COMPLIANCE WITH SSCS’s WHEN MEMBER DOES NOT HOLD OUT AS CPA .................................................. 7
BLIND TRUSTS

Question. A covered member creates a blind trust and transfers assets into the blind trust. The covered member will not supervise or participate in the trust’s investment decisions during the term of the trust. Will the trust and the underlying assets be considered the covered member’s direct financial interests?

Answer. Although the covered member will not supervise or participate in the trust’s investments decisions during the term of the trust, the trust and the underlying investments will be considered the covered member’s direct financial interest if: (1) the covered member retains the right to amend or revoke the trust, or (2) the underlying trust investments will ultimately revert to the covered member as the grantor of the trust. See the “Trusts Investments” interpretation (AICPA, Professional Standards, ET 1.245.020) under the “Independence Rule” (AICPA, Professional Standards, ET 1.200.001) for other rights and responsibilities that would cause a trust and the underlying investments to be considered direct financial interests of a covered member. [December 2012]

CAMPAIGN CONTRIBUTIONS

Question. May a member make a political contribution to the campaign of an individual that is associated with an attest client in a key position or holds a financial interest in the attest client that is material and/or enables the individual to exercise significant influence over the attest client without impairing independence or violating any other rule of conduct?

Answer. Yes. A member would not impair independence or be in violation of any other rule of conduct provided the political contribution is not made with the intention of influencing the procurement of professional services or in contravention of federal or state laws or regulations.

Related Guidance: “Offering or Accepting Gifts or Entertainment” interpretation (AICPA, Professional Standards, ET 1.285.010) under the “Independence Rule” and “Offering or Accepting Gifts or Entertainment” interpretation (AICPA, Professional Standards, ET 1.120.010) under the “Integrity and Objectivity Rule” (AICPA, Professional Standards, ET 1.100.001) [August 2012]

DISCLOSURE OF COMMISSIONS

Question. When is a member required to disclose to a client that a commission will be received under the “Commissions and Referral Fees Rule” (AICPA, Professional Standards, ET 1.520.001)?

Answer. A member should disclose that a commission would be received at the time the referral is being made so that the client can decide whether to act on the recommendation.
INDEPENDENT CONTRACTORS

**Question.** Would independence be impaired if a CPA firm retained an independent contractor (as defined by IRS regulations and other federal regulatory guidance such as case law and revenue rulings) on a part-time basis that is employed by or associated with an attest client in a key position?

**Answer.** Yes. Independence would be impaired if an independent contractor retained by the firm was simultaneously employed by or associated with an attest client in a key position.

However, if the independent contractor is employed by or associated with the attest client in a non-key position, a member should consider the following criteria when determining if independence (in fact and appearance) is impaired:

a. Location of the firm office where the independent contractor will work in relation to the location of the office providing services to the attest client.

b. Whether the independent contractor performs services for other firms or entities or solely to the member’s firm. Factors to consider include but are not limited to:
   1. The percentage of income the individual derives from the member’s firm in relation to the individual’s total “self-employed” or earned income.
   2. The percentage of income the individual derives from the client entity in relation to the individual’s total earned income.
   3. The amount of time the individual devotes to the member’s firm versus time devoted to the attest client.
   4. The amount of time the individual devotes to the member’s firm versus time devoted to other firms or entities.

In situations where the threats to independence (in fact or appearance) are deemed not significant, the member and/or the member’s firm should consider the potential conflict of interest arising from such a relationship as set forth in the “Conflicts of Interest for Members in Public Practice” interpretation ((AICPA, Professional Standards, ET 1.110.010) under “Integrity and Objectivity Rule”. If threats are deemed significant, the member should consider whether safeguards are available to eliminate or reduce them to an acceptable level. If no safeguards could eliminate or reduce threats to an acceptable level, independence would be considered impaired.

LETTER OF INTENT TO PURCHASE PRACTICE

Question. Would independence be impaired under the “Independence Rule” if a member enters into a non-binding letter of intent to sell his or her practice to a purchaser that is not independent with respect to one or more of the member’s attest clients?

Answer. No. A non-binding letter of intent to sell the member’s practice would not impair the independence of the member if the purchaser is not independent with respect to one or more of the member’s attest clients. [August 2013]

PRO BONO/BELOW COST FEES

Question. May a member perform professional services for a client for no fee or for a fee that is below cost without impairing independence or violating any other rule of conduct?

Answer. Yes. However, regardless of what fee is charged, members are required to comply with all professional standards that are applicable to the services performed. For example, a member must comply with the “General Standards Rule” (AICPA, Professional Standards, ET 1.300.001), which requires members to:

- only undertake those professional services that the member or the member’s firm can reasonably expect to be completed with professional competence.
- exercise due professional care in the performance of professional services.
- adequately plan and supervise the performance of professional services.
- obtain relevant data to afford a reasonable basis for conclusions or recommendations in relation to any professional services performed.

The member’s state board(s) of accountancy may have rules that are more restrictive than provided in the above guidance. Accordingly, members should consult with their state board(s) of accountancy for guidance.

Professional services performed for a client for no fee or a fee below cost would not be considered a gift for purposes of applying the “Gifts and Entertainment” subtopic (AICPA, Professional Standards, ET 1.120.010) of the “Integrity and Objectivity Rule” and the “Gifts and Entertainment” subtopic (AICPA, Professional Standards, ET 1.285.010) of the “Independence Rule”.

COMPLIANCE WITH SSCS's WHEN MEMBER DOES NOT HOLD OUT AS CPA

Question. The “Compliance with Standards Rule” requires that a member who performs professional services, including consulting services, comply with standards promulgated by bodies designated by Council, regardless of whether the member is holding out as a CPA. The standards applicable to members performing consulting services are set forth in the Statements on Standards for Consulting Services (SSCSs) and specifically state that such standards apply to members holding out as a CPA while providing consulting services. Would a member who does not hold out as a CPA be in compliance with “Compliance with Standards Rule” if the member did not comply with the SSCSs while performing consulting services for a client?

Answer. Yes. Since the SSCSs apply to those members holding out as CPAs, a member who does not hold out as a CPA would not be in violation of “Compliance with Standards Rule” if the member performed consulting services that did not comply with the SSCSs. The member must still comply with all other rules of the Code, including the “General Standards Rule” which requires that the member comply with the following standards:

a. Professional Competence. Undertake only those professional services that the member or the member's firm can reasonably expect to be completed with professional competence.
b. Due Professional Care. Exercise due professional care in the performance of professional services.
c. Planning and Supervision. Adequately plan and supervise the performance of professional services.
d. Sufficient Relevant Data. Obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to any professional services performed.