



# **DELETED INTERPRETATIONS AND ETHICS RULINGS**

**As of May 31, 2013**

The following list and related content was deleted from the AICPA Code of Professional Conduct during the past 10 years. The month and year identified corresponds to when the content was deleted. Accordingly, the content is not authoritative as of that date.

- Definition, "[Holding out](#)," of ET section 92, *Definitions* (AICPA, *Professional Standards*, ET sec. 92 par. .12) (Deleted March 2013, effective May 31, 2013)
- [Ethics Ruling No. 65](#), "Use of the CPA Designation by Member Not in Public Practice," of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET sec. 191 par. .130-.130) (Deleted March 2013, effective May 31, 2013)
- [Ethics Ruling No. 38](#), "CPA Title, Controller of Bank," of ET section 591, *Ethics Rulings on Other Responsibilities and Practices*, (AICPA, *Professional Standards*, ET sec. 591 par. .075-.076) (Deleted March 2013, effective May 31, 2013)
- [Ethics Ruling No. 78](#), "Letterhead: Lawyer-CPA" of ET section 591, *Ethics Rulings on Other Responsibilities and Practices*, (AICPA, *Professional Standards*, ET sec. 591 par. .155-.156) (Deleted March 2013, effective May 31, 2013)
- [Ethics Ruling No. 134](#), "Association of Accountants Not Partners," of ET section 591, *Ethics Rulings on Other Responsibilities and Practices* (AICPA, *Professional Standards*, ET sec. 591 par. .267-.268) (Deleted August 2012)
- [Ethics Ruling No. 74](#), "Audits, Reviews, or Compilations and a Lack of Independence" of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET sec. 191 par. .148-.149) (Deleted April 2012).
- [Ethics Ruling No. 135](#), "Association of Firms Not Partners," of ET section 591, *Ethics Rulings on Other Responsibilities and Practices* (AICPA, *Professional Standards*, ET sec. 591 par. .269-.270) (Deleted April 2012).
- [Interpretation No. 101-8](#), "Effect on Independence of Financial Interests in Nonclients Having Investor or Investee Relationships With a Covered Member's Client," under Rule 101, *Independence* (AICPA, *Professional Standards*, ET sec. 101 par. .10) (Deleted November 2011).
- [Ethics Ruling No. 9](#), "Member as Representative of Creditor's Committee," of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET sec. 191 par. .017-.018) (Deleted November 2011)
- [Ethics Ruling No. 10](#), "Member as Legislator," of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET sec. 191 par. .019-.020) (Deleted November 2011)
- [Ethics Ruling No. 12](#), "Member as Trustee of Charitable Foundation," of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET sec. 191 par. .023-.024) (Deleted November 2011)
- [Ethics Ruling No. 16](#), "Member on Board of Directors of Nonprofit Social Club," of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET sec. 191 par. .031-.032) (Deleted November 2011)

- [Ethics Ruling No. 19](#), "Member on Deferred Compensation Committee," of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET sec. 191 par. .037–.038) (Deleted November 2011)
- [Ethics Ruling No. 21](#), "Member as Director and Auditor of an Entity's Profit Sharing and Retirement Trust," of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET sec. 191 par. .041–.042) (Deleted November 2011)
- [Ethics Ruling No. 29](#), "Member as Bondholder," of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET sec. 191 par. .057–.058) (Deleted November 2011)
- [Ethics Ruling No. 38](#), "Member as Co-Fiduciary With Client Bank," of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET sec. 191 par. .075–.076) (Deleted November 2011)
- [Ethics Ruling No. 48](#), "Faculty Member as Auditor of a Student Fund," of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET sec. 191 par. .095–.096) (Deleted November 2011)
- [Ethics Ruling No. 60](#), "Employee Benefit Plans—Member's Relationships With Participating Employer," of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET sec. 191 par. .119–.120) (Deleted November 2011)
- [Ethics Ruling No. 69](#), "Investment With a General Partner," of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET sec. 191 par. .138–.139) (Deleted November 2011)
- [Ethics Ruling No. 81](#), "Member's Investment in a Limited Partnership," of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET sec. 191 par. .162–.163) (Deleted November 2011)
- [Ethics Ruling No. 98](#), "Member's Loan From a Nonclient Subsidiary or Parent of an Attest Client," of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET sec. 191 par. .196–.197) (Deleted November 2011)
- [Ethics Ruling No. 103](#), "Attest Report on Internal Controls," of ET section 191 (AICPA, *Professional Standards*, ET sec. 191, *Ethics Rulings on Independence, Integrity, and Objectivity* par. .206–.207) (Deleted November 2011)
- [Ethics Ruling No. 106](#), "Member Has Significant Influence Over an Entity That Has Significant Influence Over a Client," of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET sec. 191 par. .212–.213) (Deleted November 2011)
- [Ethics Ruling No. 111](#), "Employee Benefit Plan Sponsored by Client," of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET sec. 191 par. .222–.223) (Deleted November 2011)
- [Ethics Ruling No. 11](#), "Applicability of Rule 203 to Members Performing Litigation Support Services," of ET section 291, *Ethics Rulings on General and Technical Standards* (AICPA, *Professional Standards*, ET sec. 291 par. .021–.022) (Deleted November 2011)

- [Ethics Ruling No. 2](#), "Fees: Collection of Notes Issued in Payment," of ET section 591, *Ethics Rulings on Other Responsibilities and Practices* (AICPA, *Professional Standards*, ET sec. 591 par. .003–.004) (Deleted November 2011)
- [Ethics Ruling No. 33](#), "Course Instructor," of ET section 591, *Ethics Rulings on Other Responsibilities and Practices* (AICPA, *Professional Standards*, ET sec. 591 par. .065–.066) (Deleted November 2011)
- [Ethics Ruling No. 108](#), "Member Interviewed by the Press," of ET section 591, *Ethics Rulings on Other Responsibilities and Practices* (AICPA, *Professional Standards*, ET sec. 591 par. .215–.216) (Deleted November 2011)
- [Ethics Ruling No. 117](#), "Consumer Credit Company Director," of ET section 591, *Ethics Rulings on Other Responsibilities and Practices* (AICPA, *Professional Standards*, ET sec. 591 par. .233–.234) (Deleted November 2011)
- [Ethics Ruling No. 140](#), "Political Election," of ET section 591, *Ethics Rulings on Other Responsibilities and Practices* (AICPA, *Professional Standards*, ET sec. 591 par. .279–.280) (Deleted November 2011)
- [Ethics Ruling No. 144](#), "Title: Partnership Roster," of ET section 591, *Ethics Rulings on Other Responsibilities and Practices* (AICPA, *Professional Standards*, ET sec. 591 par. .287–.288) (Deleted November 2011)
- [Ethics Ruling No. 176](#), "Member's Association With Newsletters and Publications," of ET section 591, *Ethics Rulings on Other Responsibilities and Practices* (AICPA, *Professional Standards*, ET sec. 591 par. .351–.352) (Deleted November 2011)
- [Ethics Ruling No. 177](#), "Data Processing: Billing Services," of ET section 591, *Ethics Rulings on Other Responsibilities and Practices* (AICPA, *Professional Standards*, ET sec. 591 par. .353–.354) (Deleted November 2011)
- [Ethics Ruling No. 179](#), "Practice of Public Accounting Under Name of Association or Group," of ET section 591, *Ethics Rulings on Other Responsibilities and Practices* (AICPA, *Professional Standards*, ET sec. 591 par. .357–.358) (Deleted November 2011)
- [Ethics Ruling No. 101](#), "Client advocacy and Expert Witness Services," of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* par. .202–.203) (Deleted July 2007)
- [Ethics Ruling No. 182](#), "Termination of Engagement Prior to Completion," of ET section 591, *Ethics Rulings on Other Responsibilities and Practices* (AICPA, *Professional Standards*, ET sec. 591 par. .363–.364) (Deleted April 2006).
- [Ethics Ruling No. 1](#), "Acceptance of a Gift," of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET 191 par. .001–.002) (Deleted January 2006).
- [Ethics Ruling No. 35](#), "Stockholder in Mutual Funds" of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET 191 par. .069–.070) (Deleted December 2005).
- [Ethics Ruling No. 36](#), "Participant in Investment Club" of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET 191 par. .071–.072) (Deleted December 2005).

- [Ethics Ruling No. 79](#), “Member’s Investment in a Partnership That Invests in Client” of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET 191 par. .158-.159) (Deleted December 2005).
- [Ethics Ruling No. 109](#), “Member’s Investment in Financial Services Products that Invest in Clients” of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET 191 par. .218-.219) (Deleted December 2005).
- [Ethics Ruling No. 66](#), “Member’s Retirement or Savings Plan Has Financial Interest in Client” of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET 191 par. .132-.133) (Deleted May 2005).
- [Ethics Ruling No. 68](#), “Blind Trust” of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET 191 par. .136-.137) (Deleted May 2005).
- [Ethics Ruling No. 5](#), “Records Retention Agency” of ET section 391, *Ethics Rulings on Responsibilities to Clients* (AICPA, *Professional Standards*, ET 391 par. .009-.010) (Deleted October 2004).
- [Interpretation No. 101-13](#), "Extended Audit Services," under Rule 101, *Independence* (AICPA, *Professional Standards*, ET sec. 101 par. .15) (Deleted September 2003).
- [Ethics Ruling No. 104](#), “Operational Auditing Services” of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET 191 par. .208-.209) (Deleted September 2003).
- [Ethics Ruling No. 105](#), “Frequency of Performance of Extended Audit Procedures” of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET 191 par. .210-.211) (Deleted September 2003).
- [Ethics Ruling No. 77](#), “Individual Considering or Accepting Employment with the Client” of ET section 191, *Ethics Rulings on Independence, Integrity, and Objectivity* (AICPA, *Professional Standards*, ET 191 par. .154-.155) (Deleted April 2003).

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## TEXT OF DELETIONS AS OF MARCH 2013, EFFECTIVE MAY 31, 2013

**.12 Holding out.** In general, any action initiated by a member that informs others of his or her status as a CPA or AICPA-accredited specialist constitutes holding out as a CPA. This would include, for example, any oral or written representation to another regarding CPA status, use of the CPA designation on business cards or letterhead, the display of a certificate evidencing a member's CPA designation, or listing as a CPA in local telephone directories. [Paragraph re-numbered September 2011.]

### 65. Use of the CPAs Designation by Member Not in Public Practice

**.130 Question—** A member who is not in public practice wishes to use his or her CPA designation in connection with financial statements and correspondence of the member's employer. The member also wants to use the CPA designation along with employment title on business cards. Is it permissible for the member to use the CPA designation in these manners?

**.131 Answer—** Yes. However, if the member uses the CPA designation in a manner to imply that he or she is independent of the employer, the member would be knowingly misrepresenting facts in violation of rule 102 [[ET section 102.01](#)]. Therefore, it is advisable that in any transmittal within which the member uses his or her CPA designation, he or she clearly indicate the employment title. In addition, if the member states affirmatively in any transmittal that a financial statement is presented in conformity with generally accepted accounting principles, the member is subject to rule 203 [[ET section 203.01](#)].

[Replaces previous ruling No. 65, *Use of the CPA Designation by Member Not in Public Practice*, February 1996, effective February 29, 1996.]

### 38. CPA Title, Controller of Bank

**.075 Question—** A member not in public practice is controller of a bank. May the member permit the bank to use his or her CPA title on bank stationery and in paid advertisements listing the officers and directors of the bank?

**.076 Answer—** The use of the CPA title on bank stationery by a member not in public practice is proper. It would also be proper for the CPA title of the member to appear in paid advertisements of the bank that list the officers and directors.

### 78. Letterhead: Lawyer-CPA

**.155 Question—** May a member who is also admitted to the Bar represent him or herself on his or her letterhead as both an attorney and a CPA, or should he or she use separate letterheads in the conduct of the two practices?

**.156 Answer—** The Code does not prohibit the simultaneous practice of accounting and law by a member licensed in both professions. Either a single or separate letterheads may be used, provid-

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ed the information with respect to the CPA designation complies with rule 502 [[ET section 502.01](#)]. However, the member should also consult the rules of the applicable Bar Association.

### TEXT OF DELETIONS AS OF OCTOBER 10, 2012

#### 134. Association of Accountants Not Partners

**.267 Question**—Two members who are not partners share an office, have the same employees, have a joint bank account, and work together on each other's engagements. Would it be proper to have a joint letterhead showing both names, "Certified Public Accountants," and their addresses?

**.268 Answer**—In these circumstances the public would assume that a partnership existed. If any reports were to be issued under the joint heading, Rule 505 [[ET section 505.01](#)] would be violated.

Members should not use a letterhead showing the names of two accountants when a partnership does not exist. [[Deleted From the AICPA Code of Professional Conduct in August 2012](#)]

#### 74. Audits, Reviews, or Compilations and a Lack of Independence

**.148 Question**—If a member or his or her firm is not independent with respect to a client, is it permissible to issue an audit, review, or compilation report for that client?

**.149 Answer**—A member or his or her firm may not issue an audit or review report if not independent of the client. A compilation report may be issued provided that the report specifically discloses the lack of independence without giving reasons for the impairment.

[Revised, July 2002, to reflect conforming changes necessary due to the revision of Interpretation No. 101-1.] [[Deleted From the AICPA Code of Professional Conduct in April 2012](#)]

#### 135. Association of Firms Not Partners

**.269 Question**—Three CPA firms wish to form an association—not a partnership—to be known as “Smith, Jones & Associates.” Is there any impropriety in this?

**.270 Answer**—The use of such a title is not permitted since it might mislead the public into thinking a true partnership exists. Instead, each firm is advised to use its own name on its letterhead, indicating the other two as correspondents. [[Deleted From the AICPA Code of Professional Conduct in April 2012](#)]

**101-8 Effect on independence of financial interests in nonclients having investor or investee relationships with a covered member's client**

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## Introduction

Financial interests in nonclients that are related in various ways to a client may impair independence. Situations in which the nonclient investor is a partnership are covered in other rulings [ET section 191.138-.139 and .162-.163].

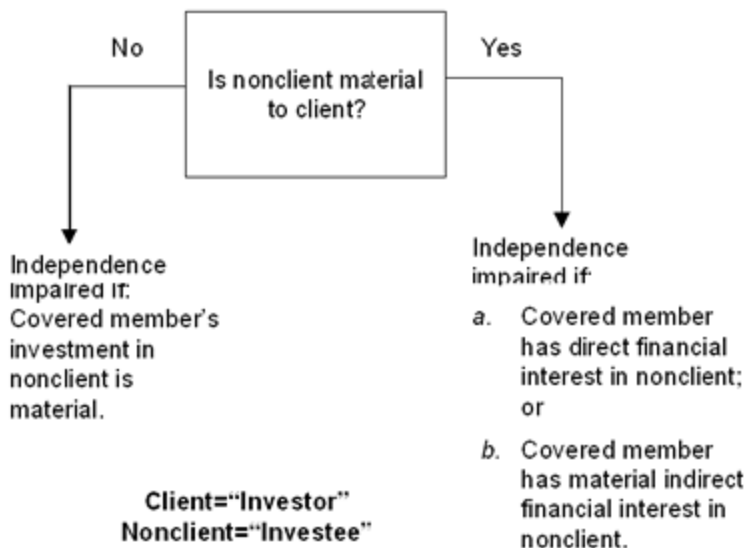
## Terminology

The following specifically identified terms are used in this interpretation as indicated:

1. **Client.** The term client means the person or entity with whose financial statements a covered member is associated.
2. **Significant Influence.** The term significant influence is as defined in Financial Accounting Standards Board *Accounting Standards Codification* 323-10-15.
3. **Investor.** The term investor means (a) a parent, (b) a general partner, or (c) a natural person or corporation that has the ability to exercise significant influence.
4. **Investee.** The term investee means (a) a subsidiary or (b) an entity over which an investor has the ability to exercise significant influence.

## Interpretation

Where a nonclient investee is material to a client investor, any direct or material indirect financial interest of a covered member in the nonclient investee would be considered to impair independence with respect to the client investor. If the nonclient investee is immaterial to the client investor, a covered member's material investment in the nonclient investee would cause an impairment of independence.



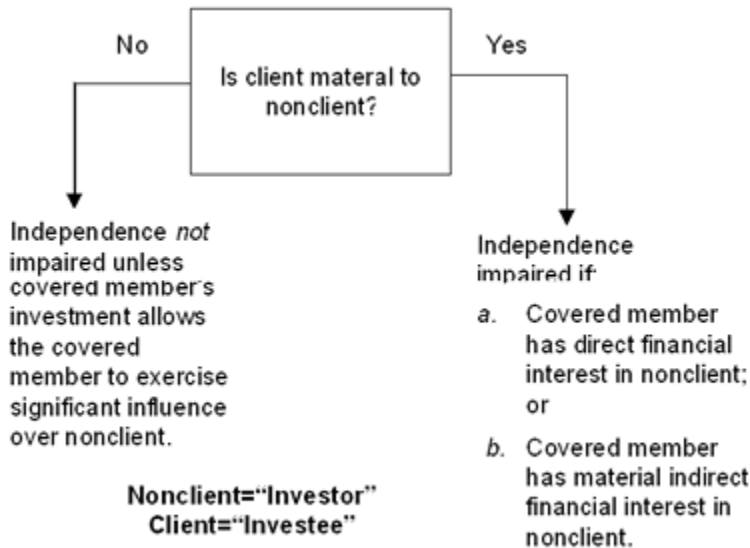
Where a client investee is material to nonclient investor, any direct or material indirect financial interest of a covered member in the nonclient investor would be considered to impair independence with respect to the client investee. If the client investee is immaterial to the nonclient inves-

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tor, and if a covered member's financial interest in the nonclient investor allows the covered member to exercise significant influence over the actions of the nonclient investor, independence would be considered to be impaired.



Other relationships, such as those involving brother-sister common control or client-nonclient joint ventures, may affect the appearance of independence. The covered member should make a reasonable inquiry to determine whether such relationships exist, and if they do, careful consideration should be given to whether the financial interests in question would lead a reasonable observer to conclude that the specified relationships pose an unacceptable threat to independence.

In general, in brother-sister common control situations, an immaterial financial interest of a covered member in the nonclient investee would not impair independence with respect to the client investee, provided the covered member could not exercise significant influence over the nonclient investor. However, if a covered member's financial interest in a nonclient investee is material, the covered member could be influenced by the nonclient investor, thereby impairing independence with respect to the client investee. In like manner, in a joint venture situation, an immaterial financial interest of a covered member in the nonclient investor would not impair the independence of the covered member with respect to the client investor, provided that the covered member could not exercise significant influence over the nonclient investor.

If a covered member does not and could not reasonably be expected to have knowledge of the financial interests or relationship described in this interpretation, independence would not be considered to be impaired under this interpretation. ~~[Deleted From the AICPA Code of Professional Conduct in November 2011]~~

### 9. Member as Representative of Creditor's Committee

*.017 Question*—A member performs the following functions for a creditors' committee in control of a debtor corporation which will continue to operate under its existing management subject to extension agreements:

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- Signs or co-signs checks issued by the debtor corporation.
- Signs or co-signs purchase orders in excess of established minimum amounts.
- Exercises general supervision to insure compliance with budgetary controls and pricing formulas established by management, with the consent of the creditors, as part of an overall program aimed at the liquidation of deferred indebtedness.

Would independence be considered to be impaired with respect to the debtor corporation?

*.018 Answer*—Independence would be considered to be impaired if *any* partner or professional employee of the firm performed any of the functions described, since these are considered to be management functions. [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 10. Member as Legislator

*.019 Question*—A member is an elected legislator in a local government (a city). The city manager, who is responsible for all administrative functions, is also an elected official. Would independence be considered to be impaired with respect to the city?

*.020 Answer*—Independence would be considered to be impaired if *any* partner or professional employee of the firm served as an elected legislator for a city at the same time his or her firm was engaged to perform the city's attest engagement, even though the city manager is an elected official rather than an appointee of the legislature. [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 12. Member as Trustee of Charitable Foundation

*.025 Question*—A charitable foundation is the sole beneficiary of the estate of the foundation's deceased organizer. If a member becomes a trustee of the foundation, would independence be considered to be impaired with respect to (1) the foundation or (2) the estate?

*.024 Answer*—If a *covered* member served as trustee of the foundation, independence would be considered to be impaired with respect to both the foundation and the estate. [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 16. Member on Board of Directors of Nonprofit Social Club

*.031 Question*—Would independence be considered to be impaired if a member served on the board of directors of a nonprofit social club?

*.032 Answer*—Independence would be considered to be impaired if *any* partner or professional employee of the firm served on the board of directors since the board has ultimate responsibility

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for the club's affairs. [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 19. Member on Deferred Compensation Committee

*.037 Question*—Would independence be considered to be impaired if a member served on a committee that administers a client's deferred compensation program?

*.038 Answer*—Independence would be considered to be impaired if *any* partner or professional employee of the firm served on the committee since such service constitutes participation in the client's management functions. The partner or professional employee could however render consulting assistance without joining the committee. [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 21. Member as Director and Auditor of an Entity's Profit Sharing and Retirement Trust

*.041 Question*—A member serves in the dual capacity of director of an entity and auditor of the financial statements of that entity's profit sharing and retirement trust (the trust). Would independence be considered to be impaired with respect to the trust?

*.042 Answer*—Service as director of an entity constitutes participation in management functions that affect the entity's trust. Accordingly, independence would be considered to be impaired if *any* partner or professional of the firm served in such capacity. [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 29. Member as Bondholder

*.059 Question*—Would independence be considered to be impaired if a member owned an immaterial amount of a municipal authority's outstanding bonds?

*.058 Answer*—Ownership of a client's bonds constitute a loan to that client. Accordingly, if a *covered* member owned such bonds, independence would be considered to be impaired. [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 38. Member as Co-Fiduciary With Client Bank

*.075 Question*—A member serves with a client bank in a co-fiduciary capacity with respect to an estate or trust. Would independence be considered to be impaired with respect to the bank or the bank's trust department?

*.076 Answer*—Independence would not be considered to be impaired provided the assets in the estate or trust were not material to the total assets of the bank and/or the bank's trust department. [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 48. Faculty Member as Auditor of a Student Fund

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**.095 Question**—A full or part-time faculty member employed by a university is asked to audit the financial statements of the Student Senate Fund. The university:

1. Acts as a collection agent for student fees and remits them to the Student Senate.
2. Requires that a university administrator approve and sign Student Senate checks.

Would independence be considered to be impaired under these circumstances?

**.096 Answer**—Independence would be considered to be impaired with respect to the Student Senate Fund if *any* partner or professional employee (individual) performed the functions described since the individual would be auditing several of the management functions performed by the university, the individual's employer. [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 60. Employee Benefit Plans—Member's Relationships With Participating Employer

**.119 Question**—A member has been asked to audit the financial statements of an employee benefit plan (“the plan”) that may have one or more participating employer(s). Would independence be considered to be impaired with respect to the plan if the member had financial or other relationships with a participating employer(s)?

**.120 Answer**—Independence would be considered to be impaired with respect to the plan if *any* partner or professional employee of the firm had significant influence over such employer, was in a key position with the employer, or was associated with the employer as a promoter, underwriter, or voting trustee.

When auditing plans subject to the Employee Retirement Income Security Act of 1974 (ERISA), Department of Labor (DOL) regulations must be followed.<sup>fn 1</sup>

<sup>fn 1</sup> Currently, DOL regulations are more restrictive than the position taken in this ruling. [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 69. Investment With a General Partner

**.138 Question**—A private, closely held entity is the general partner and controls (as defined in Generally Accepted Accounting Principles) limited partnership A. The member has a material financial interest in limited partnership A. The member's firm has been asked to perform an attest engagement for a new limited partnership (B), which has the same general partner as limited partnership A. Would independence be considered to be impaired with respect to limited partnership B?

**.139 Answer**—Because the general partner has control over limited partnership A, the *covered* member would be considered to have a joint closely held investment with the general partner, who has significant influence over limited partnership B, the proposed client. Accordingly, inde-

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pendence would be considered to be impaired with respect to limited partnership B if the covered member had a material investment in limited partnership A. [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 81. Member's Investment in a Limited Partnership

**.162 Question**—A member is a limited partner in a limited partnership (LP), including a master limited partnership. A client is a general partner in the same LP. Is independence considered to be impaired with respect to (1) the LP, (2) the client, and (3) any subsidiaries of the LP?

**.163 Answer**—

1. A *covered* member's limited partnership interest in the LP is a direct financial interest in the LP that would impair independence under interpretation 101-1.A.1 [ET section 101.02].
2. The LP is an investee of the client because the client is a general partner in the LP. Therefore, under interpretation 101-8 [ET section 101.10], if the investment in the LP were material to the client, a *covered* member's financial interest in the LP would impair independence. However, if the client's financial interest in the LP were not material to the client, a *covered* member's immaterial financial interest in the LP would not impair independence.
3. If the *covered* member is a limited partner in the LP, the covered member is considered to have an indirect financial interest in all subsidiaries of the LP. If the indirect financial interest in the subsidiaries were material to the covered member, independence would be considered to be impaired with respect to those subsidiaries under interpretation 101-1.A.1 [ET section 101.02].

If the covered member or client general partner, individually or together can control the LP, the LP would be considered a joint closely held investment under ET section 92.16. [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 98. Member's Loan From a Nonclient Subsidiary or Parent of an Attest Client

**.196 Question**—A member has obtained a loan from a nonclient. The member's firm performs an attest engagement for the parent or a subsidiary of the nonclient. Does the loan from the nonclient subsidiary or parent impair independence?

**.197 Answer**—A *covered* member's loan that is not a "grandfathered" or "permitted" loan under interpretation 101-5 [ET section 101.07] from a nonclient subsidiary would impair independence with respect to the client parent. However, a loan from a nonclient parent would not impair independence with respect to the client subsidiary as long as the subsidiary is not material to its parent. [Deleted From the AICPA Code of Professional Conduct in November 2011]

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## 103. Attest Report on Internal Controls

**.206 Question**—If a member or his or her firm provides extended audit services for a client in compliance with interpretation 101-3 [ET section 101.05], would the firm be considered to be independent in the performance of an attestation engagement to report on the client's assertion regarding the effectiveness of its internal control over financial reporting?

**.207 Answer**—Independence would not be considered to be impaired with respect to the issuance of such a report if both of the following conditions are met:

1. Management has assumed responsibility to establish and maintain internal control.
2. Management does not rely on the firm's work as the primary basis for its assertion and accordingly has (a) evaluated the results of its ongoing monitoring procedures built into the normal recurring activities of the entity (including regular management and supervisory activities) and (b) evaluated the findings and results of the firm's work and other separate evaluations of controls, if any. [Deleted From the AICPA Code of Professional Conduct in November 2011]

## 106. Member Has Significant Influence Over an Entity That Has Significant Influence Over a Client

**.212 Question**—Would independence be considered to be impaired if a member or his or her firm had significant influence, as defined in ET section 92.27, over an entity that has significant influence over a client?

**.213 Answer**—Independence would be considered to be impaired if *any* partner or professional of the firm had significant influence over an entity that has significant influence over a client. By having such influence over the nonclient entity, the partner or professional employee would also be considered to have significant influence over the client.

See interpretation 101-8 for further guidance.

[Revised, July 2002, to reflect conforming changes necessary due to the revision of interpretation 101-1.] [Deleted From the AICPA Code of Professional Conduct in November 2011]

## 111. Employee Benefit Plan Sponsored by Client

**.222 Question**—A member or his or her firm provides asset management or investment services that may include having custody of assets, performing management functions, or making management decisions for an employee benefit plan (the plan) sponsored by a client. Would independence be considered to be impaired with respect to the plan and the client sponsor?

**.223 Answer**—The performance of investment management or custodial services for a plan would be considered to impair independence with respect to the plan. Independence would also be considered to be impaired with respect to the client sponsor of a defined benefit plan if the

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assets under management or in the custody of the member are material to the plan or the client sponsor.

Independence would not be considered to be impaired with respect to the client sponsor of a defined contribution plan provided the member does not make any management decisions or perform management functions on behalf of the client sponsor or have custody of the sponsor's assets. [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 11. Applicability of Rule 203 to Members Performing Litigation Support Services

**.021 Question**—Does Rule 203, *Accounting Principles* [ET section 203.01], apply to members performing litigation support services?

**.022 Answer**—Yes. [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 2. Fees: Collection of Notes Issued in Payment

**.003 Question**—A member's firm made arrangements with a bank to collect notes issued by a client in payment of fees due, and so advised the delinquent client. Is this procedure ethical?

**.004 Answer**—The procedure followed does not violate any provision of the Code. [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 33. Course Instructor

**.065 Question**—What responsibility does a member have for the information included in advertising material used to promote a course which he or she has been asked to conduct?

**.066 Answer**—It is of value to prospective students to know the instructor's background—such as degrees he or she holds, professional society affiliations, and the name of his or her firm. The member has the responsibility to ascertain that all promotional efforts are within the bounds of rule 502 [ET section 502.01]. [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 108. Member Interviewed by the Press

**.215 Question**—What ethical standards should a member observe when he or she is interviewed by the press?

**.216 Answer**—When interviewed by a writer or reporter, the member should observe the limitations imposed on him or her by the Rules of Conduct. The member may not provide the press with any information for publication that he or she could not publish him or herself. [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 117. Consumer Credit Company Director

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**.233 Question**—A consumer credit company purchases installment sales contracts from retailers and receives payments from consumers. May a practicing CPA serve as a director or officer of such a corporation?

**.234 Answer**—Yes, as long as he or she does not audit the corporation and does not participate in matters which might involve a conflict of interest. [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 140. Political Election

**.279 Question**—A member's firm, consisting of four members, practices under the name of the managing partner who is presently seeking election to high public office. If he or she is elected and withdraws from the partnership, may the three remaining partners continue to use the present firm name?

**.280 Answer**—It would not be a violation for the three remaining partners to continue to practice under the name of the managing partner followed by the designation "and Company." [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 144. Title: Partnership Roster

**.287 Question**—Is there any prohibition in the Code to the use of an established firm name in a different state where there is some difference in the roster of partners?

**.288 Answer**—It would be proper for the firm to use the established name in different states even though the roster of partners differed as long as the firm otherwise complies with rule 505 [ET section 505.01]. [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 176. Member's Association With Newsletters and Publications

**.351 Question**—May a newsletter, tax booklet, or similar publication be attributed to a member or a member's firm (member) if it has not been prepared by the member?

**.352 Answer**—Yes, provided that the member has a reasonable basis to conclude that the information contained therein that is attributed to the member is not false, misleading, or deceptive. [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 177. Data Processing: Billing Services

**.353 Question**—A member in public practice plans to form a separate business to perform centralized billing services for local doctors. The member maintains that this service, which is similar to one currently offered and advertised by a local bank, does not constitute the practice of public accounting and that rules 502 [ET section 502.01] and 505 [ET section 505.01] do not apply. Is the member correct in this conclusion?

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**.354 Answer**—No, the service in question does in fact constitute service of a type performed by public accountants and consequently the member could proceed with this plan only if the operation were conducted in accordance with the Institute's rules of conduct. [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 179. Practice of Public Accounting Under Name of Association or Group

**.357 Question**—Several CPA firms wish to form an association or group whereby certain joint advertising, training, professional development and management assistance will take place. The firms will otherwise remain separate and distinct. Would it be proper for such firms to practice public accounting under the name of an association or group in the United States?

**.358 Answer**—The practice of public accounting under such a name in the United States is not permitted since it would be likely to confuse the public as to the nature of the actual relationship which exists among the firms. Instead, each firm should practice only in its own firm name and may indicate the association or group name elsewhere on the firm stationery. Each firm may also list on its stationery the names of the other firms in the association or group. [Deleted From the AICPA Code of Professional Conduct in November 2011]

### 101. Client Advocacy and Expert Witness Services

**.202 Question**—Would the performance of expert witness services be considered as acting as an advocate for a client as discussed in interpretation 102-6 [ET section 102.07]?

**.203 Answer**—No. A member serving as an expert witness does not serve as an advocate but as someone with specialized knowledge, training, and experience in a particular area who should arrive at and present positions objectively. [Deleted From the AICPA Code of Professional Conduct in July 2007]

### 182. Termination of Engagement Prior to Completion

**.363 Question**—does rule 501 [ET section 501.01] require a member to furnish a tax return or supporting detail to a client if the engagement to prepare the tax return is terminated prior to its completion?

**.364 Answer**—As provided in interpretation 501-1 [ET section 501.02], if an engagement is terminated by either the member or the client prior to completion, the member is required to return or furnish copies of all those records originally given to the member by the client. Therefore, if a member has been engaged to prepare a tax return and the client or the member terminates the engagement before the tax return is delivered to the client, the member's responsibility is to return only those records originally provided to the member by the client. [Deleted From the AICPA Code of Professional Conduct in April 2006]

### 1. Acceptance of a Gift

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**.001 Question**—Would independence be considered to be impaired if a member accepts a gift or other unusual consideration from a client?

**.002 Answer**—Independence would be considered impaired if a *covered* member accepts more than a token gift from a client, even with the knowledge of the member's firm. [Deleted From the AICPA Code of Professional Conduct in January 2006]

### 35. Stockholder in Mutual Funds

**.069 Question**—A member owns shares in a non-regulated mutual investment fund (the fund) which holds shares of stock in a client. Would independence be considered to be impaired with respect to the client whose stock is held by the fund?

**.070 Answer**—Client securities held by the fund represent indirect financial interests. Accordingly, if a *covered* member has such an indirect financial interest, which is material to the covered member, independence would be considered to be impaired. In addition, if *any* partner or professional employee in the firm has significant influence over the fund, independence would be considered to be impaired. [Deleted From the AICPA Code of Professional Conduct in December 2005]

### 36. Participant in Investment Club

**.071 Question**—A member participates in an investment club. Would independence be considered to be impaired with respect to a client in which the investment club holds shares?

**.072 Answer**—Independence would be considered to be impaired if a *covered* member owned stock in a client through an investment club as such holdings would be deemed to be a direct financial interest. Accordingly, any of the club's investments in a client would be deemed to impair independence regardless of materiality of the investment to the covered member's net worth.

See interpretation 101-1.B [ET section 101.02] for additional restrictions relating to all partners and professionals of the firm. [Deleted From the AICPA Code of Professional Conduct in December 2005]

### 79. Member's Investment in a Partnership That Invests in Client

**.158 Question**—Would independence be considered to be impaired if a member had a direct financial interest in a partnership that invests in a client?

**.159 Answer**—If a *covered* member is a general partner, or functions in a capacity similar to that of a general partner, in a partnership that invests in a client, the covered member is deemed to have a direct financial interest in the client. Independence is considered to be impaired.

If a *covered* member is a limited partner in a partnership that invests in a client, the covered member is considered to have an indirect financial interest in the client. Independence would be

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considered to be impaired if the indirect financial interest is material to the covered member's net worth. [Deleted From the AICPA Code of Professional Conduct in December 2005]

### 109. Member's Investment in Financial Services Products That Invest in Clients

**.218 Question**—Amounts contributed by a member or a member's firm (member) for investment purposes, including retirement plans, are invested or managed by a nonclient financial services company that offers financial services products, for example, insurance contracts and other investment arrangements, which allow the member to direct his or her investment into debt or equity securities. Under what circumstances would independence be considered to be impaired?

**.219 Answer**— If a *covered* member is able to direct and does direct his or her investment through a financial services product into a client, independence would be considered to be impaired because such investment is considered to be a direct financial interest in the client. If the covered member does not exercise his or her ability to direct the investment but the financial services product were to invest in a client, such investment would be a direct financial interest in the client and independence would be considered to be impaired.

If the covered member is not able to direct the investment and the financial services product invests in a client, the covered member is considered to have an indirect financial interest in the client. Independence would be considered to be impaired if the indirect financial interest becomes material to the covered member. (See ethics ruling No. 35 under rule 101 [[ET section 191.069-.070](#)] for additional guidance with respect to investments in mutual funds.)

Further, an investment in a financial services product that invests only in clients with respect to which an individual is considered to be a covered member would be considered to be a direct financial interest in such client, and independence would be considered to be impaired. [Deleted From the AICPA Code of Professional Conduct in December 2009]

### 66. Member's Retirement or Savings Plan Has Financial Interest in Client

**.132 Question**—A member's retirement or savings plan has a financial interest in a client. Would independence be considered to be impaired?

**.133 Answer**—Any direct or material indirect financial interest in a client held through a retirement or savings plan would be considered to be a direct or material indirect financial interest in the client. Accordingly, if a *covered* member had such a financial interest, independence would be considered to be impaired.

See interpretation 101-1.B [[ET section 101.02](#)] for additional restrictions relating to all partners and professionals of the firm. [Deleted From the AICPA Code of Professional Conduct in May 2005]

### 68. Blind Trust

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**.136 Question**—Would independence be considered to be impaired if a member transferred a direct financial interest in a client into a blind trust?

**.137 Answer**—Independence would be considered impaired if a *covered* member had a direct financial interest in a client, whether or not the interest was placed in a blind trust. Further, the covered member should ensure that any blind trust for which he or she is a beneficiary does not hold a direct or material indirect financial interest in any clients with respect to which he or she is a covered member. [Deleted From the AICPA Code of Professional Conduct in May 2005]

### 5. Records Retention Agency

**.009 Question**—May a member use a records-retention agency to store his clients' records, working papers, and so forth?

**.010 Answer**—There is no objection to the use of such a records center. However, the responsibility for preserving the confidential nature of the records rests with the member. [Deleted From the AICPA Code of Professional Conduct in October 2004]

### 101-13—Extended Audit Services

A member or his or her firm ("member") may be asked by a client, for which the member performs an attest engagement, to perform extended audit services. These services may include assistance in the performance of the client's internal audit activities and/or an extension of the member's audit service beyond the requirements of generally accepted auditing standards (hereinafter referred to as "extended audit services").

A member's performance of extended audit services would not be considered to impair independence with respect to a client for which the member also performs an attest engagement, provided that the member or his or her firm is not an employee of the client or does not act or appear to act in a capacity equivalent to a member of client management.

The responsibilities of the client, including its board of directors, audit committee, and management, and the responsibilities of the member, as described below, should be understood by both the member and the client. It is preferable that this understanding be documented in an engagement letter that indicates that the member may not perform management functions or make management decisions.

A member should be satisfied that the client understands its responsibility for establishing and maintaining internal control and directing the internal audit function, if any. As part of its responsibility to establish and maintain internal control, management monitors internal control to assess the quality of its performance over time. Monitoring can be accomplished through ongoing activities, separate evaluations or a combination of both.

Ongoing monitoring activities are the procedures designed to assess the quality of internal control performance over time and that are built into the normal recurring activities of an entity and

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include regular management and supervisory activities, comparisons, reconciliations and other routine actions. Separate evaluations focus on the continued effectiveness of a client's internal control. A member's independence would not be impaired by the performance of separate evaluations of the effectiveness of a client's internal control, including separate evaluations of the client's ongoing monitoring activities.

The member should understand that, with respect to the internal audit function, the client is responsible for—

- Designating a competent individual or individuals, preferably within senior management, to be responsible for the internal audit function
- Determining the scope, risk and frequency of internal audit activities, including those to be performed by the member providing extended audit services
- Evaluating the findings and results arising from the internal audit activities, including those performed by the member providing extended audit services
- Evaluating the adequacy of the audit procedures performed and the findings resulting from the performance of those procedures by, among other things, obtaining reports from the member

The member should be satisfied that the board of directors and/or audit committee is informed of roles and responsibilities of both client management and the member with respect to the engagement to provide extended audit services as a basis for the board of directors and/or audit committee to establish guidelines for both management and the member to follow in carrying out these responsibilities and monitoring how well the respective responsibilities have been met.

The member should be responsible for performing the audit procedures in accordance with the terms of the engagement and reporting thereon. The day-to-day performance of the audit procedures should be directed, reviewed, and supervised by the member. The report should include information that allows the individual responsible for the internal audit function to evaluate the adequacy of the audit procedures performed and the findings resulting from the performance of those procedures. This report may include recommendations for improvements in systems, processes, and procedures. The member may assist the individual responsible for the internal audit function in performing preliminary audit risk assessments, preparing audit plans, and recommending audit priorities. However, the member should not undertake any responsibilities that are required, as described above, to be performed by the individual responsible for the internal audit function.

Performing procedures that are generally of the type considered to be extensions of the member's audit scope applied in the audit of the client's financial statements, such as confirming of accounts receivable and analyzing fluctuations in account balances, would not impair the independence even if the extent of such testing exceeds that required by generally accepted auditing standards.

The following are examples of activities that, if performed as part of an extended audit service, would be considered to impair independence:

- Performing ongoing monitoring activities or control activities (for example, re-

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viewing loan originations as part of the client's approval process or reviewing customer credit information as part of the customer's sales authorization process) that affect the execution of transactions or ensure that transactions are properly executed, accounted for, or both, and performing routine activities in connection with the client's operating or production processes that are equivalent to those of an ongoing compliance or quality control function

- Determining which, if any, recommendations for improving the internal control system should be implemented
- Reporting to the board of directors or audit committee on behalf of management or the individual responsible for the internal audit function
- Authorizing, executing, or consummating transactions or otherwise exercising authority on behalf of the client
- Preparing source documents on transactions
- Having custody of assets
- Approving or being responsible for the overall internal audit work plan including the determination of the internal audit risk and scope, project priorities and frequency of performance of audit procedures
- Being connected with the client as an employee or in any capacity equivalent to a member of client management (for example, being listed as an employee in client directories or other client publications, permitting himself or herself to be referred to by title or description as supervising or being in charge of the client's internal audit function, or using the client's letterhead or internal correspondence forms in communications)

The foregoing list is not intended to be all inclusive. [\[Deleted From the AICPA Code of Professional Conduct in September 2003\]](#)

### 104. Operational Auditing Services

**.208** *Question*—As part of an extended audit engagement, a member or his or her firm reviews certain of the client's business processes, as selected by the client, for how well they function, their efficiency, or their effectiveness. For example, a member (or the firm) may assess whether performance is in compliance with management's policies and procedures, to identify opportunities for improvement, and to develop recommendations for improvement or further action for management consideration and decision making. Would independence be considered to be impaired in performing such services?

**.209** *Answer*—Independence would not be considered to be impaired provided that during the course of the review the member (and other members of his or her firm) is not employed by the client and does not act or appear to act in any capacity equivalent to that of a member of client management. The decision as to whether any of the member's (or the firm's) recommendations will be implemented must rest entirely with management. [\[Deleted From the AICPA Code of Professional Conduct in September 2003\]](#)

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### 105. Frequency of Performance of Extended Audit Procedures

**.210** *Question*—In providing extended audit services, would the frequency with which a member or his or her firm performs an audit procedure impair independence?

**.211** *Answer*—Independence would not be considered to be impaired provided that the member's (or the firm's) activities have been limited in a manner consistent with interpretation 101-13 [ET section 101.15] and the procedures performed constituted separate evaluations of the effectiveness of the ongoing control and monitoring activities/procedures that are built into the client's normal recurring activities. [Deleted From the AICPA Code of Professional Conduct in September 2003]

### 77. Individual Considering or Accepting Employment With the Client

**.154** *Question*—During the performance of an engagement, an individual participating in the engagement may be offered employment by the client or may seek employment with the client. What are the implications of these actions with respect to the AICPA Code of Professional Conduct?

**.155** *Answer*—An individual participating in an engagement who is offered employment by, or seeks employment with, that client during the conduct of the engagement must consider whether or not his or her ability to act with integrity and objectivity has been impaired. When the engagement is one requiring independence, the individual must remove himself or herself from the engagement until the employment offer is rejected or employment is no longer being sought, in order to prevent any appearance that integrity or objectivity has been impaired.

A member may become aware that an individual participated in the engagement while employment with the client was being considered or after it had been accepted. In these circumstances the member should consider what, if any, additional procedures may be necessary to ensure that all work had been performed with objectivity and integrity as required under rule 102 [ET section 102.01]. Any additional procedures will depend on the nature of the engagement and may require reperformance of the work or other appropriate procedures. [Deleted From the AICPA Code of Professional Conduct in April 2003]

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