



ICAI CODE OF ETHICS 2019 - Overview

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Background

- ICAI is member of International Federation of Accountants (IFAC)
- International Ethics Standards Board for Accountants (IESBA) is the Board of IFAC for ethical standards formulation
- ICAI Code of Ethics, 2009 was the first edition to be converged with provisions of IESBA Code of Ethics (its 2005 edition)
- ICAI Code of Ethics, 2009 had Parts –A and B. Part-A is based on IESBA Code, and Part-B is based on domestic provisions of India/ICAI
- ICAI Code of Ethics, 2019 (i.e. Volume-I of revised Code of Ethics) is the revised counterpart of Part-A of ICAI Code of Ethics, 2009 and is based on IESBA Code of Ethics, 2018
- Volume-I has come into force on 1st July 2020 along with Volumes II and III

Compliance

Part-A of ICAI Code of Ethics, 2009 (based on 2005 IESBA Code) - issued as a Guideline of the Council

Code of Ethics, 2019 (Volume – I) - also issued as a **Guideline of the Council**. Further, there is change in drafting from “should” to “**shall**”, and requirements are clearly demarcated

As a result, the non-compliance of provisions of the Code will be deemed as violation of Clause (1) of Part-II of Second Schedule of the Chartered Accountants Act, 1949:-

*“A member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, if he –
(1) contravenes any of the provisions of this Act or the regulations made thereunder, or any guidelines issued by the Council”*

Content of Volumes

- **Volume - I** - revised counterpart of Part-A - based on IESBA Code of Ethics, 2018 - Effective w.e.f 01.07.2020.
- **Volume –II** - revised counterpart of Part-B – Effective w.e.f 01.07.2020.
- **Volume-III** - Updated relevant Disciplinary Case laws

Particulars	Volume I	Volume II
Approach	Principle based	Rule based
Framework	Conceptual framework based on general principles	Based on legal framework as per The Chartered Accountants Act, 1949
Enforceability	Self judgement of the CA + proper documentation. Use of word “shall” has made it more enforceable in new Code	Inbuilt mechanism for its enforcement is in place

Overview of Code of Ethics, 2019 (Volume-I)

			Independence Standards	
Part 1	Part 2	Part 3	Part 4A	Part 4B
<ul style="list-style-type: none">• Applicable to all Professional Accountants• Complying with the Code, Fundamental Principles and Conceptual Framework	<ul style="list-style-type: none">• Professional Accountants in Business / Service	<ul style="list-style-type: none">• Professional Accountants in Public Practice	<ul style="list-style-type: none">• Independence for Audits & Reviews	<ul style="list-style-type: none">• Independence for Other Assurance Engagements
Glossary (All Professional Accountants)				

Most Important Substantive Changes

2009 Code	Volume-I of New/Revised Code 2019
No such provision	Responding to Non-Compliance of Laws and Regulations (NOCLAR)- (Applicability w.e.f. 01.10.2022)
No prohibition on Taxation services to Audit clients	Restrictions on Taxation services to Audit clients- (Applicability w.e.f. 01.10.2022)
No such provision	Prohibition on Management Responsibilities to the audit clients
Recommendatory 40% restriction on Fees from an audit client	Safeguards on Fees from single client –if its is consecutively for 2 years (Applicability w.e.f. 01.10.2022)
No such provision	Duty of Accountant in case of unintentional breach of Independence Standards

Professional Accountant (“PA”)

- » IESBA Code of Ethics uses the term “Professional Accountant”
- » Same term was adopted in 2009 edition of the Code, also continued in 2019 (Volume-I) of the Code of Ethics
- » Defined in the Code of Ethics as
“An individual who is a member of the Institute of Chartered Accountants of India.”
- » IESBA Code of Ethics uses the term “professional accountants in business” implying members who are employees. Modified to “professional accountant in service” in our Code in line with usage in Chartered Accountants Act, 1949



Fundamental principles for all members

- ***Integrity:*** Should be straight forward and honest
- ***Objectivity:*** Must not allow bias / conflict of interest / undue influence of others to override professional judgments
- ***Professional Competence and Due Care:*** Should provide competent professional service based on current developments in practice, legislation and techniques
- ***Confidentiality:*** Should respect the confidentiality of information
- ***Professional Behaviour:*** Should comply with relevant laws and regulations and should avoid any action that discredits the profession

Conceptual Framework Approach



Pattern of Structuring of Each Section

In 2019 Code, each section is structured, where appropriate, as follows:-

- Introduction – sets out the subject matter addressed and introduces the requirements and application material in the context of the conceptual framework.
- Requirements - Designated by the Letter “**R**” – Includes the word “**shall**” which imposes an obligation on PA to comply. The requirements contain general and specific obligations w.r.t the subject matter addressed
- Application material – Designated by the letter “**A**” - Provides context, explanations , suggestions for actions , or matters to consider, illustrations and other guidance to assist in complying with the requirements

Non-Compliance with Laws and Regulations (NOCLAR)

Background

- Refers to any act of omission or commission, committed by a client or employer contrary to prevailing laws or regulations.
- Recognizing that such a situation can often be a difficult and stressful one for the PA and accepting that he has a prima facie ethical responsibility not to turn a blind eye to the matter, NOCLAR was introduced to help guide the PA in dealing with the situation and in deciding how best to serve the public interest in these circumstances.

Applicability

- For now, limited application of NOCLAR has been prescribed in Code of Ethics as against comprehensive application of NOCLAR to all assignments/employees in the IESBA Code.
- Applicable only to listed entities and having net worth of Rs. 250 crore or more.
- Applicable to only audit assignments.
- In case of PA's in service, applicable to Senior Professional Accountants in service of listed entities

Scope

- Laws and regulations that have a nexus to PA's professional training and expertise, i.e.:-
- Laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements.
 - Other laws and regulations, compliance with which may be fundamental to the entity's business and operations or to avoid material penalties.

(This provision has been made effective from 01.10.2022)

Non-Compliance with Laws and Regulations (NOCLAR)

Examples of laws and regulations required to be addressed includes:-

Fraud, corruption and bribery

Money laundering, terrorist financing and proceeds of crime

Securities markets and trading

Banking and other financial products and services

Data protection

Tax and pension liabilities and payments

Environmental protection

Public health and safety

Following matters are not in scope of NOCLAR:-

Matters clearly inconsequential

Personal misconduct unrelated to the business activities of the client or employer

Non-compliance other than by the client or employer, or those charged with governance, management or other individuals working for or under the direction of the client or employer

PA required to address NOCLAR only when, and if, he encounters the same in the course of providing a professional service

Appropriate authority for the purpose of disclosure will depend on the nature of the matter. For example, the appropriate authority would be SEBI in the case of fraudulent financial reporting

(This provision has been made effective from 01.10.2022)

Breach of Independence Provision for Audit & Review Engagements

- Mechanism of self-correction prescribed in the Code in case the PA on his own discovers an unintentional violation.
- Mentions steps to be taken in case of breach of Independence Standards i.e. Parts 4A and 4B.
- A PA who identifies a breach shall evaluate significance of breach and its impact on PA's ability to comply with the fundamental principles.
- If a firm concludes that a breach of a requirement in this Part has occurred, it shall take prescribed steps therein e.g.:
 - End, suspend or eliminate the interest that created breach
 - Consider applicable legal or regulatory requirements and apply them

(Section 400.80-400.89)



Period of Independence

- Independence shall be maintained during both
 - The Engagement period; and
 - The period covered by the financial statements
- Safeguards, subject to the provisions of the Companies Act, 2013
 - Using professionals who are not audit team members
 - Having appropriate reviewer to review the audit and the non-audit services
 - Engaging another firm to re-perform the services

Provisions relating to Independence of Auditor

Commentary to clause(4) of part-I of Second Schedule to The Chartered Accountants Act, 1949

» Statutory Auditor not to be the Internal Auditor simultaneously

- 2.15.1.4(xii) An auditor appointed by an entity under the Companies Act or any other statute shall not be the Internal Auditor of the same entity.

» Internal Auditor not to be the Tax Auditor simultaneously

- 2.15.1.4(xiii) An Internal Auditor of an assessee, whether working with the organization or an independently practicing Chartered Accountant irrespective of being an individual Chartered Accountant or a firm of Chartered Accountants cannot be appointed as its Tax Auditor.

» Internal Auditor not to be the GST Auditor simultaneously

- 2.15.1.4(xiv) The Internal Auditor of an entity cannot undertake GST Audit of the same entity.

» Cooling off period after completion of tenure as Director

- 2.15.1.4(xv) A member shall not accept the assignment of audit of a Company for a period of two years from the date of completion of his tenure as Director, or resignation as Director of the said Company.



Key Audit Partner

- Not mentioned in ICAI Code of Ethics, 2009
- Used in 2019 Code (Volume-I) . Defined as under:-

“The Engagement partner, the individual responsible for the engagement quality control review, and other audit partners, if any, on the engagement team who make key decisions or judgments on significant matters with respect to the audit of the financial statements on which the firm will express an opinion. Depending upon the circumstances and the role of the individuals on the audit, “other audit partners” might include, for example, audit partners responsible for significant subsidiaries or divisions.”



Firm Rotation

- 2009 edition of Code of Ethics contains requirements relating to partner rotation. (No Firm rotation requirements exist in this code)
- Companies Act, 2013 has stipulated Firm rotation
- Under the revised code, partner rotation will co-exist along with Audit Firm rotation (wherever prescribed by a statute)
- 2019 Code incorporates Firm rotation requirements vide Section 550 to make the guidance comprehensive for members

Changes in Partner Rotation

2009	2019
7-year time-on	7-year time-on
2-years cooling-off	5-years cooling-off: EP
	3-years cooling-off: EQCR
	2-years cooling-off: all other KAP

- Applicable in case of Public Interest Entities
- Under Companies Act, 2013, partner rotation is done on behest of Company only
- In case of Companies, where members of Company prescribe a shorter time on period, such shorter period shall prevail
- Similarly, partner rotation requirements prescribed by certain regulators such as RBI, certain NBFCs, etc. shall prevail

(Section R 540.5 – R 540.23)

Partner Rotation – Restriction on activities during cooling-off

- Prohibition on consulting with engagement team regarding technical or industry-specific issues, transactions or events
- Prohibition on leading or coordinating the professional services provided by the firm to the audit client, or overseeing the relationship of the firm with the audit client
- Prohibition on undertaking any other role or activity that would result in the individual: (i) Having significant or frequent interaction with senior management or those charged with governance; or (ii) Exerting direct influence on the outcome of the audit engagement.

Management Responsibilities

- In 2019 edition (Volume-I), there is a new section dealing with 'Management Responsibilities'. As per the same, **the firm shall not assume a management responsibility for an audit client.**
 - Controlling, leading and directing an entity, including making decisions regarding the acquisition, deployment and control of human, financial, technological, physical and intangible resources.
- However, providing advice and recommendations to assist the management of an audit client in discharging its responsibilities is not assuming a management responsibility. Providing administrative services to an audit client does not usually create a threat. Examples of administrative services include:-
 - Word processing services.
 - Preparing administrative or statutory forms for client approval.
 - Submitting such forms as instructed by the client.
 - Monitoring statutory filing dates and advising an audit client of those dates

(Sections 607 – 608)



Non - Assurance Services

- Providing non-assurance services (NAS) to audit clients might create threats to compliance with the fundamental principles and threats to independence.
- Most Prohibitions on Non-Assurance Services to Audit Clients are the same as there were in 2009 Code
- Specific NAS to Audit Clients are discussed on subsequent slides

Non - Assurance Services

- **Accounting and Bookkeeping services (Sub-Section 601)**
 - Prohibited by ICAI to Audit Clients
 - Prohibited in Companies Act to Audit Clients
 - Volume-I contains guidance on what constitutes Accounting and Bookkeeping
- **Administrative Services (Sub-Section 602)**
 - Permitted to Audit Clients
 - Now part of MCS Guidelines under Section of 2(2) of Chartered Accountants Act, 1949
- **Valuation Services (Sub-Section 603)**
 - Part of MCS Guidelines
 - (xv) Valuation of shares and business and advice regarding amalgamation, merger and acquisition.
 - Volume-I prescribes threats and safeguards in providing the valuation services to Audit Clients

Non - Assurance Services

- **Internal Audit Services (Broadly similar to 2009 Code) –Sub-Section 605**
 - Prohibited by ICAI to Audit Clients
 - Prohibited in Companies Act to Audit Clients
 - Volume-I contains guidance on what constitutes Internal Audit
- **Information Technology systems (Broadly similar to 2009 Code) –Sub-Section 606**
 - When providing, shall ensure certain things like the client acknowledges its responsibility for establishing and monitoring a system of internal controls
- **Litigation support systems (Broadly similar to 2009 Code) –Sub-Section 607**
 - Examples are Assisting with document management, Acting as witness and Calculating estimated damages
 - Should take provide safeguards if provides a litigation support services to an audit client and the service involves estimating damages or other amounts that affect the financial statements on which the firm will express an opinion

Non - Assurance Services

- **Legal Services (Broadly similar to 2009 Code) –Sub-Section 608**
 - Might create self-review or Advocacy Threats
 - A Partner or employee of the firm shall not serve as General Counsel for legal affairs of audit client
- **Corporate Finance Services (Broadly similar to 2009 Code) –Sub-Section 610**
 - A firm shall not provide corporate finance services to audit client that involve promoting, dealing in, or underwriting the audit client's shares
 - Firm shall not provide corporate finance advice to audit client where the effectiveness of such advice depends on a particular accounting treatment or presentation in the financial statements on which the firm will express an opinion and
 - The audit team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework; and
 - The outcome or consequences of the corporate finance advice will have a material effect on the financial statements on which the firm will express an opinion.



Non - Assurance Services

- **New prohibitions of recruiting services in Volume-I (Sub-Section 609)**
 - Enhanced general description of recruiting services
 - Clearer guidance on types of recruiting services prohibited
 - New provisions to help avoid assuming management responsibilities when providing recruiting services–Similar to IT and internal audit
 - Prohibition on providing certain recruiting services now applies to all entities – Searching for or seeking out candidates
 - Undertaking reference checks of prospective candidates

Taxation Services to the Audit Clients

- **Code Ethics, 2009:** Taxation to Audit client include compliance, planning, provision of formal taxation opinions and assistance in the resolution of tax disputes. Such assignments are generally not seen to create threats to independence
- **Code of Ethics, 2019 (Volume-I): - This provision i.e. Section 604 has been made effective from 01.10.2022**
 - Further guidance on Taxation matters provided.
 - Generally, it states that providing tax services to an audit client might create a self review or advocacy threat
- **Tax Return preparation** – Usually no threat
- **Tax Calculations for the Purpose of Preparing Accounting Entries (that will subsequently be audited by the Firm)** - Creates a self-review threat

Taxation Services to the Audit Clients

- **Tax Planning / Other Tax Advisory Services** - Might create self-review / advocacy threat - appropriate safeguards to be adopted E.g. Using professionals who are not audit team members to perform the service; having an appropriate reviewer, not involved in providing the service, review the audit work, etc.
- **Tax Services Involving Valuations** - Might create self-review / advocacy threat - appropriate safeguards to be adopted – perform only where the result of the valuation will not have a direct effect on the financial statements
- **Assistance in the Resolution of Tax Disputes** - Might create a self- review or advocacy threat– appropriate safeguards to be adopted – Not to provide if involves acting as advocate for the audit client before a court (“court does not include Tribunal”) OR amounts involved are material to the financial statements on which the firm will express an opinion

Safeguards

- In the Code of Ethics, 2009, safeguards to be considered for threats other than “clearly insignificant” (defined as ‘trivial or inconsequential’)
- In the new/revised 2019 Code, the application of safeguards required to eliminate threats or to reduce them to ‘an acceptable level’
- “Acceptable level” defined as a level as the reasonable and informed third party knowing facts would likely conclude that the accountant complies with the fundamental principles.
- Identified threats must be addressed in one of three ways:-
 - Eliminate circumstances creating the threats;
 - Apply safeguards; or
 - Decline or end the service
- New “step back” requirement for an overall conclusion (R 120.11) : The PA shall form an overall conclusion about whether the actions that the accountant takes, or intends to take, to address the threats created will eliminate those threats or reduce them to an acceptable level.



Public Interest Entity

- 2019 edition contains a new term “Public Interest Entity” (PIE)
- Enhanced independence requirements for PIE clients in the new Code
- PIE is defined as :-
 - » A listed entity; or
 - » An entity defined by regulation or legislation as a public interest entity; or
 - » An entity for which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. Such regulation might be promulgated by any relevant regulator, including an audit regulator.
- For purpose of this definition, it may be noted that Banks and Insurance Companies are to be considered as Public Interest Entities.
- Other entities might also be considered by the Firms to be public interest entities, as set out in paragraph 400.8.

Inducements, Including Gifts and Hospitality

Code of Ethics, 2009

- Offer of gifts/hospitality ordinarily gives rise to threats to fundamental principles
- Significance of such threats depend on the nature, value and intent behind the offer.
- Reasonable and Informed Third Party Test – If its within normal course of business without the specific intent to influence decision making or to obtain information, may conclude that it is acceptable
- If threats other than significant, must take safeguards
- Total prohibition in case of Assurance clients (except if inconsequential)

(Sections 250 and 340)

Code of Ethics, 2019 (Volume –I)

- Inducements elaborated
- To first see whether prohibited by Laws and Regulations
- Offering also prohibited
- Reasonable and Informed Third Party Test – To see whether it is with the intent to improperly influence the behaviour of the recipient or of another individual.
- Clarifications about appropriate boundaries for offering and accepting of inducements
- Extended to PAs in service also
- Total prohibition in case of Audit/Assurance clients to continue



Documentation

- 2009 Code requires Firms to document as to their conclusions regarding compliance with independence requirements (290.27)
- In the 2019 Code, the requirements of Documentation given in greater detail. PA encouraged to document:-
 - When safeguards are applied to address a threat, the firm shall document the nature of the threat and the safeguards in place or applied; and
 - When a threat required significant analysis and the firm concluded that the threat was already at an acceptable level, the firm shall document the nature of the threat and the rationale for the conclusion.
 - Documentation relating to NOCLAR
- This documentation is in addition to complying with the documentation requirements under applicable auditing standards

Fees – Relative Size

- **This provision has been made effective from 01.10.2022.**
- Where for two consecutive years, total gross annual professional fees from the audit client and its related entities represent more than **40%** in case of non-PIE and **20%** in case of PIE [earlier 15%] of the total fees received by the firm, **the firm shall disclose to the Institute** [earlier TCWG]
- ~~Have a quality control review before issuing the third year's financial statements;~~
- ~~After the third year's financial statements are issued, have the second year's financial statements reviewed.~~
- There are certain exceptions, where this rule would not apply i.e.
 - where total Fees of Firm is less than Rs. 20 lacs [earlier Rs. 5 lacs] p.a., and
 - in the case of audit of government Companies, public undertakings, nationalized banks, public financial institutions, **regulators** or where appointments of auditors are made by the Government.

(R 410.3 to 410.6)



Fees - Overdue

- Self interest threat created if fees is outstanding even at the time of the issue of the next year's audit opinion
- To consider if overdue fees is equivalent to loan
- To have an appropriate review mechanism built in



Indebtedness

- No concept of materiality of Loans and Guarantee in the IESBA Code of Ethics, 2005 and in ICAI Code of Ethics, 2009
- The IESBA Code of Ethics, 2018 introduces the concept of materiality of Loans and Guarantees. In determining whether such a loan or guarantee is material to an individual, the combined net worth of the individual and the individual's immediate family members may be considered.
- Concept adopted in Code of Ethics, 2019 (Volume – I)
- Has to be read with Chapter X of Council General Guidelines, 2008, wherein such limit is as specified in statute or Rs. 1,00,000.

(Section 511.3 A1)

Important decisions regarding indebtedness

- The Council has decided that for the purpose of Chapter X (“Appointment of an auditor when he is indebted to a concern”) of Council General Guidelines, 2008, the term “auditor” shall not include internal auditor, concurrent auditor or an auditor giving report to the Management.
- “Indebtedness” would include loan taken by a member against Fixed Deposit or any other security and include loans like Car loan, Home loan, etc. Thus, a member is not permitted to accept audit assignment of a bank in case he has taken loan against a Fixed Deposit held by him in that bank, and loans like Car loan, Home loan, etc. beyond the existing indebtedness limit.
- There is no prohibition in holding credit card of bank, where a Chartered Accountant is Auditor of the Bank. Indebtedness will apply if there is outstanding balance of Rs. 1,00,000 (as per the limit of indebtedness existing as on date) beyond prescribed credit period given to holder of credit card.
- The Firm of Chartered Accountants cannot accept branch Audit of the Bank if one of the partners has taken the loan from any branch of that bank. The members should not place themselves in position which would either compromise or jeopardize their independence.

Chartered Accountant in Practice - Engagement in Other Business/Occupation

Part –I of The First Schedule : Clause (11): Engaging business/occupation other than CA :-

- A Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he engages in any business or occupation other than the profession of chartered accountants unless permitted by the Council so to engage ... Provided that nothing contained herein shall disentitle a chartered accountant from being a director of a Company, (not being a managing director or a whole time director), unless he or any of his partners is interested in such company as an auditor;
- Hence Director simplicitor or Independent Director (no involvement in affairs except for Board Meetings) is allowed.
- “Director Simplicitor” means an ordinary/simple Director, who is not a Managing Director or Whole time Director and is required only in the Board Meetings of the company and not paid any remuneration except for attending such meetings.
- **No equivalent of Director Simpliciter in LLPs : A member in practice cannot become a partner/ designated partner (non-working and non-remuneration drawing) in an LLP not carrying out professional work.**

Chartered Accountant in Practice - Engagement in Other Business/Occupation

Regulation 190 A & Appendix 9 to CA Regulations, 1988 (Illustrative list)

■ **General Permission-**

- Employment with CA Firm, Private Tutorship, Author of Books & Articles, Holding Public Offices like MLA/MP etc., Honorary Office bearer in Charitable, Educational or Other Non Profit Organisation, Notary, SEM, Valuation of Papers, Paper setters, Examiners etc., part time tutor in coaching organisation of Institute, Editorship of Professional Journals.
- Acting as Loss Surveyor under Insurance Act, Recovery consultant in Banks.
- Owning Agricultural land and carrying agricultural activity.

■ **Special Permission :**

- Lecturer in University/Colleges-Total direct teaching hours should not exceed 25 hours a week.
- Editorship other than Prof Journals, Mg. Director, Whole time Director of Company with no interest.

Chartered Accountant in Practice-Part Time in Practice

APPENDIX 'H' of Volume –II –Council Resolution

Any member engaged in any other business or occupation, in terms of general or specific permission granted shall be deemed to be '**Part Time in Practice**' except in case of the specific or general permission under Regulation 190A so granted –

- » Author of Books & Articles, Holding Public Offices like MLA/MP etc., Honorary Office bearer in Charitable, Educational or Other Non Profit Organisation, Notary, SEM, Valuation of Papers, Paper setters, Examiners etc., part time tutor in coaching organisation of Institute, Editorship of Professional Journals (Not in employment).
- » Holding of Life Insurance Agency Licence for the limited purpose of getting renewal commission
- » Attending classes and appearing for any examination.
- » Any coaching assignment organized by the

Institute, its Regional Councils and Branches of Regional Councils.

- » Acting as Loss Surveyor under Insurance Act, Recovery consultant in Banks. (Not in employment)
- » Owning Agricultural land and carrying agricultural activity
- » Engagement as Lecturer in an University, affiliated college, educational institution, coaching organisation, private tutorship, provided the direct teaching hours devoted to such activities taken together do not exceed 25 hours a week.

A member who is deemed to be 'Part Time in Practice' is not entitled to perform attest function and shall not be entitled to train articled assistants.

Chartered Accountant in Practice and HUF

Part –I of The First Schedule : Clause (11): Engaging business/occupation other than CA:-

Position in the Revised Code

Guidance on a member in practice being member / Karta in a HUF doing business incorporated

- Must result from inheritance/succession/partition of the family business
- Only after specific and prior approval of the Council
- Karta cannot have active role
- Attest functions not permitted

Clarification incorporated that a member engaged as Karta of a HUF doing family business, will be within the limit prescribed by Council if he makes investments from the funds pertaining to HUF only, provided, he is not actively engaged in the management of the said business.

Sharing of Fees or Profits

Part –I of The First Schedule

Clause (2) of : Sharing Fees or Profits with Non CAs:-

- A Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he pays or allows or agrees to pay or allow, directly or indirectly, any share, commission or brokerage in the fees or profits of his professional business, to any person other than -
 - a member of the Institute or a partner or a retired partner or
 - the legal representative of a deceased partner, or
 - a member of **any other professional body**, or
 - with **such other persons having such qualifications** as may be prescribed, for the purpose of rendering such professional services from time to time in or outside India.

Clause (3): Receiving Share in Profits from Non CA

A Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he accepts or agrees to accept any part of the profits of the professional work of a person who is not a member of the Institute; Provided that nothing herein contained shall be construed as prohibiting a member from entering into profit sharing or other similar arrangements, including receiving any share commission or brokerage in the fees, with a member of such professional body or other person having qualifications, as is referred to in item (2) of this Part

Sharing of Fees or Profits

Prescribed Professional Bodies :

- » The Institute of Company Secretaries of India
- » The Institute of Cost and Works Accountants of India
- » Bar Council of India
- » The Indian Institute of Architects
- » The Institute of Actuaries of India
- » Professional bodies or institutions outside India whose qualifications relating to accountancy are recognised by the Council.

- Hence sharing of Fees or Profits (giving or receiving) is allowed with above persons.
- No bar in sharing of fees if stipulated by any Statute. (e.g. 20% of fees was payable to Govt. under MCS Act)
- **Referral Fees amongst members has been now permitted under commentary to Clause 3. (Also Refer Para 330.5 of Volume-I for Safeguards)**

Prescribed Qualifications :

- » CS, ICWA, Actuary.
- » B.E., B.Tech., Architect, Bachelor in Law from a University established by law or an institution recognised by law
- » Master in Business Administration from Universities established by law or technical institutions recognised by All India Council for Technical Education.

Entering in Partnership

Part –I of The First Schedule

Clause (4): Entering in Partnership with Persons other than CAs in practice :-

- A Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he enters into partnership, in or outside India, with any person other than a chartered accountant in practice or such other person who is a member of any other professional body having such qualifications as may be prescribed, including a resident who but for his residence abroad would be entitled to be registered as a member under Clause (v) of sub-Section (1) of Section 4 or whose qualifications are recognised by the Central Government or the Council for the purpose of permitting such partnerships
- *Persons Qualified-CS, CWA, Actuary, Architect, Advocate, BE, B.Tech, M.B.A. from respective recognised Institutions / University. However, Multi Disciplinary Partnerships not approved by Institute.*

Multi Disciplinary Partnerships (MDP)

- Despite Regulations 53 A(3) and 53B, MDPs not allowed till Regulators of other professions also allow, and ICAI issues modalities

Tendering Guidelines, 2016

- » Tender for services / areas exclusively reserved for Chartered Accountants should not be responded unless minimum fees has been prescribed in the same.
- » Tender for services / areas are open to other professionals along with the Chartered Accountants can be responded.
- » Tender for services / areas are open to CAs and other professionals –But Tender document specifies that only CAs should apply – such tenders can be responded.
- » Assignments where quotations have been called for from practicing members / firms through individual letters can be responded.
- » A member can respond to tenders where only technical bid has been asked for, followed by financial quotations request from the shortlisted members through individual letters.
- » The Institute can call for any papers / documents related to bid submitted by members in response to respective tender.

Professional Stationery and Visiting Cards

- ICAI Diploma can be mentioned on card; not certificate course.
- Descriptions like ‘ President of -----Club’ etc. should not be used.
- Designations like ‘Member of Parliament’, ‘Municipal Councillor’ not allowed on stationery.
- Vision/Mission Statements or Catchwords etc. not allowed.
- Adjectives like ‘ITAT lawyer’, ‘Finance Consultant’ etc. should not be mentioned. However, “Insolvency Professional”, “Registered Valuer” is permissible.
- The date of setting up the practice by a member or the date of establishment of the firm on professional stationery not permitted.
- When members are allowed to practice in addition to Chartered Accountancy as Advocate, Company Secretary, Cost Accountant etc, cannot use both designations at a time.
- Use of the designation ‘Chartered Accountant’ allowed only on professional documents. (Other places- Prefix “CA” can be used.)
- Members being Directors in Companies, members of Political parties or CA Cells in the political parties , holding different positions in clubs or other organizations not permitted to mention these positions as they would be violative of Section 7 of the Act
- Mentioning qualifications of foreign Accounting Institutes having MRA/MOU with ICAI permitted.

Solicitation of professional work – few aspects

- Associations with “Network” as a medium of referral of professional work is permissible only if the Network is registered with the Institute, comprising only of Chartered Accountants/ Chartered Accountant Firms, and governed by the Institute’s Network Guidelines. (Announcement on 11.12.2019)
- It is not permissible for members to list themselves with online Application based service provider Aggregators, wherein other categories like businessmen, technicians, maintenance workers, event organizers etc. are also listed.
- Educational videos may be uploaded by members; however, no reference should be made to the CA Firm wherein he may be a partner/proprietor.
- Members may appear on television, films and Internet and agree to broadcast in the Radio or give lectures at forums and may give their names and describe themselves as Chartered Accountants. Special qualifications or specialized knowledge directly relevant to the subject matter of the programme may also be given. Firm name may also be mentioned, however, any exaggerated claim or any kind of comparison is not permissible. What he may say or write must not be promotional of him or his firm but must be an objective professional view of the topic under consideration.
- Member’s / firm’s name allowed in TV/Movie Credits, provided not mentioned differently from other persons.

Important Guidelines / Announcements

- Advertisement Guidelines 2008. (As amended)
- Council General Guidelines.
- Website Guidelines issued by Council.
- Restriction on manner of entries in Directories.
- Guidelines for use of CA Logo.
- Council Guidelines for responding to Tenders issued on 7thApril, 2016
- Announcement on use of designation other than 'Chartered Accountant'
- Announcement reg. abstaining from sharing of Firm details intended for comparison of Firms.
- Announcement on Advertising by members in practice engaged in Coaching/Teaching activities.

All the above Guidelines/ Announcements have been included in Volume-II now

Advisory on social media

1. A Firm of Chartered Accountants ("Firm") may have an account on Social Networking website(s), wherein it may mention its name and other contents in accordance with the Advertisement Guidelines, 2008 issued by the Institute, appearing in Volume-II of Code of Ethics.
2. A member in practice may have an account on Social Networking website(s), wherein he may represent himself as a proprietor or partner in a Firm. The contents of the said website shall be in accordance with the Advertisement Guidelines, 2008 issued by the Institute.
3. A Firm/member may give link of his website or webpage on the social networking site.
4. A member may be maintaining an account on social networking website(s) in his personal capacity. Besides contents of personal nature, following contents, may also be mentioned on such website(s):
 - Videos of educational nature may be uploaded on the internet by members, subject to compliance with the relevant provisions of Code of Ethics.
 - The member may post such contents which help the profession grow in the perception of the world, and contributes towards enhancement of its reputation, using expert knowledge in the respective specialization to enrich discussions, help solve problems, and promote learning and idea-sharing.

It is clarified that the members can use the prefix "CA" with his name on such social networking website(s).

1. Members are expected to exercise professional discretion and utmost dignity while using the designation of “chartered accountant” or prefix “CA’ on his personal account on the social networking website(s) for posting contents/comments of the nature which do not fall under s.no. 4 mentioned above.

CA. Vishal P. Doshi

Appointment as Auditors

Accepting Audit Appointment without ascertaining Company Law compliance:-

A member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, if he accepts an appointment as auditor of a company without first ascertaining from it whether the requirements of Section 225 of the Companies Act, 1956 (1 of 1956), in respect of such appointment have been duly complied with;

- Ensure that the notice was properly served on the members & outgoing auditors.
- Obtaining copy minutes duly verified & signed by Chairman.
- Proper Appointment Letters, ensuring that it is from proper authority.

Communication with Previous Auditor

A Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he accepts a position as auditor previously held by another chartered accountant or a certified auditor who has been issued certificate under the Restricted Certificate Rules, 1932 without first communicating with him in writing;

- Applicable to all types of audits.
- Position previously held by CA (and not previous year's CA) for same or similar assignment comprising same/similar scope.
- Communication to be made before acceptance of Audit.
- In case of Govt. Audits or Bank Audits, where work has to be attended immediately, the new auditor can give conditional acceptance making clear to the client that his acceptance of appointment is subject to professional objections by previous auditor, on the basis of which final decision will be taken.
- The underlying objective is that the member may have an opportunity to know the reasons for the change in order to be able to safeguard his own interest, the legitimate interest of the public and the independence of the existing accountant.

Mode of Communication

- Members should therefore communicate with a retiring auditor in such a manner as to retain in their hands positive evidence of the delivery of the communication to the addressee. In the opinion of the Council following modes would in normal course provide evidence of communication –
 - communication by a letter sent by “Registered Post -Acknowledgement due”
 - by hand against a written acknowledgement,
 - acknowledgement of the communication from retiring auditor’s via email address registered with the Institute or the last known official email address; and
 - through Unique Identification Number (UDIN) generated on UDIN portal (subject to separate guidelines to be issued by the Council in this regard)

Outstanding undisputed audit fee

Council General Guidelines, 2008

- A member of the Institute in practice **shall not accept** the appointment as auditor of an entity in case the undisputed audit fee of another Chartered Accountant for carrying out the statutory audit under the Companies Act, 1956 or various other statutes has not been paid:

Provided that in the case of sick unit, the above prohibition of acceptance shall not apply.

Explanation 1: For this purpose, the provision for audit fee in accounts signed by both -the auditee and the auditor shall be considered as “undisputed” audit fee.

Explanation 2:For this purpose, “sick unit” shall mean unit registered for not less than Five years and where the net worth is negative at the end of year.

Contingent fees

A Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he charges or offers to charge, accepts or offers to accept in respect of any professional employment, fees which are based on a percentage of profits or which are contingent upon the findings, or results of such employment, except as permitted under any regulation made under this Act;

Exceptions –Regulation 192 of Chartered Accountants Regulation 1988

- Receiver, Liquidator-basis-Realisation of Assets, Valuer-basis-Value of Asset, Debt Recovery Services-basis-Amount of Debts recovered, Cost optimisation Services-basis-Benefits derived.
- Auditor of Co-op. Societies-basis-Working Capital , Gross/Net Profit.
- Management consultancy services (approved by Council)-basis-percentage basis, contingent upon the findings, or results of such work.
- Certain fund raising services, the fees may be based on a percentage of the fund raised.
- Insolvency Professionals, Non Assurance Services to Non Audit Clients.
 - Fees cannot be charged on the basis percentage of profits.
 - Fees cannot be charged based on findings or results of any contingency in Professional work.
 - Even agreeing to charge or accept fees on percentage basis or contingent upon findings or results also would become professional misconduct.



Frequently Asked Questions

Q. Whether a member can accept appointment as Statutory Auditor of certain branch(es) of a Bank, while he is the Revenue Auditor of different branch(es) of the same Bank ?

A. No, a member is not permitted to accept the appointment as Statutory Auditor of certain branch(es) of a Bank while he is the Revenue Auditor of different branch(es) of the same Bank.

Q. Whether it is permissible to accept Concurrent Audit of a Bank branch by the Statutory Auditor of different Branches of the same Bank?

A. In line with the principle of strict independence, it is not permissible to accept Concurrent Audit of one of the branches of a bank by the Statutory auditor of different branches of the same bank.

Q. Whether a statutory auditor of a Bank can accept the system audit of the same Bank ?

A. Yes, the statutory auditor of a Bank can accept the assignment of system audit of a Bank, which does not, involve any scrutiny/review of financial data and information generated out of such system.



Frequently Asked Questions

Q. Whether the Statutory Auditor of a Bank can accept Stock audit or Inspection Audit of the same branch or different branch of the same Bank?

A. The Stock Audit or Inspection Audit and Statutory Audit are not permissible to be done simultaneously since Stock Audit or Inspection Audit are kind of management function, which cannot be undertaken simultaneously alongwith the Statutory Audit (whether pertaining to the same branch or different branch).

Q. Whether the Statutory Auditor of a Bank can undertake Concurrent audit of its Sponsor Bank?

A. No, the Statutory Auditor of a Bank cannot be the Concurrent Auditor of its Sponsor Bank, since the relationship between them may be likened to Holding and subsidiary companies under Companies Act, 2013.

Frequently Asked Questions

Q. Whether the Concurrent Auditor of a Bank can accept the assignment of its Statutory Audit, after relinquishing the assignment of the Concurrent Audit of the Bank?

A. Yes, the Concurrent Auditor of a Bank can choose to relinquish the Concurrent Audit, and accept the assignment of Statutory Audit. He can, of course, also choose to continue with the Concurrent Audit assignment, without accepting the Statutory Audit.

Provided, where the Concurrent Audit Assignment for the relevant year has already been commenced at the time of acceptance of Statutory Audit, the Statutory Audit for the said year should not be accepted.

Q. Whether a current assets auditor for borrower accounts of a bank can also be the statutory auditor of a branch of the same bank ?

A. There is no conflict of interest where the current asset auditor of borrower accounts of a branch of a bank, is the statutory auditor of another branch of the bank.



Frequently Asked Questions

Q. Whether a member can simultaneously be the Information System Auditor and Credit Appraiser of the same Bank?

A. A member can simultaneously be the Information system Auditor and Credit Appraiser of the same Bank except in case where appointment as Information system Auditor has been made under a statutory or regulatory requirement. However, he should ensure at his end that there is no conflict of interest involved.

Q. Whether the Concurrent Auditor of a Bank can accept Tax audit of the same Bank?

A. No, the Concurrent Auditor of a Bank cannot accept the Tax audit assignment of the same Bank, as it would affect independence in terms of the provisions of Code of Ethics that Statutory Audit and Internal Audit cannot be done together, as also in terms of the provisions of Section 288 of the Income Tax Act, 1961 which prohibits undertaking Concurrent Audit and Tax Audit simultaneously.



Frequently Asked Questions

Q. Whether a member being a Concurrent auditor of a Bank can undertake (quarterly) limited review of the same Bank?

A. Concurrent Audit and the assignment of (quarterly) limited review of the same Bank cannot be undertaken simultaneously as the concurrent audit being a kind of internal audit and the quarterly limited review being a kind of statutory audit undertaken simultaneously are prohibited under the provisions of Code of Ethics .

It may however be noted that the Concurrent Auditor of a Branch of a Bank may be required to submit a specific Review Report to the Management on quarterly basis. Such assignment of specific review may be undertaken by the Concurrent auditor of the Bank.

Q. Whether the Internal Auditor of a Bank can undertake Consultancy work of the same Bank?

A. There is no restriction for the consultancy work if it is undertaken by a member along with the assignment of Internal Audit.

Frequently Asked Questions

Q. Whether the Concurrent Auditor of a Bank can accept Revenue Audit of the Same Bank?

A. Yes, the Concurrent Auditor of a Bank can accept Revenue Audit of the same Bank since both the Audits are of the nature of management function.

Q. Whether a Firm of Chartered Accountants can accept Audit of a branch of a bank, while one of the partners of the said firm has taken loan from a different branch of the Bank ?

A. No, the Firm of Chartered Accountants cannot accept branch Audit of the Bank if one of the partners has taken the loan from any branch of that bank. The members should not place themselves in position which would either compromise or jeopardize their independence.

Q. Whether the Auditor of a Bank can hold Credit card of the same Bank?

A. There is no prohibition in holding credit card of bank, where a Chartered Accountant is Auditor of the Bank. Indebtedness will apply if there is outstanding balance of Rs. 100,000 (as per the limit of indebtedness existing as on date) beyond prescribed credit period given to holder of credit card.

Frequently Asked Questions

Q. Whether a member in practice can accept statutory audit of a bank in case if he has taken loan from the bank against Fixed Deposit?

A. “Indebtedness” would include loan taken by a member against Fixed Deposit or any other security. It is the Indebtedness beyond the existing limit of Rs.1,00,000/- is in question and not the type of security against such Indebtedness. Thus, a member is not permitted to accept audit assignment of a bank in case he has taken loan against a Fixed Deposit held by him in that bank beyond the existing indebtedness limit.

Q. Whether the disqualification on Audit from the point of view of Indebtedness as contained in Council General Guidelines will apply to Internal audit/Concurrent audit also ?

A. The Council has decided that for the purpose of Chapter X (“Appointment of an auditor when he is indebted to a concern”) of Council General Guidelines, 2008, the term “auditor’ shall not include internal auditor, concurrent auditor or an auditor giving report to the Management.



Frequently Asked Questions

Q. Whether the Incoming Auditor of an entity can communicate with the retiring auditor vide email?

A. Yes, the Incoming Auditor of an entity can communicate with the retiring auditor vide email. However, the positive proof of delivery of email to the previous auditor will be reckoned on the receipt of acknowledgement of the communication from retiring auditor's by email address registered with the Institute or his last known official email address.

Q. Whether communication with previous auditor is necessary in case of appointment as statutory auditor by nationalized and other Banks?

A. Yes, communication with previous auditor is applicable in case of appointment made by nationalized and other Banks.

Frequently Asked Questions

Q. Whether communication by the Incoming auditor is mandatory with the previous auditor in respect of various audit assignments, like the concurrent audit, revenue audit, stock audit and special audits etc.?

A. Yes, the requirement for communicating with the previous auditor would apply to all types of audits viz., statutory audit, tax audit, concurrent audit, Stock Audit or any other kind of audit.

Q. Can incoming auditor accept the appointment in case of non receipt of any communication from retiring auditor?

A. The incoming auditor appointed can act, after waiting for a reasonable time for a reply.

Q. Who is “previous auditor” for the purposes of communication to be made in terms of clause (8) of Part I of First Schedule to the Chartered Accountants Act, 1949?

A. The term “previous auditor” refers to the immediately preceding auditor who held the same or similar assignment comprising same/ similar scope of work.



Frequently Asked Questions

Q. Whether Auditor of a bank can commence audit immediate after communication with previous Auditor and without waiting for reasonable time?

A. In the case of audit of government Companies/ banks or their branches, the time schedule given for the assignment is such that there is no time to wait for the reply from the outgoing auditor, the incoming auditor may give a conditional acceptance of the appointment and commence the work which needs to be attended to immediately after he has sent the communication to the previous auditor in accordance with this clause. In his acceptance letter, he should make clear to the client that his acceptance of appointment is subject to professional objections, if any, from the previous auditors and that he will decide about his final acceptance after taking into account the information received from the previous auditor.



Frequently Asked Questions

Q. Whether a Chartered Accountant in practice can accept audit in case the audit fee of the previous auditor remains unpaid?

A. No, in case the undisputed audit fees for carrying out the statutory audit under the Companies Act, 2013 or various other statutes have not been paid, the incoming auditor should not accept the appointment unless such fees are paid. In respect of other dues, the incoming auditor should in appropriate circumstances use his influence in favour of his predecessor to have the dispute as regards the fees settled.

The Council has taken the view that the provisions of audit fee made in accounts signed by both- the auditor and the auditee along with other expenses, if any, incurred by the auditor in connection with the audit, shall be considered as 'undisputed' audit fees.



Frequently Asked Questions

Q. Whether the issue of independence of Auditor is linked with the Performance Certificate of Branch Auditors required from Branch Managers of a Bank?

A. The “Performance Certificate” appears to be something of internal use of Banks also apparent that the said report is confidential.

There is nothing to be done by auditor or ICAI in this regard. Since it is something in domain of client only, no independence issue is involved.

Q. Whether a member in practice can be a Director in Cooperative Bank ?

A. Yes, a member in practice may be a Director- Simplicitor in a Co-operative Bank not in charge of the executive functions. He, or Chartered Accountancy Firm wherein he is a partner, or any of the partner of the said firm are not involved in the Bank as an auditor.



Frequently Asked Questions

Q. Whether member in practice being a Director Simplicator can take part in policy decisions, financial decisions of the company?

A. Director Simplicator being a part of Board, involved in discussions deliberated during the Board meetings. The Directors Simplicator may be part of other committees or groups constituted by the Company on the matters and may take part in decision of the company deliberated during meetings but should not execute the said decision. He should not involve in day-to-day business affairs of the company.

Q. Whether member in practice being a Director Simplicator may operate the accounts of the company and participate in other activities of the company apart from attending Board Meetings?

A. No, a member in practice being Director Simplicator cannot operate the accounts of the company and execute the business of the company or participate in other activities of the company apart from attending Board Meetings and signing the statutory documents as required to be signed by a Director.

Frequently Asked Questions

Q. Member in practice being a Director Simplicitor can sign the other statutory documents?

A. 'Director Simplicitor' includes an independent director. The independent directors are part of the Board where the Accounts are approved, they being party to approval of financial statement. As such, there is no bar in their signing the financial statement. However, they cannot be involved in the day to day affairs of the company.

Thus, in view of the above Decision of Ethical Standards Board, an independent director can sign only financial statement of the company.

Further, the Board noted the judgment of Appellate authority, which states that a Director Simplicitor may sign the statutory documents (besides financial statement of the company) as required to be signed by a Director.

The Board was of the view that a member in practice being a director Simplicitor can sign the financial statement and other statutory documents of the company as required to be signed by the Director while discharging his statutory obligation.

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CA. Vishal P. Doshi

Frequently Asked Questions

Q. Whether a member who is carrying out statutory audit and also rendering management consultancy services to his auditee clients can receive fees for such other services, which are in excess of the audit fees?

A. Yes. However, Chapter IX of Council General Guidelines, 2008 specifies that a member of the Institute in practice shall be deemed to be guilty of professional misconduct, if he accepts the appointment as statutory auditor of Public Sector Undertaking(s)/Government Company(ies)/Listed Company(ies) and other Public Company(ies) having turnover of Rs. 50 crore or more in a year and accepts any other work(s) or assignment(s) or service(s) in regard to the same Undertaking(s)/Company(ies) on a remuneration which in aggregate exceeds the fee payable for carrying out the statutory audit of the same Undertaking/company.

Provided that in case appointing authority(ies)/regulatory body(ies) specify(ies) more stringent condition(s)/restriction(s), the same shall apply instead of the conditions/restrictions specified under these Guidelines.

Frequently Asked Questions

Explanation :

1. The above restrictions shall apply in respect of fees for other work(s) or service(s) or assignment(s), payable to the statutory auditors and their associate concern(s) put together;
2. For the above purpose;
 - (I) The term “other work(s)” or “service(s)” or “assignment(s)” shall include Management Consultancy and all other professional services permitted by the Council pursuant to Section 2(2)(iv) of the Act, but shall not include :-
 - (i) audit under any other statute;
 - (ii) certification work required to be done by the statutory auditors; and
 - (iii) any representation before an authority.

Frequently Asked Questions

Explanation :

(II) The term “associate concern” means any corporate body or partnership firm which renders the Management Consultancy and all other professional services permitted by the Council wherein the proprietor and/or partner(s) of the statutory auditor firm and/or their “relative(s)” is/are Director/s or partner/s and/or jointly or severally hold “substantial interest” in the said corporate body or partnership;

(III) The terms “relative” and “substantial interest” shall have the same meaning as are assigned under Appendix (9) to the CA Regulations;

3. In regard to taking up other work(s) or service(s) or assignment(s) of the undertaking/company referred to above, it shall be open to such associate concern or corporate body to render such work(s) or service(s) or assignment(s) so long as aggregate remuneration for such other work(s) or service(s) or assignment(s) payable to the statutory auditor(s) together with fees payable to its associate concern(s) or corporate body(ies) do/does not exceed the aggregate of fee payable for carrying out the statutory audit.

Frequently Asked Questions

Q. Whether the fee received from limited review/ quarterly Audit of the same undertaking/company under the listing regulations should be included in the fee received for carrying out the “statutory audit of the same undertaking/company”, while comparing the same with the fee from permissible non-audit services?

A. The exemptions to the general rule contained in Chapter IX of Council General Guidelines mention “audit under any other statute”. The limited/quarterly review would not be included in the same, as these are done in the same statute (i.e. Companies Act, 2013). Hence, limited Review/quarterly Audit may be deemed to be included in statutory Audit.

Q. Whether members in practice may provide professional services pro bono to clients?

A. Members may provide services on pro bono basis on voluntary and individual basis only. However, no advertisement of such services should be made, including in social media.



Frequently Asked Questions

Q. Whether fee from the professional services rendered for the Issuance of Accountant's Report under Income-tax Act, 1961, i.e. 3CEB report should be considered under exemption provided in Paragraph 9.2 (i) of Council General Guidelines, 2008, considering that such services are of the nature of assurance services?

A. Certification work required to be done by the statutory auditors is exempt from the general rule contained in Chapter IX of Council General Guidelines, 2008 (Accordingly, the provisions of this Chapter will not apply to a certification which can be done by any CA in practice).

Q. Can a Chartered Accountant in practice work as a 'Collection Agent/Recovery Agent'?

A. No, a Chartered Accountant in practice cannot work as a Collection Agent. However, he can act as a Recovery Consultant in the Banking Sector as provided in clause (xxv) of 'Management Consultancy and other Services', as appearing in the Guidelines for Management Consultancy and other services.

Frequently Asked Questions

Q. Whether member in practice is permitted to respond to announcement for empanelment for allotment of audit and other professional work and quote fees on enquiries being received?

A. It has been clarified by the Council that if announcements are made for empanelment by the Government, Corporations, Courts, Co-operative Societies, Banks and other similar institutions, the members may respond to such announcements provided the existence of panel is within their knowledge. The Council has further clarified that the quotations of fees can be sent, if enquiries are received by the members in this regard. Attention is also invited to Council Guidelines dated 7th April, 2016 which are appearing at Appendix “J” of Volume-II of Code of Ethics.

Q. Whether a member in practice is permitted to undertake the management of NRI funds?

A. No, the member is not permitted to undertake such assignment because the same is not covered under “Management Consultancy and Other Services” permitted to be rendered by the practicing members of the Institute. Please refer to Appendix-D in Volume-II of Code of Ethics, 2020



Frequently Asked Questions

Q. Whether a member in practice will be held liable for failing to keep moneys of his client in a separate banking account or to use such moneys for purposes other than they are intended for?

A. Yes, as per Clause (10) of Part I of Second Schedule to the Chartered Accountants Act, 1949, a member in practice shall be deemed to be guilty of professional misconduct, if he fails to keep moneys of his client other than fees or remuneration or money meant to be expended in a separate banking account or uses such moneys for purposes other than they are intended for.

Q. Can a member in practice render Management Consultancy and other services?

A. Yes, however, the areas covered under the Management Consultancy and other services have been summarized by the Council. Please refer Appendix-D in Volume-II of Code of Ethics, 2020.



Frequently Asked Questions

Q. Can a Chartered Accountant provide 'Portfolio Management Services' (PMS) as part of CA practice?

A. No, the Explanation to Clause (xix) of the definition of 'Management Consultancy and other Services' as appearing in Appendix-D in Volume-II of Code of Ethics, 2020 expressly bars the activities of broking, underwriting and Portfolio Management Service.

Q. Whether a Chartered Accountant in practice is required to obtain any trade license for practicing?

A. No, a Chartered Accountant in practice is not required to obtain any trade license for practicing as a professional. From the standpoint of ICAI, the certificate of practice is the only requirement to practice as a Chartered Accountant. It may, however, be noted that a Government / specified Authority may stipulate additional requirement(s) like registration, and the members may need to comply with such requirement(s).



Frequently Asked Questions

Q. Whether a practicing Chartered Accountant can agree to select and recruit personnel, conduct training programmes and work studies for and on behalf of a client?

A. Yes. The expression “Management Consultancy and other Services” defined by the Council includes both personnel recruitment and selection and conducting training programmes and work-studies.

Therefore, a Chartered Accountant in practice shall not commit any professional misconduct by rendering such services for and on behalf of the client.

Q. Can a member in practice be part of Association of persons (AOP), with other members, or other professionals?

No, it is not permissible for a member in practice to be part of Association of persons, whether or not comprising of other professionals, since as per the provisions of the Act, only Firms and LLPs are the two modes of practice , apart from practicing in individual Capacity



Frequently Asked Questions

Q. Whether a member in practice can provide payroll services?

A. Yes, a member in practice can provide payroll services since these fall under the purview of activities mentioned in the provisions of Section 2(2)(i) and (iii) of the Chartered Accountants Act, 1949 . However, it is not permissible to undertake this activity if the member is the statutory auditor of the same entity.

Q. Whether a messaging application can be used by a member in practice to send messages to make people aware about their new practice and mention the services provided therein?

A. No, it is not permissible to use a messaging application to send messages to make people aware about their new practice, and mention the services provided therein.



Frequently Asked Questions

Q. Whether members in practice can list themselves with online Application based service provider Aggregators?

A. No, Council Guidelines for Advertisement, 2008 appearing in Volume-II of Code of Ethics prohibits members in practice to list themselves with online Application based service provider Aggregators, wherein other categories like businessmen, technicians, maintenance workers, event organizers etc. are also listed.

Q. Whether a practicing Chartered Accountant can be a partner or designated partner in a Limited Liability Partnership , which is not doing professional work, but is in the commercial activities?

A. No, a practicing Chartered Accountant cannot be a partner or designated partner in a Limited Liability Partnership, which is not doing professional work, but is in the commercial activities. Please refer Paragraph 2.14.1.4(ii) under Clause (4) of Part -I of First Schedule to the Chartered Accountants Act,1949 appearing in Volume-II of Code of Ethics.



Frequently Asked Questions

Q. Can a Chartered Accountant in practice share his fees with the Government in respect of Government Audit?

A. The Institute came across certain Circulars/Orders issued by the Registrar of various State Co-operative Societies wherein it has been mentioned that certain amount of audit fee is payable to the concerned State Govt. and the auditor has to deposit a percentage of his audit fee in the State Treasury by a prescribed challan within a prescribed time of the receipt of Audit fee.

In view of the above, the Council considered the issue and while noting that the Government is asking auditors to deposit such percentage of their audit fee for recovering the administrative and other expenses incurred in the process, the Council decided that as such there is no bar in the Code of Ethics to accept such assignment wherein a percentage of professional fees is deducted by the Government to meet the administrative and other expenditure.



Frequently Asked Questions

Q. Can there be any sharing of fees between the widow or the legal representative of the proprietor of a single member firm and the purchaser of the goodwill of the firm on the death of the sole proprietor of the firm?

A. No, there could not be any sharing of fees between the widow or the legal representative of the proprietor of a single member firm and the purchaser of the goodwill of the firm on the death of the Sole proprietor of the firm. Payment of goodwill to the widow is permissible in such cases only for the goodwill of the firm and to enable such payments to be made in installments provided the agreement of the sale of goodwill contains such a provision. These payments even if they are spread over the specified period should not be linked up with participation in the earnings of the firm.

Frequently Asked Questions

Q. Whether a member in practice, engaged in Coaching/teaching activities in accordance with general and specific permission of the Council, may advertise such Coaching /teaching activities?

A member in practice, engaged in Coaching/teaching activities in accordance with general and specific permission of the Council should abstain from advertisement of such Coaching /teaching activities, as it may amount to indirect solicitation, as well as solicitation by any other means, and may therefore be violative of the provisions of Clause (6) of Part I of the First Schedule to the Act.

However, subject to the above, members engaging in teaching activities may display, outside their Coaching/teaching premises, sign board mentioning the name of Coaching/teaching Institute, contact details and subjects taught therein only. Please refer to paragraph 2.14.1.6 (iv) H under Clause (6) of Part I of First Schedule to the Chartered Accountants Act, 1949 appearing in Volume II of Code of Ethics.

Frequently Asked Questions

Q. Can a member in practice indicate in a book or an article, published by him, or a presentation made by him, association with any firm of Chartered Accountants?

A. As per Paragraph 2.14.1.6 (iv) D under Clause (6) of Part I of First Schedule to the Chartered Accountants Act, 1949 as appearing in Volume II of the Code of Ethics, a member is not permitted to mention in a book or an article, published by him, or a presentation made by him, any professional attainment(s), whether of the member or the firm of Chartered Accountants, with which he is associated.

However, he may indicate in a book, article, or presentation the designation “Chartered Accountant” as well as the name of the firm.

Q. Can a member/ Firm of Chartered Accountants print his/its vision and values behind the visiting cards?

A. No, since such printing of vision and values behind the visiting cards may result in solicitation and violation of the provisions of Clause (6) of Part-I of First Schedule to the Chartered Accountants Act, 1949.



Frequently Asked Questions

Q. Whether website of any Chartered Accountant can provide a link to the website of ICAI, its Regional Councils and Branches and also to the websites of Govt./Govt. Departments/Regulatory authorities and other professional bodies?

A. Yes, it is permitted that website may provide link to the website of ICAI, its Regional Councils and Branches and also to the websites of Govt./Govt. Departments/Regulatory authorities and other professional Bodies.

Q. Whether a Firm of Chartered Accountants can use catchwords / catchphrases on its website, Letter heads and visiting cards?

A. The mention of catchwords / catchphrases (for e.g., excellence in a particular area, Firm having professionals of integrity etc.) on Firm's website, Letter heads and visiting cards is not permissible in view of the provisions of Clauses (6) and (7) of Part-I of the First Schedule to Act. It may be noted that the above catch words are only indicative and not exhaustive.



Frequently Asked Questions

Q. Whether a Firm of Chartered Accountants can provide facility to the client to access its documents through logging in on the Firm's website?

A. Paragraph 3.3.9 of the Council Guidelines for Advertisement, 2008, appearing in Volume-II of Code of Ethics permit chat rooms amongst members of the ICAI and between Firms and its clients, provided the confidentiality protocol is observed. Accordingly, it is permissible for the Firm of Chartered Accountants to provide document management facility to the client to get access copies of their documents on the Firm's website vide distinct log in and password.

Frequently Asked Questions

Q. Can a Chartered Accountant in practice advertise his professional attainments or services, or can he use any designation or expression other than Chartered Accountants on professional documents, visiting cards, letter heads or sign boards, etc.?

A. No, as per Clause (7) of Part I of the First Schedule to the Chartered Accountants Act, 1949, a Chartered Accountant shall be deemed to be guilty of professional misconduct, if he advertises his professional attainments or services, or uses any designation or expressions other than chartered accountant on professional documents, visiting cards, letter heads or sign boards, unless it be a degree of a University established by law in India or recognized by the Central Government or a title indicating membership of the Institute of Chartered Accountants or of any other institution that has been recognized by the Central Government or may be recognized by the Council.

However, the member in practice may advertise through a write-up setting out the services provided by him or his firm and particulars of his firm subject to such guidelines as may be issued by the Council.

Frequently Asked Questions

Q. Can a Chartered Accountant in practice also practice as an Advocate?

A. Yes, Council direction under Paragraph 2.14.1.7(v) under Clause (7) of Part I of the First Schedule to the Chartered Accountants Act, 1949, appearing in Volume-II of Code of Ethics prescribes that a Chartered Accountant in practice who is otherwise eligible may practice as an Advocate subject to the permission of the Bar Council but in such cases, he should not use designation 'Chartered Accountant' in respect of the matters involving the practice as an Advocate. In respect of other matters he should use the designation 'Chartered Accountant' but he should not use the designation 'Chartered Accountant' and 'Advocate' simultaneously.

Q. Whether a member in practice is allowed to become whole-time director of a company?

A. No, members are not allowed to become whole-time Director of a company generally. However, a member in practice may become a Managing Director or a whole-time Director of a body corporate subject to the Council Guidelines of Corporate Form of practice (refer Appendix-D in Volume-II of Code of Ethics, 2020.)



Frequently Asked Questions

Q. Whether a member in practice can become Financial Advisor, and receive fees/commission from Financial Institutions such as Mutual Funds, Insurance Companies, NBFCs ?

A. No, it is not permissible for a member in practice to become Financial Advisor, and receive fees/commission from Financial Institutions.

Q. Whether a Firm of Chartered Accountants can undertake the assignment of Management Consultancy Services of a company where a partner of the Firm is Director Simplicitor?

A. Yes, it is permissible for a Firm of Chartered Accountants to undertake the assignment of Management Consultancy Services of a company where a partner of the firm is Director Simplicitor.

Frequently Asked Questions

Q. Whether Joint Auditors can demand the working papers of one another?

A. No, the working papers are the property of an auditor. Therefore, no Joint Auditor can demand the working papers of the other auditor.

Q. Whether the Chartered Accountant will be guilty of professional misconduct, if he:

(i) accepts the auditorship of a college, if he is working as a part-time lecturer in the college.

(ii) accepts the auditorship of a trust where his partner is either an employee or a trustee of the trust.

A. Yes, the Chartered Accountant will be guilty of professional misconduct in both the above referred circumstances



Frequently Asked Questions

Q. Can a member in practice be a sleeping partner in family business concern?

A. Yes, a member in practice can be a sleeping partner in a family business concern provided he takes prior and specific permission from the Council in terms of Regulation 190A of CA Regulations. He will, however, not be entitled to do attest functions.

Q. Can a member in practice print QR (Quick response) code on his visiting cards, facilitating easy access to information?

A. Yes, printing of QR Code on the visiting Cards is permissible, provided that it does not contain information that is not otherwise permissible to be printed on a visiting Card.

Frequently Asked Questions

Q. Whether a Professional Accountant in Public Practice may pay or receive a referral fees or commission?

A. As per Paragraph 2.14.1.3(ii) under Clause (3) of Part-I of First schedule to the Act, appearing in Volume-II of Code of Ethics, it is not prohibited for a member in practice to charge Referral Fees, being the fees obtained by a member in practice from another member in practice in relation to referring a client to him.

The above should be read with the applicable provisions mentioned in Paragraph 330.5 A1 and A2 of Volume-I of Code of Ethics, which provide that a self-interest threat to compliance with the principles of objectivity and professional competence and due care is created if a professional accountant pays or receives a referral fee relating to a client.

Examples of actions that might be safeguards to address such a self-interest threat include disclosing to clients any referral fees paid to, or received from, another professional accountant for recommending services might address a self-interest threat.



Frequently Asked Questions

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

A. No, as per clause (3) of part-I of Second Schedule to the Act, a member in practice will be deemed to be guilty of professional misconduct if he permits his name or the name of his firm to be used in connection with an estimate of earnings contingent upon future transaction in a manner which may lead to the belief that he vouches for the accuracy of the forecast. As per opinion of the Council, a Chartered Accountant can participate in the preparation of profit or financial forecasts and can review them, provided he indicates clearly in his report the sources of information, the basis of forecasts and also the major assumptions made in arriving at the forecasts and so long as he does not vouch for the accuracy of the forecasts. The member has to comply with SAE 3400 (**The Examination of Prospective Financial Information**) while drafting the report for such engagements.

#ViShare

#ViShare #01

Cut off Procedures

Purchase of Goods

Goods received after end of year/period
(Inco-Terms: **EXW, FCA, FAS, FOB, CFR, CIF, CIP, CPT**)

Recognition in Balance Sheet

- ✓ 01 Inventory as Raw Material / Traded Goods in Transit
- ✓ 02 Trade Payables / Creditors

Measurement

- ✓ 01 Invoice Value (in case of imports: foreign currency translated into INR) + All directly attributable costs from seller's premises / port to location of consignment on cut-off date
- ✓ 02 Lower of Cost or Net Realisable Value (subject to Para 24 of AS -2 and Para 32 of Ind AS 2)

• Impact on Profit or Loss will be Nil

#ViShare #02

Cut off Procedures

Sale of Goods

Bill of Lading / receipt of goods after end of year/period
(Inco-Terms: **FCA, FAS, FOB, CFR, CIF, CIP, CPT**)

Recognition in Balance Sheet

- ✓ 01 Inventory as Finished Goods in Transit
- ✓ 02 Reversal of Trade Receivables / Debtors (if sale has been recognized)

Measurement

- ✓ 01 At manufacturing cost similar to other Finished Goods + All directly attributable costs from factory / warehouse to location of goods on cut off date (already debited to Statement of Profit & Loss)
- ✓ 02 Lower of Cost or Net Realisable Value

- If inventory has already been recognized at cost, there will be no impact on Profit or Loss
- If sales has been recognized, then sale and profit / loss thereon will be derecognized



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