

# Understanding the provisions of professional and other misconduct

Hyderabad Branch – SIRC – ICAI

27<sup>th</sup> November – Monday

**First Session**

# What all one should know to understand Code of Ethics

Chartered Accountants  
Act

CA Regulations

Guidelines issued by  
Council – Mandatory

Council Guidelines for  
Advertisement, 2008

Recommended Self-  
Regulatory Measures

Guidelines of the Council  
in the context of use of  
designation etc. and  
manner of Printing of  
Letter-heads and visiting  
cards.

CA Logo Guidelines

Announcements &  
Clarifications

Recent Decisions of  
Ethical Standards Board

# Chartered Accountants Act

SECTION 8: Disabilities to become or be a member of the Institute

SECTION 22: Definition of Professional or other misconduct

SECTION 24: Penalty for falsely claiming to be a MEMBER

SECTION 27: Maintenance of Branch Offices without having a member as in charge

**Schedule 1**

**Schedule 2**

# CA Regulations

**Regulation 187** : Professional address

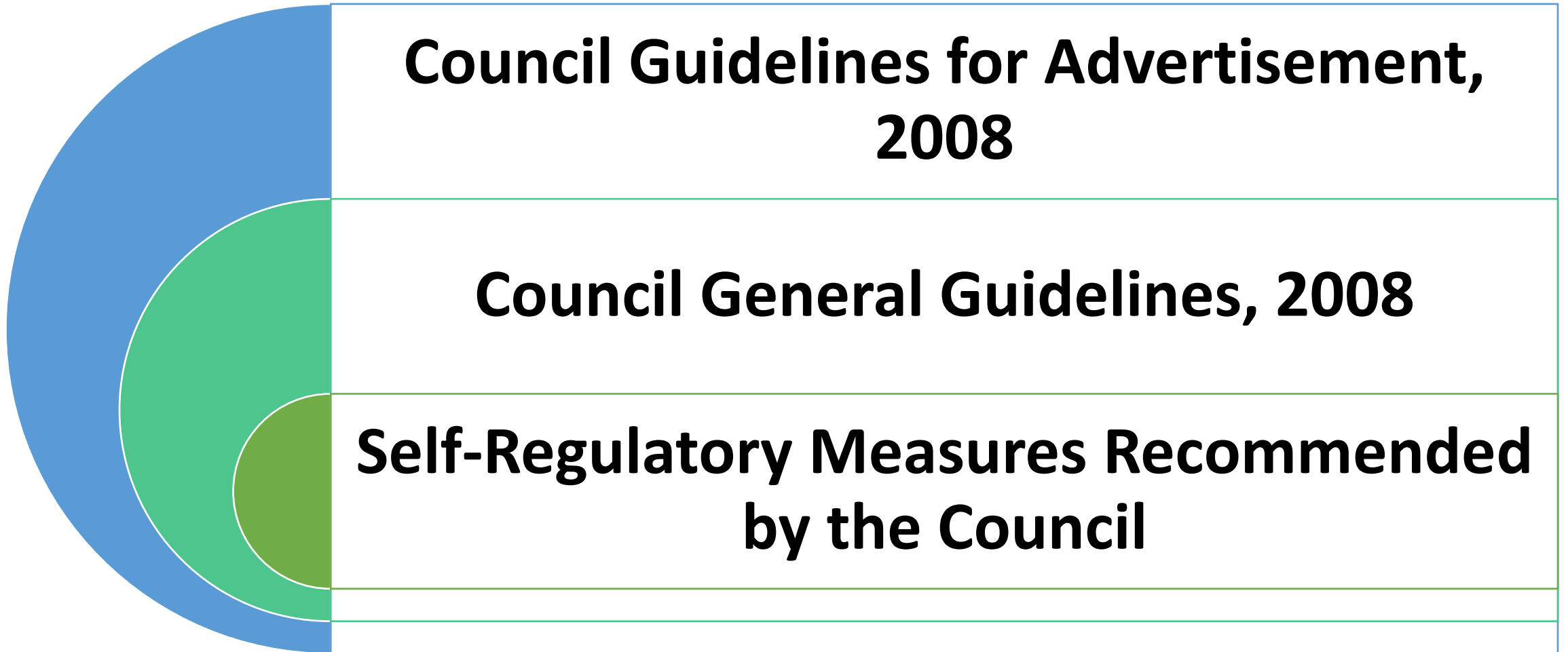
**Regulation 189** : Opening and closure of Branch office

**Regulation 190A**: Chartered Accountant in practice not to engage in any other business or occupation

**Regulation 191**: Part time employments a Chartered Accountant in practice may accept

**Regulation 192**: Restriction on fees

**Regulation 193**: Particulars of nationality



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**Council  
General  
Guidelines,  
2008**

**Conduct of a Member being an employee**

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**Maintenance of books of account**

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**Tax Audit assignments under Section 44 AB of the Income Tax Act, 1961**

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**Appointment of an Auditor in case of non-payment of undisputed fees**

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**Specified number of audit assignments**

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**Appointment as Statutory auditor**

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**Appointment of an auditor when he is indebted to a concern**

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**Directions in case of unjustified removal of auditors**

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**Guidelines on Tenders**

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**Unique Document Identification Number (UDIN) Guidelines**

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**Guidelines for Networking**

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**Logo Guidelines**

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**Guidelines for Corporate Form of Practice**

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# Self Regulatory Measures

- **Branch Audits**
- **Joint Audit**
- **Ratio Between Qualified and Unqualified Staff**
- **Disclosure of Interest by Auditors in other Firms**
- **Ceiling on the Fees**
- **Recommended Minimum Scale of Fees**

# Disability

**Disabilities.**—Notwithstanding anything contained in section 4, a person shall not be entitled to have his name entered in or borne on the Register of members if he—

(i) XXXXXXXXXXXXXXXXXXXX or

(ii) XXXXXXXXXXXXXXXXXXXX or

(iii) XXXXXXXXXXXXXXXXXXXX or

(iiia) XXXXXXXXXXXXXXXXXXXX or

(iv) XXXXXXXXXXXXXXXXXXXX or

**(v) has been convicted by a competent Court, whether within or outside India, of an offence involving moral turpitude and punishable with imprisonment**

**or**

**of an offence, not of a technical nature, committed by him in his professional capacity unless in respect of the offence committed he has either been granted a pardon or, on an application made by him in this behalf, the Central Government has, by an order in writing, removed the disability; or**

(vi) XXXXXXXXXXXXXXXXXXXX



# Misconduct Definition

- Section 22. Professional or other misconduct defined—  
For the purposes of this Act, the expression “professional or other misconduct” shall be **deemed to include any act or omission provided in any of the Schedules**, but nothing in this section shall be construed to limit or abridge in any way the power conferred or duty cast on the Director (Discipline) under sub-section (1) of section 21 to inquire into the conduct of any member of the Institute under any other circumstances

# Summary of clauses / items in the schedules

## Number of Schedules - 2

### First Schedule - 4 Parts

**Part I** - Professional misconduct in relation to chartered accountants in practice – 12 items / clauses

**Part II** - Professional misconduct in relation to members of the Institute in service – 2 items / clauses

**Part III** - Professional misconduct in relation to members of the Institute generally – 3 items / clauses

**Part IV** - Other misconduct in relation to members of the Institute generally – 2 items / clauses

### Second Schedule - 3 Parts

**Part I** - Professional misconduct in relation to chartered accountants in practice - – 10 items / clauses

**Part II** - Professional misconduct in relation to members of the Institute generally - – 5 items / clauses

**Part III** - Other misconduct in relation to members of the Institute generally - – 1 item / clause

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## First Schedule - PART I - **Clause / item 1**

### Nature of Misconduct

allows any person to practice in his name as a chartered accountant unless such person is also a chartered accountant in practice and is in partnership with or employed by him;

**Practice by non-chartered accountant**

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## First Schedule - PART I - Clause / item 2

### Nature of Misconduct

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.

**Explanation.**—In this item, “partner” includes a person residing outside India with whom a chartered accountant in practice has entered into partnership which is not in contravention of item (4) of this Part;

**Sharing of fee with non-members— not just paying but agreeing to pay also**

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## **First Schedule - PART I - Clause / item 3**

### **Nature of Misconduct**

**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;

**Accept or agreeing to accept fee, profit / commission or brokerage etc**

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## **First Schedule - PART I - Clause / item 4**

### **Nature of Misconduct**

**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**

**Partnership with other than a CA**

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## First Schedule - PART I - **Clause / item 5**

### Nature of Misconduct

**secures**, either through the services of a person who is **not an employee of such chartered accountant or who is not his partner or by means which are not open to a chartered accountant**, any professional business: Provided that nothing herein contained shall be construed as prohibiting any arrangement permitted in terms of items (2), (3) and (4) of this Part

**Secures professional business through non-employee/ non-partner or unlawful means**

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## First Schedule - PART I - **Clause / item 6**

### Nature of Misconduct

**solicits clients or professional work** either directly or indirectly by **circular, advertisement, personal communication or interview or by any other means:**

Provided that nothing herein contained shall be construed as preventing or prohibiting—

- (i) any chartered accountant from applying or requesting for or inviting or securing professional work from another chartered accountant in practice; or
- (ii) a member from responding to tenders or enquiries issued by various users of professional services or organisations from time to time and securing professional work as a consequence;

**Soliciting the work / clients**



Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## First Schedule - PART I - **Clause / item 7**

### Nature of Misconduct

**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 recognised by the Central Government or a title indicating membership of the Institute of Chartered Accountants of India or of any other institution that has been recognised by the Central Government or may be recognised by the Council:

Provided that a 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

**Advertises professional attainment**

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## First Schedule - PART I - **Clause / item 8**

### Nature of Misconduct

**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**

**Fails to communicate with outgoing auditor– NOC**

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## First Schedule - PART I - **Clause / item 9**

### Nature of Misconduct

**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) 1[or sections 139 to 141 of the Companies Act, 2013 (18 of 2013) or **any other law pertaining to appointment of auditors** for the time being in force] in respect of such appointment have been duly complied with

**Non - Compliance of Section 225 of the Companies Act, 1956 (Sections 139 and 140 of Companies Act, 2013) without due procedure**

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## First Schedule - PART I - **Clause / item 10**

### Nature of Misconduct

**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**

**Charging fee as a percentage or on contingencies**

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## **First Schedule - PART I - Clause / item 11**

### **Nature of Misconduct**

**engages in any business or occupation other than the profession of chartered accountant 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

**Engagement in any other profession / business i.e.,. Engages in any other occupation**

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## First Schedule - PART I - **Clause / item 12**

### Nature of Misconduct

**allows a person not being a member of the Institute in practice, or a member not being his partner to sign on his behalf or on behalf of his firm, any balance-sheet, profit and loss account, report or financial statements.**

**Allows non - Member/non-partner to sign documents on his behalf**

Professional misconduct in relation to members of the Institute in service- A chartered accountant in practice shall be **deemed to be guilty** of professional misconduct, if he—

## First Schedule - PART II - **Clause / item 1**

### Nature of Misconduct

**pays or allows or agrees to pay** directly or indirectly to any person **any share in the emoluments of the employment undertaken by him**

**Sharing of emoluments, actual or agreeing to share**

Professional misconduct in relation to members of the Institute in service- A chartered accountant in practice shall be **deemed to be guilty** of professional misconduct, if he—

## First Schedule - PART II - **Clause / item 2**

### Nature of Misconduct

**accepts or agrees to accept any part of fees, profits or gains from a lawyer, a chartered accountant or broker engaged by such company, firm or person or agent or customer of such company, firm or person by way of commission or gratification.**

**Accepts or agrees to accept commission or gratification i.e. bribe**



Professional misconduct in relation to **members of the Institute generally** - - A chartered accountant in practice shall be **deemed to be guilty** of professional misconduct, if he—

## First Schedule - PART III - **Clause / item 1**

### Nature of Misconduct

not being a fellow of the Institute, acts as a fellow of the Institute;

Professional misconduct in relation to **members of the Institute generally** - - A chartered accountant in practice shall be **deemed to be guilty** of professional misconduct, if he—

## First Schedule - PART III - **Clause / item 2**

### **Nature of Misconduct**

does not supply the information called for, or does not comply with the requirements asked for, by the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the Appellate Authority

Professional misconduct in relation to **members of the Institute generally** - - A chartered accountant in practice shall be **deemed to be guilty** of professional misconduct, if he—

## First Schedule - PART III - **Clause / item 3**

### Nature of Misconduct

while inviting professional work from another chartered accountant or while responding to tenders or enquiries or while advertising through a write up or anything as provided for in items (6) and (7) of Part I of this Schedule, gives information knowing it to be false

**Other misconduct** in relation to **members of the Institute generally** - A member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he—

## First Schedule - PART IV - **Clause / item 1**

### Nature of Misconduct

is held guilty by any civil or criminal court for an offence which is punishable with imprisonment for a term not exceeding six months

**Guilty by any Civil or Criminal Court**

**Other misconduct** in relation to **members of the Institute generally** - A member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he—

## First Schedule - PART IV - **Clause / item 2**

### Nature of Misconduct

in the opinion of the Council, brings disrepute to the profession or the Institute as a result of his action whether or not related to his professional work

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## Second Schedule - PART I - **Clause / item 1**

### Nature of Misconduct

discloses information acquired in the course of his professional engagement to any person other than his client so engaging him, without the consent of his client or otherwise than as required by any law for the time being in force

**Disclosure of Information with / to others**

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## Second Schedule - PART I - **Clause / item 2**

### Nature of Misconduct

certifies or submits in his name, or in the name of his firm, a report of an examination of financial statements unless the examination of such statements and the related records has been made by him or by a partner or an employee in his firm or by another chartered accountant in practice

**Signing without examination of the records**

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## Second Schedule - PART I - **Clause / item 3**

### Nature of Misconduct

permits 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

**Certifying forecasts, project reports etc**



Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## Second Schedule - PART I - **Clause / item 4**

### Nature of Misconduct

permits 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

**Attest function of a enterprise in which the member or his partner has substantial interest**

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## Second Schedule - PART I - **Clause / item 5**

### Nature of Misconduct

fails to disclose a material fact known to him which is not disclosed in a financial statement, but disclosure of which is necessary in making such financial statement where he is concerned with that financial statement in a professional capacity

**Non-disclosure of material fact known when done in professional capacity –  
Independent Director is a professional Capacity Aspect**

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## Second Schedule - PART I - **Clause / item 6**

### Nature of Misconduct

fails to report a material misstatement known to him to appear in a financial statement with which he is concerned in a professional capacity

**Non-disclosure of material mis-statement known when done in professional capacity**  
**– Independent Director IS NOT a professional Capacity Aspect**

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## Second Schedule - PART I - **Clause / item 7**

### Nature of Misconduct

does not exercise due diligence, or is grossly negligent in the conduct of his professional duties

**Negligent and / gross negligent in professional capacity – Independent  
Director is a professional Capacity Aspect**

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## Second Schedule - PART I - **Clause / item 8**

### Nature of Misconduct

fails to obtain sufficient information which is necessary for expression of an opinion or its exceptions are sufficiently material to negate the expression of an opinion

**Attesting with inadequate information**

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## Second Schedule - PART I - **Clause / item 9**

### Nature of Misconduct

fails to invite attention to any material departure from the generally accepted procedure of audit applicable to the circumstances

**Non Adherence to AAS, SA, AS etc**

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## Second Schedule - PART I - **Clause / item 10**

### Nature of Misconduct

fails to keep moneys of his client other than fees or remuneration or money meant to be expended in a separate banking account or to use such moneys for purposes for which they are intended within a reasonable time

**Using the money of the client**

Professional misconduct in relation to **members of the Institute generally** - A member of the Institute, whether in practice or not, shall be **deemed to be guilty** of professional misconduct, if he—

## **Second Schedule - PART II - Clause / item 1**

### Nature of Misconduct

contravenes any of the provisions of this Act or the regulations made thereunder or any guidelines issued by the Council

**Violating CA Act, CA Regulations, Guidelines issued by Council, notifications etc**



Professional misconduct in relation to **members of the Institute generally** - A member of the Institute, whether in practice or not, shall be **deemed to be guilty** of professional misconduct, if he—

## **Second Schedule - PART II - Clause / item 2**

### Nature of Misconduct

being an employee of any company, firm or person, discloses confidential information acquired in the course of his employment except as and when required by any law for the time being in force or except as permitted by the employer

**Disclosure of Information with / to others**

Professional misconduct in relation to **members of the Institute generally** - A member of the Institute, whether in practice or not, shall be **deemed to be guilty** of professional misconduct, if he—

## **Second Schedule - PART II - Clause / item 3**

### Nature of Misconduct

includes in any information, statement, return or form to be submitted to the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the Appellate Authority any particulars knowing them to be false;

**Making false submissions to ICAI and its wings**

Professional misconduct in relation to **members of the Institute generally** - A member of the Institute, whether in practice or not, shall be **deemed to be guilty** of professional misconduct, if he—

## Second Schedule - PART II - **Clause / item 4**

### Nature of Misconduct

defalcates or embezzles moneys received in his professional capacity.

**Misuse of amounts received**

Professional misconduct in relation to **members of the Institute generally** - A member of the Institute, whether in practice or not, shall be **deemed to be guilty** of professional misconduct, if he—

## Second Schedule - PART II - **Clause / item 5**

### Nature of Misconduct

acts as an auditor of the company in contravention of the provisions of the Companies Act, 2013 (18 of 2013).

**Disqualified to be the auditor but acts as auditor of the company**

**Other misconduct** in relation to **members of the Institute generally**- A chartered accountant in practice shall be **deemed to be guilty** of professional misconduct, if he—

## Second Schedule - PART III – **one clause / item**

### Nature of Misconduct

A member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he is held guilty by any civil or criminal court for an offence which is punishable with imprisonment for a term exceeding six months

**Guilty by any Civil or Criminal Court**

Next Session on

# Case laws and Practical issues

# Case laws and Practical issues

**Hyderabad Branch – SIRC – ICAI**

**27<sup>th</sup> November – Monday**

**Second Session**

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## First Schedule - PART I - **Clause / item 1**

### Nature of Misconduct

allows any person to practice in his name as a chartered accountant unless such person is also a chartered accountant in practice and is in partnership with or employed by him;

**Practice by non-chartered accountant**



# First Schedule - PART I - **Clause / item 1**

No case laws reported in  
the code of conduct

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## First Schedule - PART I - Clause / item 2

### Nature of Misconduct

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.

**Explanation.**—In this item, “partner” includes a person residing outside India with whom a chartered accountant in practice has entered into partnership which is not in contravention of item (4) of this Part;

**Sharing of fee with non-members— not just paying but agreeing to pay also**

# First Schedule - PART I - **Clause / item 2**

## **Shares fees with non- Member**

- Agreement to share the profits
- Sharing Audit Fees as “Allowance”

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## **First Schedule - PART I - Clause / item 3**

### **Nature of Misconduct**

**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;

**Accept or agreeing to accept fee, profit / commission or brokerage etc**

# First Schedule - PART I - **Clause / item 3**

No case laws reported in  
the code of conduct

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## **First Schedule - PART I - Clause / item 4**

### **Nature of Misconduct**

**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

**Partnership with other than a CA**

# First Schedule - PART I - **Clause / item 4**

## **Enters into partnership with non-Member**

Entering in  
Partnership in  
Business Firms

Managing  
Partner with  
two  
partnership  
Firms

Partnership  
with non-  
Member and  
Client

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## First Schedule - PART I - **Clause / item 5**

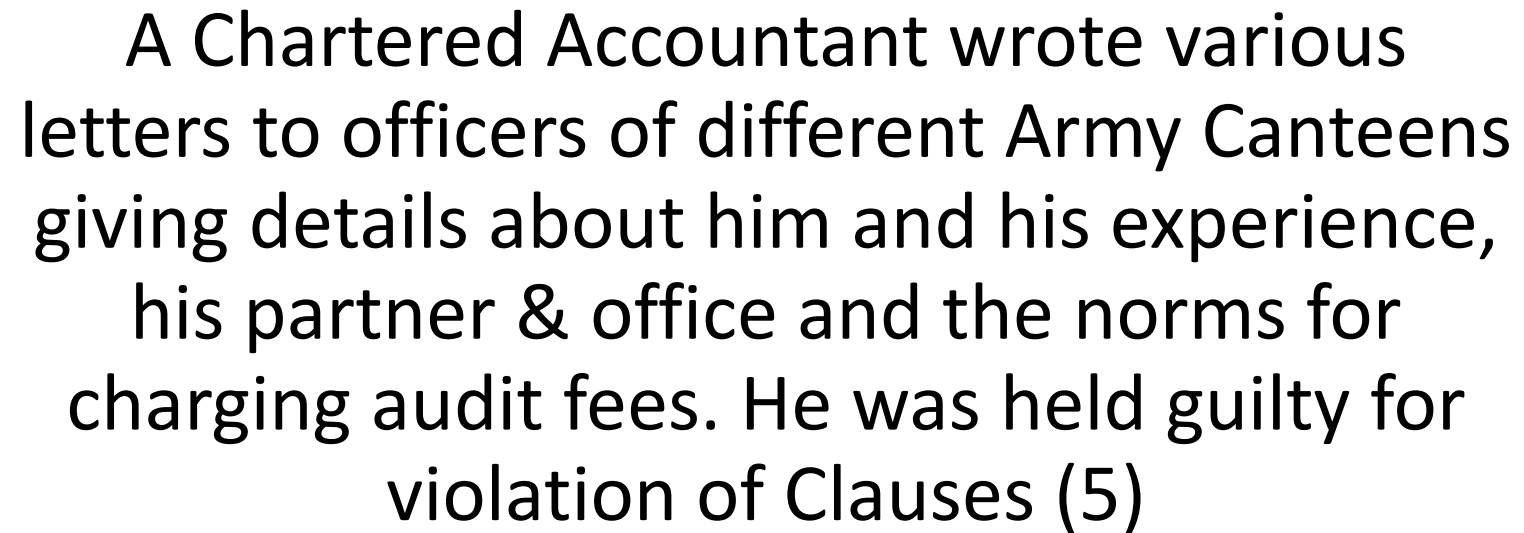
### Nature of Misconduct

**secures**, either through the services of a person who is **not an employee of such chartered accountant or who is not his partner or by means which are not open to a chartered accountant**, any professional business: Provided that nothing herein contained shall be construed as prohibiting any arrangement permitted in terms of items (2), (3) and (4) of this Part

**Secures professional business through non-employee/ non-partner or unlawful means**



# First Schedule - PART I - Clause / item 5



A Chartered Accountant wrote various letters to officers of different Army Canteens giving details about him and his experience, his partner & office and the norms for charging audit fees. He was held guilty for violation of Clauses (5)

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## First Schedule - PART I - **Clause / item 6**

### Nature of Misconduct

**solicits clients or professional work** either directly or indirectly by **circular, advertisement, personal communication or interview or by any other means:**

Provided that nothing herein contained shall be construed as preventing or prohibiting—

- (i) any chartered accountant from applying or requesting for or inviting or securing professional work from another chartered accountant in practice; or
- (ii) a member from responding to tenders or enquiries issued by various users of professional services or organisations from time to time and securing professional work as a consequence;

**Soliciting the work / clients**

# First Schedule - PART I - Clause / item 6

## Soliciting the work / clients

- Printed card for solicitation of work
- Issuing letters of Authority
- Application offering himself as Auditor
- Roving Enquiries
- Approaching through Third Person for Audit
- Assistant of Member writing request for work
- Writing letters of Change of Address to non-clients
- Advt. of Congratulations for opening of Office
- Highlighting Professional Attainments
- Advt. seeking work from other professionals
- Highlighting expertise in sales matters
- Introducing as pioneer in liasoning with Govt. Dept.
- Personal visit for securing appointment as Auditor
- Advertisement in Newspaper

# First Schedule - PART I - Clause / item 6

## Soliciting the work / clients

- Letter to Co-op Society with request to contact
- Letter to shareholder for appointment as Auditor
- Details of services & books written on IT raid etc.
- Publication of details of Member in Souvenir
- Approached Chairman for Audit of Institution
- Using Signboard on Poles and Shutters of shops
- Advt. mentioning administrative ability etc.
- Letter with details of services & fees charged
- Letter for empanelment with a recommendation

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## First Schedule - PART I - **Clause / item 7**

### Nature of Misconduct

**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 recognised by the Central Government or a title indicating membership of the Institute of Chartered Accountants of India or of any other institution that has been recognised by the Central Government or may be recognised by the Council:

Provided that a 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

**Advertises professional attainment**

# First Schedule - PART I - **Clause / item 7**

## Advertises professional attainment

Using designations other than CA

Advertising professional attainments

Offering concessions along with services

Letter giving impression as if sent to many organizations

Advertisement of Services

Representation as agent of LIC Housing Fin. Ltd.

Use of Logo

Propagating services through SMS

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## First Schedule - PART I - **Clause / item 8**

### Nature of Misconduct

**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**

**Fails to communicate with outgoing auditor– NOC**

# First Schedule - PART I - Clause / item 8

## Fails to communicate with outgoing auditor

- Failed to communicate unintentionally
- Reasonable time not given for reply
- Sent communication after commencement of audit
- Commenced audit in five days without comm.
- Registered post without Acknowledgement
- Communication under Certificate of Posting
- Communication vide Ordinary Post
- 
- Communication applicable to Govt. agencies also
- Non-Communication in case of Tax Audit
- Accepting audit without communication in writing
- Non-Comm. & non-compliance of the Co. Act
- Non-Comm. in case of Audit of Army Canteen
- Non-Comm. and non-acceptance of letters
- Non-Comm. in case of removal of Previous Auditor



# First Schedule - PART I - Clause / item 8

## **Fails to communicate with outgoing auditor**

- Non-Comm. despite repeated follow ups
- Where removal not informed to the Prev. Auditor
- Communication made after signing the B/S
- Non-Comm. on the pretext of completing work
- Communication sent through some Other Mode
- Pending undisputed Audit Fees of Previous Auditor
- 
- Partner accepting the work in individual capacity
- Non-Comm. in case of Audit of a Private Bank
- Collusion with the client in irregularities
- Giving different opinion for same set of transaction
- Communication through Courier
- Acknowledgement Proof not preserved
- Personal visit not material as a Proof

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## First Schedule - PART I - **Clause / item 9**

### Nature of Misconduct

**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) 1[or sections 139 to 141 of the Companies Act, 2013 (18 of 2013) or **any other law pertaining to appointment of auditors** for the time being in force] in respect of such appointment have been duly complied with

**Non - Compliance of Section 225 of the Companies Act, 1956 (Sections 139 and 140 of Companies Act, 2013) without due procedure**

# First Schedule - PART I - **Clause / item 9**

- ❖ Various case laws – not presented as the matter is straight forward matter

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

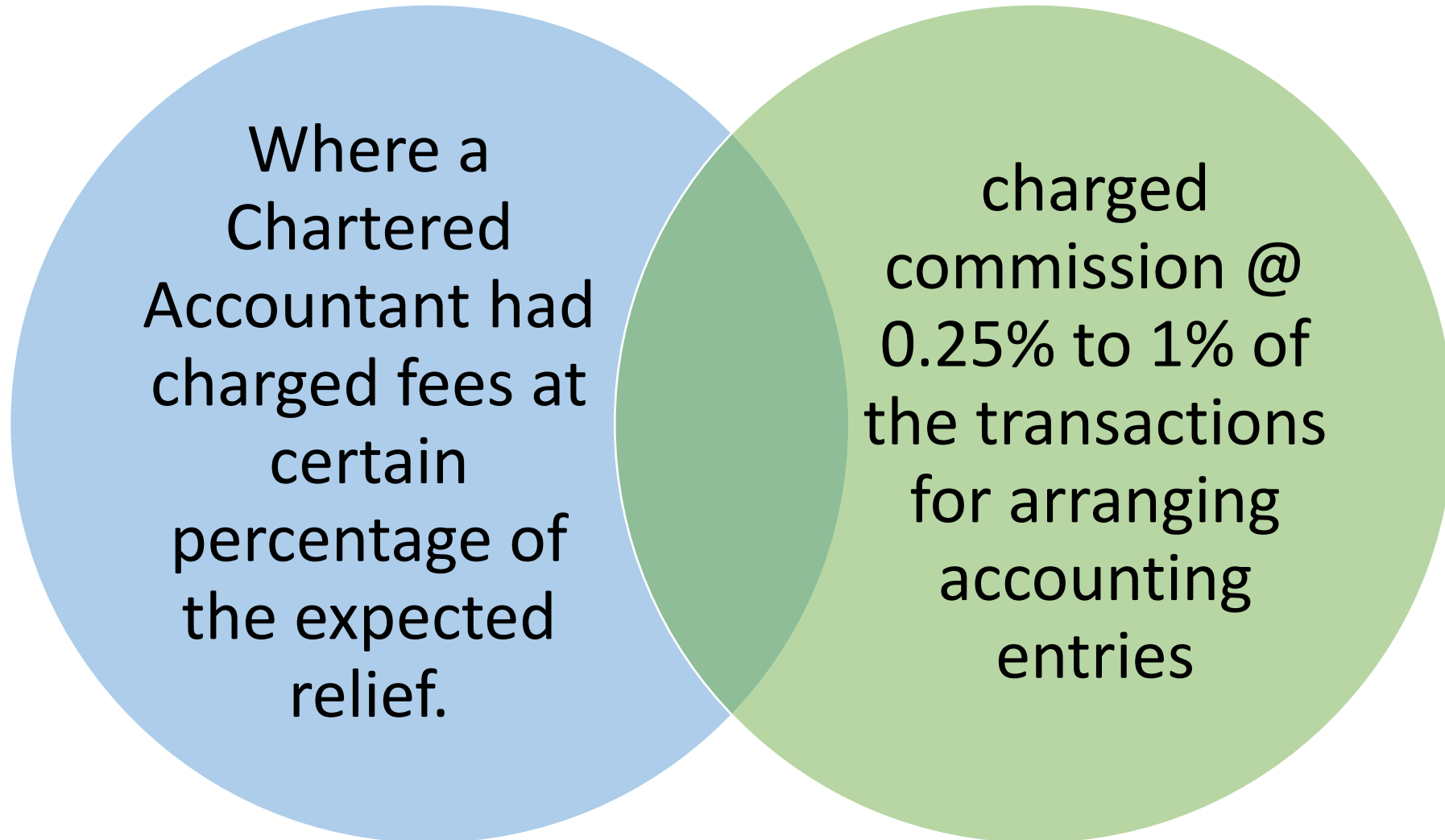
## First Schedule - PART I - **Clause / item 10**

### Nature of Misconduct

**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**

**Charging fee as a percentage or on contingencies**

# First Schedule - PART I - Clause / item 10



Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## **First Schedule - PART I - Clause / item 11**

### **Nature of Misconduct**

**engages in any business or occupation other than the profession of chartered accountant 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

**Engagement in any other profession / business i.e.,. Engages in any other occupation**

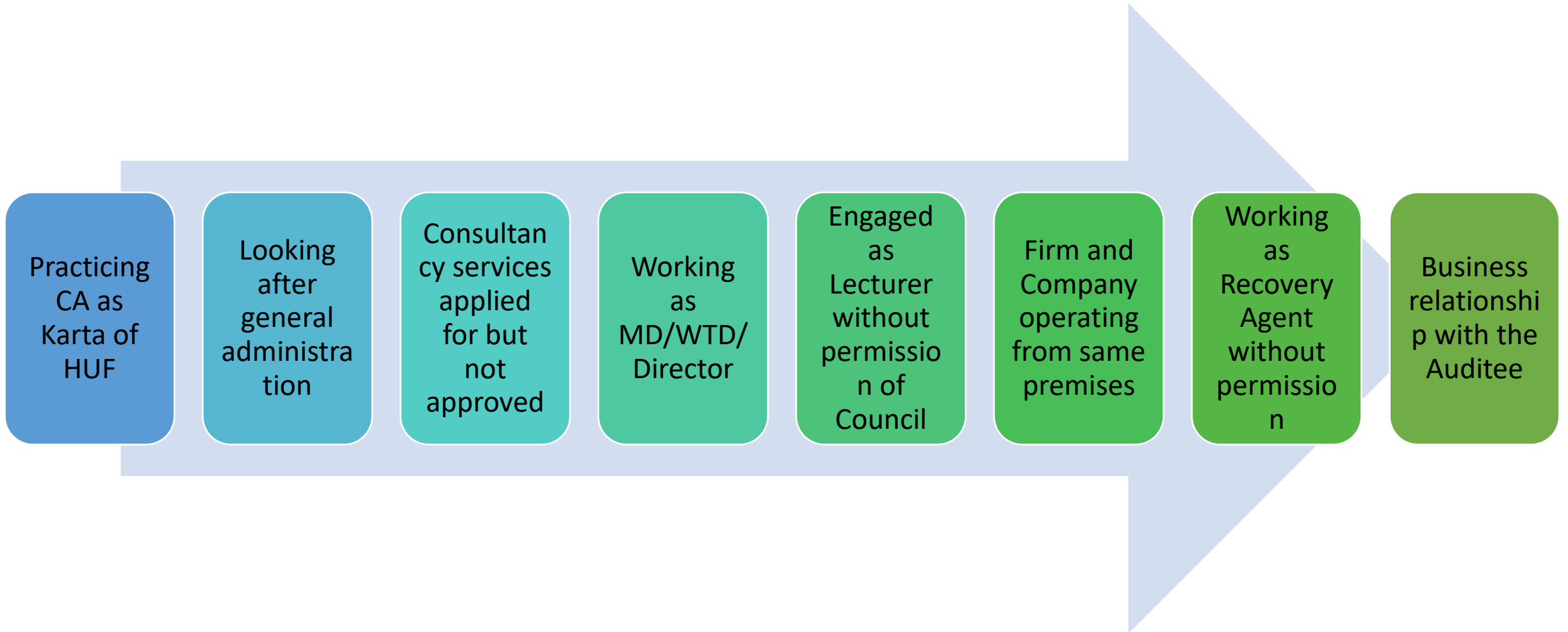
# First Schedule - PART I - **Clause / item 11**

## **Engages in any other occupation**

- Engaged in business
- Seeking permission subsequent to engagement
- In employment without permission of Council
- Cl. (4) be read with authority to Council in Cl. (11)
- Reasonableness of restriction under Clause (11)
- Working with Non-CA Firm without permission
- Involvement in share business /transfers
- Practicing CA involved as LIC Agent
- Holding substantial interest in a Company

# First Schedule - PART I - **Clause / item 11**

## **Engages in any other occupation**





Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## First Schedule - PART I - **Clause / item 12**

### Nature of Misconduct

**allows a person not being a member of the Institute in practice, or a member not being his partner to sign on his behalf or on behalf of his firm, any balance-sheet, profit and loss account, report or financial statements.**

**Allows non - Member/non-partner to sign documents on his behalf**

# First Schedule - PART I - **Clause / item 12**

No case laws reported in  
the code of conduct

Professional misconduct in relation to members of the Institute in service- A chartered accountant in practice shall be **deemed to be guilty** of professional misconduct, if he—

## First Schedule - PART II - **Clause / item 1**

### Nature of Misconduct

**pays or allows or agrees to pay** directly or indirectly to any person **any share in the emoluments of the employment undertaken by him**

**Sharing of emoluments, actual or agreeing to share**

# First Schedule - PART II - **Clause / item 1**

No case laws reported in  
the code of conduct

Professional misconduct in relation to members of the Institute in service- A chartered accountant in practice shall be **deemed to be guilty** of professional misconduct, if he—

## First Schedule - PART II - **Clause / item 2**

### Nature of Misconduct

**accepts or agrees to accept any part of fees, profits or gains from a lawyer, a chartered accountant or broker engaged by such company, firm or person or agent or customer of such company, firm or person by way of commission or gratification.**

**Accepts or agrees to accept commission or gratification i.e. bribe**

# First Schedule - PART II - **Clause / item 2**

No case laws reported in  
the code of conduct

Professional misconduct in relation to **members of the Institute generally** - - A chartered accountant in practice shall be **deemed to be guilty** of professional misconduct, if he—

## First Schedule - PART III - **Clause / item 1**

### Nature of Misconduct

not being a fellow of the Institute, acts as a fellow of the Institute;

# First Schedule - PART III - **Clause / item 1**

No case laws reported in  
the code of conduct



Professional misconduct in relation to **members of the Institute generally** - - A chartered accountant in practice shall be **deemed to be guilty** of professional misconduct, if he—

## First Schedule - PART III - **Clause / item 2**

### **Nature of Misconduct**

does not supply the information called for, or does not comply with the requirements asked for, by the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the Appellate Authority

# First Schedule - PART III - **Clause / item 2**

Where a Chartered Accountant had not disclosed to the Institute at any time about his engagement as a proprietor of a non-Chartered Accountants' firm while holding certificate of practice and had not furnished particulars of his engagement as a Director of a Company despite various letters of the Institute which remained un-replied

Professional misconduct in relation to **members of the Institute generally** - - A chartered accountant in practice shall be **deemed to be guilty** of professional misconduct, if he—

## First Schedule - PART III - **Clause / item 3**

### Nature of Misconduct

while inviting professional work from another chartered accountant or while responding to tenders or enquiries or while advertising through a write up or anything as provided for in items (6) and (7) of Part I of this Schedule, gives information knowing it to be false

**Other misconduct** in relation to **members of the Institute generally** - A member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he—

## First Schedule - PART IV - **Clause / item 1**

### Nature of Misconduct

is held guilty by any civil or criminal court for an offence which is punishable with imprisonment for a term not exceeding six months

**Guilty by any Civil or Criminal Court**

# First Schedule - PART IV - **Clause / item 1**

No case laws reported in  
the code of conduct

**Other misconduct** in relation to **members of the Institute generally** - A member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he—

## **First Schedule - PART IV - Clause / item 2**

### Nature of Misconduct

in the opinion of the Council, brings disrepute to the profession or the Institute as a result of his action whether or not related to his professional work

# First Schedule - PART IV - Clause / item 2

**Brings disrepute to the profession/Institute as a result of his action**

Floating  
Co's /  
Firms for  
availing  
credit  
limits

Engaging  
in business  
of Ex -  
Client

Inaccurate  
reporting  
and hiding  
material  
facts

Wrongful  
use of  
Prop./Part  
nership of  
a Firm



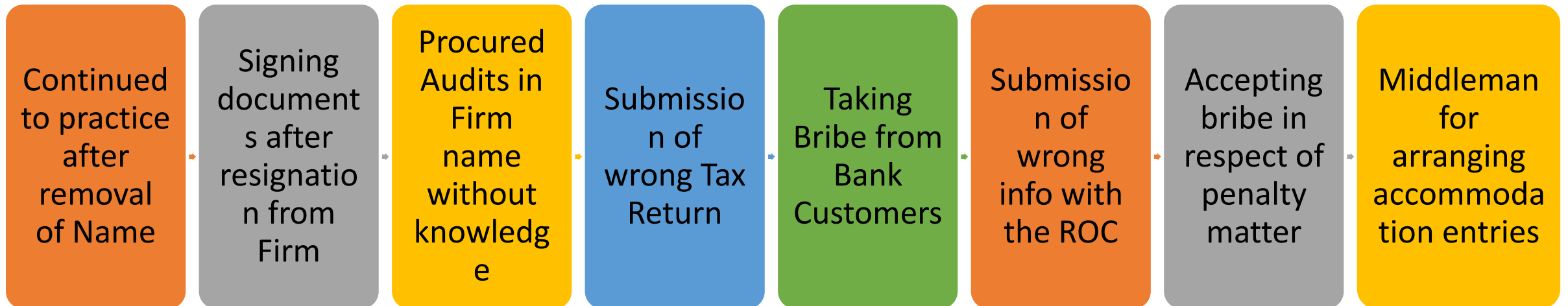
Nexus  
with  
Chairman  
of the  
Company

Signing  
Balance  
Sheets  
being  
subject to  
Audit

Endorsing  
signature  
of a dead  
Person

# First Schedule - PART IV - Clause / item 2

**Brings disrepute to the profession/Institute as a result of his action**





# First Schedule - PART IV - **Clause / item 2**

**Brings disrepute to the profession/Institute as a result of his action**

- Preparation and certification of fake documents
- Manipulation of Financial Statements etc.
- Non-return of cheques held as Escrow Agent
- Censuring order by PCOAB
- Wrongfully obtaining the Service Charges
- Wrongful refusal to work, change of password etc.
- Dealing in Conversion of Black Money

# First Schedule - PART IV - Clause / item 2

**Brings disrepute to the profession/Institute as a result of his**

Dealing in Conversion of Black Money	<b>action</b> Circulation of mass emails for Prof. Services	Creating false documents to evade Tax
Seeking Bribe from other Chartered Accountants	Cheating and Ransom	Failure to refund the amount for the flat
Prepared two Balance Sheets from the same Data	Non-verification of details & tampering of doc.	Director Information without Board Resolution

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## Second Schedule - PART I - **Clause / item 1**

### Nature of Misconduct

discloses information acquired in the course of his professional engagement to any person other than his client so engaging him, without the consent of his client or otherwise than as required by any law for the time being in force

**Disclosure of Information with / to others**

# Second Schedule - PART I - **Clause / item 1**

Chartered Accountant disclosed to the Income-Tax Officer information acquired in the course of his professional engagement without the consent of his clients

Chartered Accountant had disclosed information acquired by him in the course of his professional engagement to persons other than his clients without the consent of his client and without requirement in any law.

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## Second Schedule - PART I - **Clause / item 2**

### Nature of Misconduct

certifies or submits in his name, or in the name of his firm, a report of an examination of financial statements unless the examination of such statements and the related records has been made by him or by a partner or an employee in his firm or by another chartered accountant in practice

**Signing without examination of the records**

# Second Schedule - PART I - **Clause / item 2**



**False Certificates/Due Diligence**

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## Second Schedule - PART I - **Clause / item 3**

### Nature of Misconduct

permits 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

**Certifying forecasts, project reports etc**

# Second Schedule - PART I - **Clause / item 3**

**A Chartered Accountant issued 97 Projection Statements for certain Individuals without verifying the basic documents and on the basis of which the Bank had extended the loan amount. Afterwards, the Bank revealed that persons for whom the Respondent had issued Financial Statements did not have any business/source for repayment of loan.**



Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## Second Schedule - PART I - **Clause / item 4**

### Nature of Misconduct

permits 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

**Attest function of a enterprise in which the member or his partner has substantial interest**

# Second Schedule - PART I - **Clause / item 4**

## **Opines on Financial Statement where substantial interest involved**

Lecturer  
conducting the  
Audit

Director in  
Company also its  
Auditor

Tax Audit &  
maintenance of  
Accounting  
simultaneously

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## Second Schedule - PART I - **Clause / item 5**

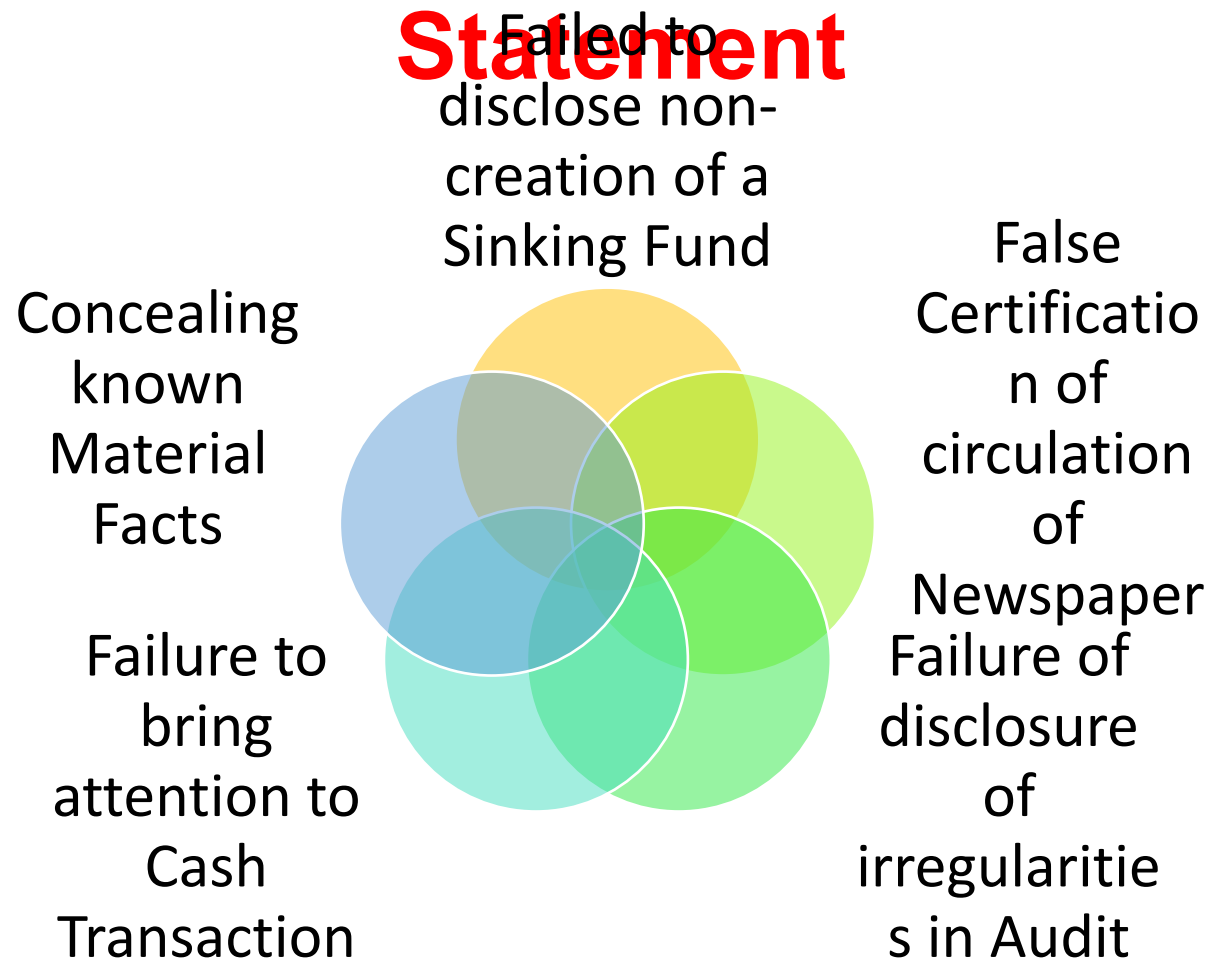
### Nature of Misconduct

fails to disclose a material fact known to him which is not disclosed in a financial statement, but disclosure of which is necessary in making such financial statement where he is concerned with that financial statement in a professional capacity

**Non-disclosure of material fact known when done in professional capacity –  
Independent Director is a professional Capacity Aspect**

# Second Schedule - PART I - Clause / item 5

## Fails to disclose any material fact in Financial Statement



Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## Second Schedule - PART I - **Clause / item 6**

### Nature of Misconduct

fails to report a material misstatement known to him to appear in a financial statement with which he is concerned in a professional capacity

**Non-disclosure of material mis-statement known when done in professional capacity**

**– Independent Director *is not* a professional Capacity Aspect**

# Second Schedule - PART I - **Clause / item 6**

## **Fails to report a known material misstatement appearing in Financial Statement**

Did not Disclose Material Facts known to him

Heavy Cash Transactions not reported

Accountant Cum Auditor and improper Audit

Incorrect Figure of Share Capital

Improper Appointment not disclosed

False Certification in connivance with Management

Share Capital received in Cash not reported

Contingent Liabilities not Reported

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## Second Schedule - PART I - **Clause / item 7**

### Nature of Misconduct

does not exercise due diligence, or is grossly negligent in the conduct of his professional duties

**Negligent and / gross negligent in professional capacity – Independent  
Director is a professional Capacity Aspect**

# Second Schedule - PART I - **Clause / item 7**

## **Perform professional duties without due diligence / grossly negligent**

- Furnishing wrong Certificates
- Failure to indicate the mode of Valuation
- Non-verification of Cash Balance
- Failure to Report Important Information
- Opening and Closing Stock not tallied
- Failure to point out discrepancies
- Discrepancy in Concurrent Auditor's Report
- NBFC Auditor did not report Non-Compliances
- Wrong reporting about Stock



# Second Schedule - PART I - **Clause / item 7**

## **Perform professional duties without due diligence / grossly negligent**

- Wrong Information about Pricing
- Dependency on Staff/Article Assistant
- Failure to check the Bank Balances
- Gross Negligence & failure to obtain sufficient Inf.
- Delay in Completion of Audit
- Failure to point out irregularities
- Auditor taking active part in Management
- Disbursed Loan on Proforma B/S Certified by CA
- Material and Substantial Amount wrongly reported
- Not supplying requisite information timely to RBI

# Second Schedule - PART I - Clause / item 7

## Perform professional duties without due diligence /

**grossly negligent**

- Furnishing wrong Certificates
- Failure to indicate the mode of Valuation
- Non-verification of Cash Balance
- Failure to Report Important Information
- Opening and Closing Stock not tallied
- Failure to point out discrepancies
- Discrepancy in Concurrent Auditor's Report
- NBFC Auditor did not report Non-Compliances
- Wrong reporting about Stock
- Wrong Information about Pricing
- Dependency on Staff/Article Assistant
- Failure to check the Bank Balances
- Gross Negligence & failure to obtain sufficient Inf.
- Delay in Completion of Audit
- Failure to point out irregularities
- Auditor taking active part in Management
- Disbursed Loan on Proforma B/S Certified by CA
- Material and Substantial Amount wrongly reported
- Not supplying requisite information timely to RBI

# Second Schedule - PART I - **Clause / item 7**

## **Perform professional duties without due diligence/grossly negligent**

- NBFC Co. Registration not verified by Auditor
- Stock were reported without exam.by Auditor
- Certificates issued not based on Audited FS
- Auditor not reporting as per RBI Guidelines
- Certified Two Sets of Balance Sheet
- Not attended Income Tax Proceedings
- Manipulations in Audit Report
- Wrong Reporting in Audit Report
- Audit not done as per GAAP/AS

# Second Schedule - PART I - **Clause / item 7**

## **Perform professional duties without due diligence/grossly negligent**

- Certifying Fake/Forged Financial Statements etc.
- Forgery in Signature
- False Statement of Current Account
- Handed over password of Digital Signature of Director
- Original B/S had major differences with Prov. B/S
- Revision of Audit report without due procedure
- Failure to obtain sufficient information for Audit
- Failed to disclose of Applicable Standards

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## Second Schedule - PART I - **Clause / item 8**

### Nature of Misconduct

fails to obtain sufficient information which is necessary for expression of an opinion or its exceptions are sufficiently material to negate the expression of an opinion

**Attesting with inadequate information**

# Second Schedule - PART I - Clause / item 8

## **Fails to obtain sufficient information for expressing an**

---

Relying on Int. Auditor Report without diligence **opinion**

---

Issued Presumptive Certificate without Disclaimer

---

False Certification without Due Diligence

---

Failed to detect Financial Leakages

---

Not Disclosing relevant Fact in FS

---

Non-Verification of Huge Cash Balances

---

Unq. Report despite non-compliances of AS/CARO

---

Non Reporting on misuse of Bank Account

Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## Second Schedule - PART I - **Clause / item 9**

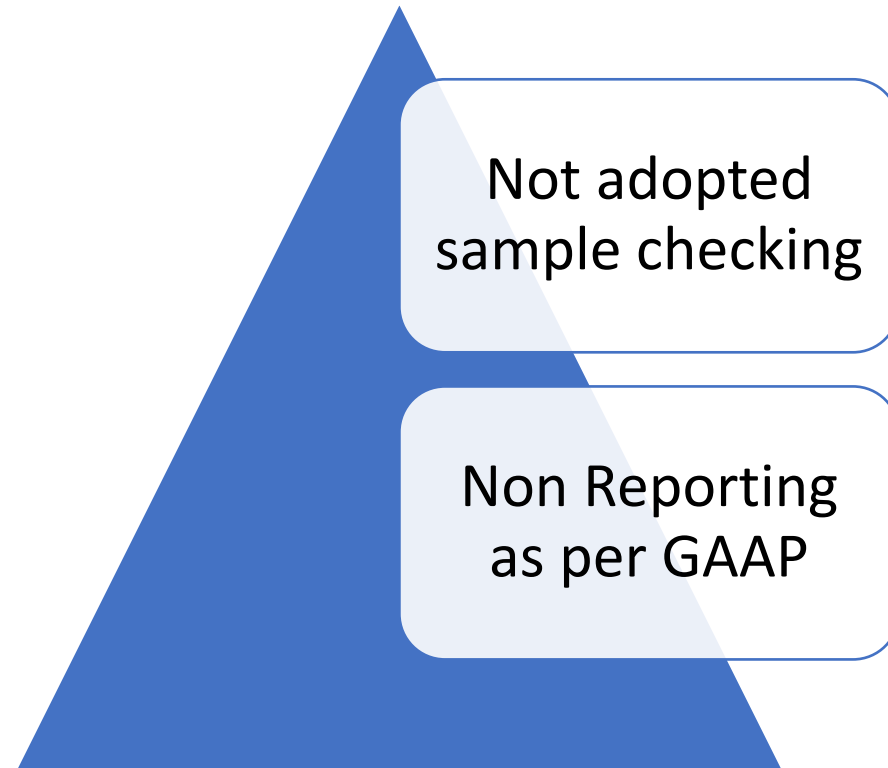
### Nature of Misconduct

fails to invite attention to any material departure from the generally accepted procedure of audit applicable to the circumstances

**Non Adherence to AAS, SA, AS etc**

# Second Schedule - PART I - **Clause / item 9**

**Fails to invite attention to any material departure from the generally accepted procedure of audit**





Professional misconduct in relation to chartered accountants in practice - A chartered accountant in practice shall be **deemed to be guilty of professional misconduct**, if he—

## Second Schedule - PART I - **Clause / item 10**

### Nature of Misconduct

fails to keep moneys of his client other than fees or remuneration or money meant to be expended in a separate banking account or to use such moneys for purposes for which they are intended within a reasonable time

**Using the money of the client**

# Second Schedule - PART I - Clause / item 10

**Keeps client's money without opening separate bank account**

What constitutes Clients' Money

Not keeping of client's Money in separate Bank A/c

Professional misconduct in relation to **members of the Institute generally** - A member of the Institute, whether in practice or not, shall be **deemed to be guilty** of professional misconduct, if he—

## **Second Schedule - PART II - Clause / item 1**

### Nature of Misconduct

contravenes any of the provisions of this Act or the regulations made thereunder or any guidelines issued by the Council

**Violating CA Act, CA Regulations, Guidelines issued by Council, notifications etc**

# Second Schedule - PART II - **Clause / item 1**

## **Contravenes any of the provisions of the Act/Regulations & Guidelines issued by the Council**

Services of Article Assistants / Stipend

Failure to pay Stipend

Signed the FS without Certificate of Practice

Wrong Attestation for Undue Advantage

Accepted appointment in contra. of Guidelines

Description as CA and Invest. Consultant/Advisor

Audit vis-à-vis Indebtedness

Audit Limit Exceeded

Auditor while engaged in Business

Professional misconduct in relation to **members of the Institute generally** - A member of the Institute, whether in practice or not, shall be **deemed to be guilty** of professional misconduct, if he—

## **Second Schedule - PART II - Clause / item 2**

### Nature of Misconduct

being an employee of any company, firm or person, discloses confidential information acquired in the course of his employment except as and when required by any law for the time being in force or except as permitted by the employer

**Disclosure of Information with / to others**

# Second Schedule - PART II - **Clause / item 2**

No case laws reported in  
the code of conduct

Professional misconduct in relation to **members of the Institute generally** - A member of the Institute, whether in practice or not, shall be **deemed to be guilty** of professional misconduct, if he—

## **Second Schedule - PART II - Clause / item 3**

### Nature of Misconduct

includes in any information, statement, return or form to be submitted to the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the Appellate Authority any particulars knowing them to be false;

**Making false submissions to ICAI and its wings**

# Second Schedule - PART II - **Clause / item 3**

**Provides false information to the Institute and its different authorities**





Professional misconduct in relation to **members of the Institute generally** - A member of the Institute, whether in practice or not, shall be **deemed to be guilty** of professional misconduct, if he—

## Second Schedule - PART II - **Clause / item 4**

### Nature of Misconduct

defalcates or embezzles moneys received in his professional capacity.

**Misuse of amounts received**

# Second Schedule - PART II - **Clause / item 4**

No case laws reported in  
the code of conduct

Professional misconduct in relation to **members of the Institute generally** - A member of the Institute, whether in practice or not, shall be **deemed to be guilty** of professional misconduct, if he—

## Second Schedule - PART II - **Clause / item 5**

### Nature of Misconduct

acts as an auditor of the company in contravention of the provisions of the Companies Act, 2013 (18 of 2013).

**Disqualified to be the auditor but acts as auditor of the company**

# Second Schedule - PART II - **Clause / item 5**

No case laws reported in  
the code of conduct

**Other misconduct** in relation to **members of the Institute generally**- A chartered accountant in practice shall be **deemed to be guilty** of professional misconduct, if he—

## Second Schedule - PART III – **one clause / item**

### Nature of Misconduct

A member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he is held guilty by any civil or criminal court for an offence which is punishable with imprisonment for a term exceeding six months

**Guilty by any Civil or Criminal Court**

# Second Schedule - PART III – **one clause / item**

No case laws reported in  
the code of conduct

**Next session on**

**Practice Development &  
Growth, adopting code of  
conduct while adhering to  
Code of Ethics**

# **Practice Development & Growth, adopting code of conduct while adhering to Code of Ethics**

**Hyderabad Branch – SIRC – ICAI  
27<sup>th</sup> November – Monday  
Third Session**

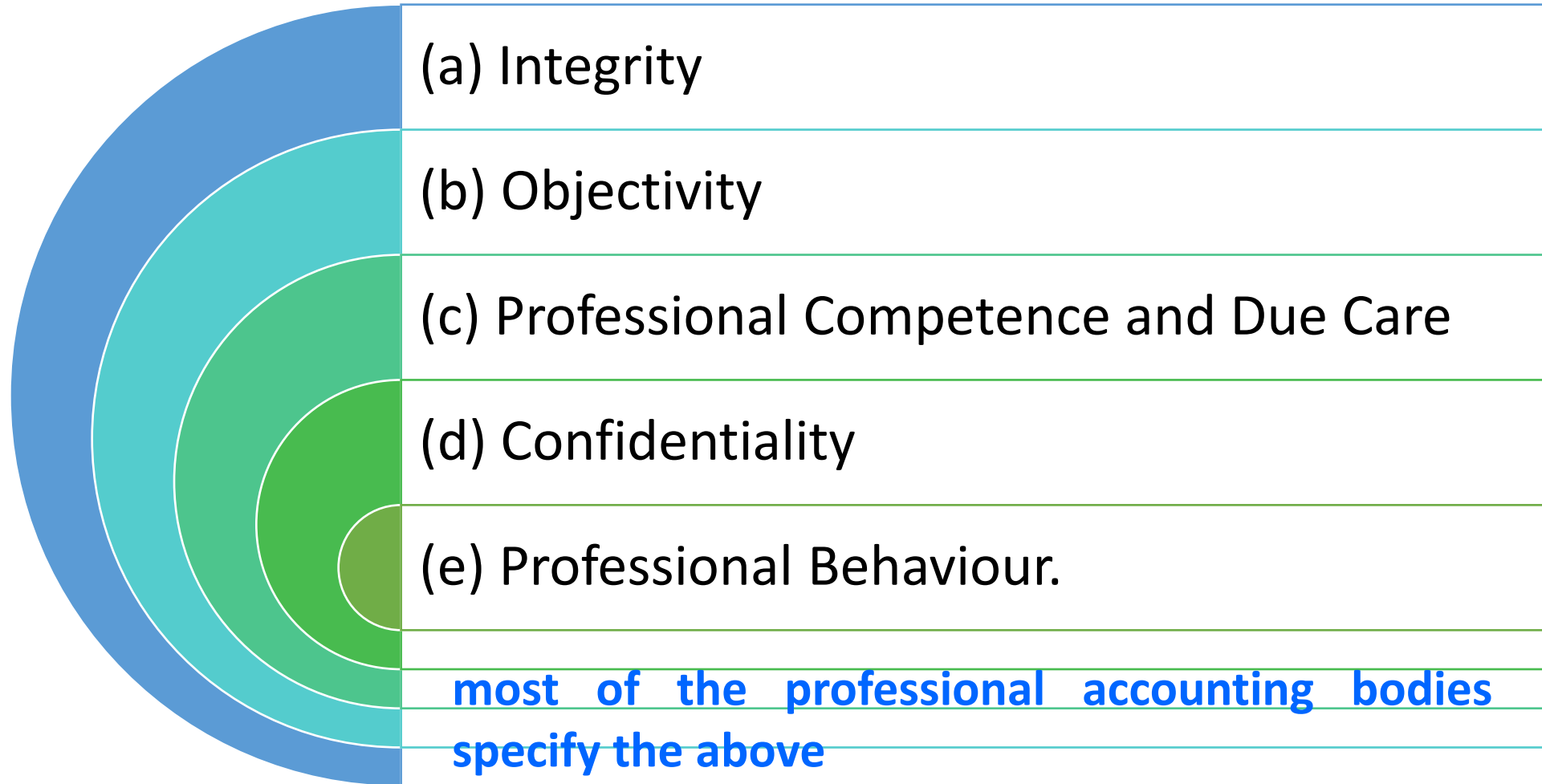


# What Is the Difference Between a Code of Ethics and a Code of Conduct?

**Code of Ethics** is broader in its nature, outlining what is acceptable for the profession in terms of integrity and how it operates.

**Code of Conduct** is more focused in nature and instructs how a professional should act daily and in specific situations, which links these to the values and principles of the profession.

# Components of Code of Ethics



# Components of Code of Conduct

Honesty

Trustworthiness

Transparency

Accountability

Confidentiality

Objectivity

Respect

Obedience to  
the law and

Loyalty

**All of the professional accounting bodies expect from their membership**

**Why a CA / CS/ CMA /  
Actuary / Advocate /  
Doctor etc is called  
Professional**

**Why a Tax Practitioner  
/ Part-time  
Accountant is not  
called a professional**

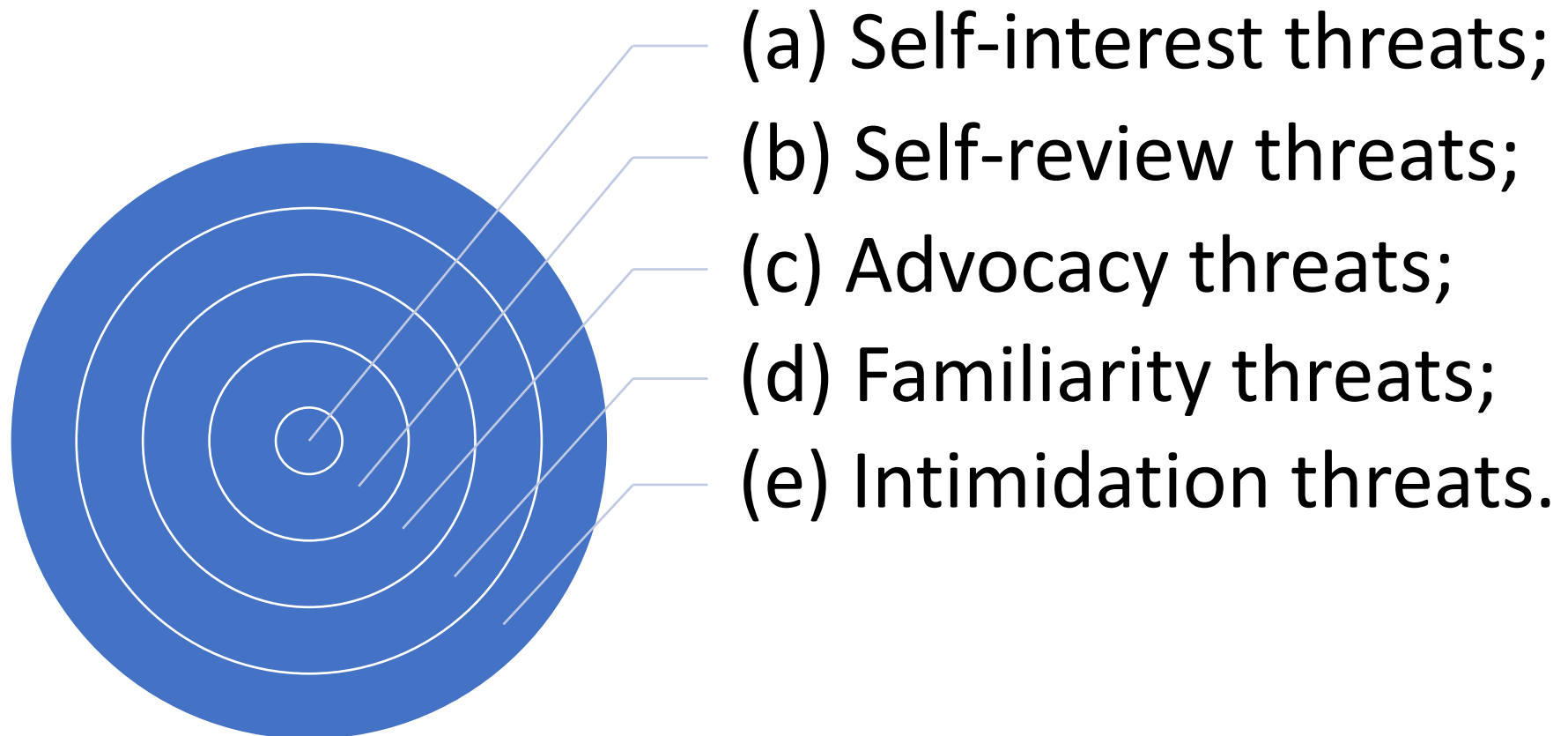
# Approach of a professional Accountant

a) Identify threats to compliance with the fundamental principles;

b) Evaluate the threats identified; and

c) Address the threats by eliminating or reducing them to an acceptable level.

# Threats involved while complying with the fundamental principles



# Independence

**Independence of Mind** - The state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.

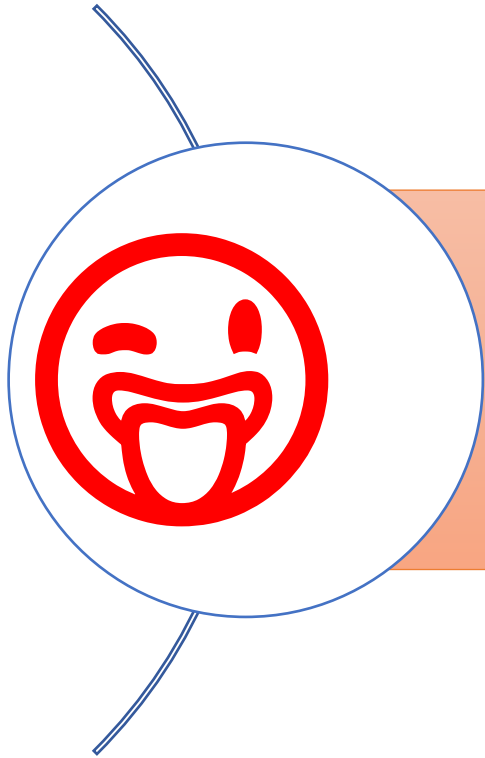
**Independence in appearance** - The avoidance of facts and circumstances that are so significant that a reasonable and informed person, aware of all the relevant facts and circumstances, including those that create a presumption that objectivity, integrity, or professional skepticism has been compromised, might conclude that the accountant's objectivity, integrity, or professional skepticism has been compromised.

# Conflict of Interest

(a) A professional accountant undertakes a professional activity related to a particular matter for two or more parties whose interests with respect to that matter are in conflict; or

(b) The interest of a professional accountant with respect to a particular matter and the interests of a party for whom the accountant undertakes a professional activity related to that matter are in conflict.





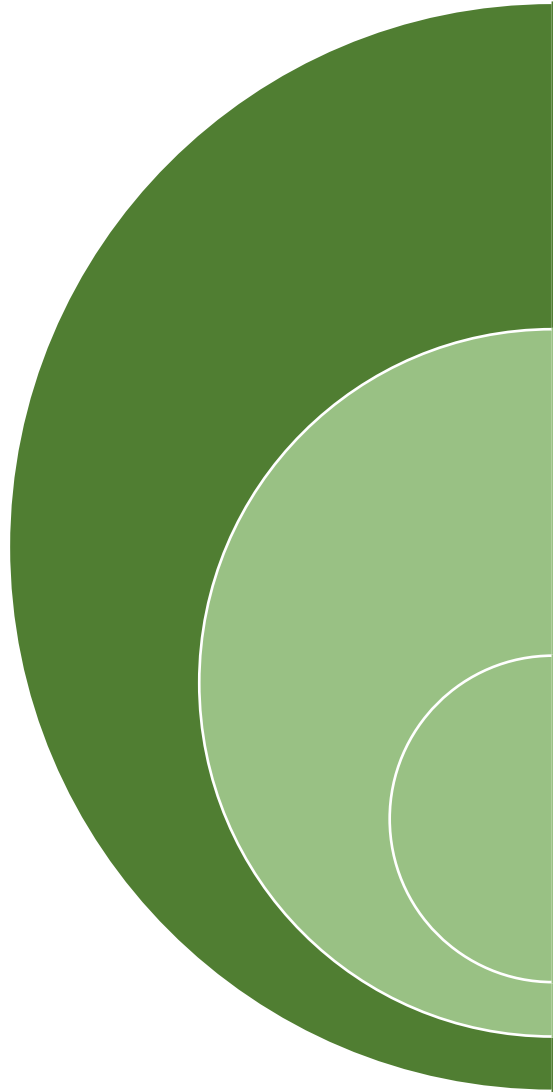
**Most important aspect  
that is neglected most is**

# Documentation

**Document every aspect**

**Let us now understand difference between,  
in terms of Chartered Accountants Act.**

# **Business and Profession**



**Formation of a firm**

**Networking**

**Corporate form of Practice**



**Ethics permit members to**

# Share Costs

# Share Services

# Share Works



# Share Clients

# Using services of fellow CA professional

# Referral Services

# Complementary Services

- combining in such a way as to enhance or emphasize the qualities of each other or another

# Complimentary Services

- expressing a compliment; praising or approving.
- given or supplied free of charge

**keep in mind**

Never work for  
money **but**  
Charge Money for  
the work – **always**  
**quote your fee in**  
**advance**

Quote  
the fee

link the  
schedule of  
receipts  
with the  
milestones  
and time

**in case of Audit services, insist for receiving payment on periodical basis, wherever possible**



Never start the  
work without  
getting advance  
from the clients –

**Advance should be  
sufficient to meet the costs  
of time and resources  
supposed to be used for  
the assignment**

**Once accept the  
work, irrespective  
of fee quoted,  
render service in  
the best possible  
manner**

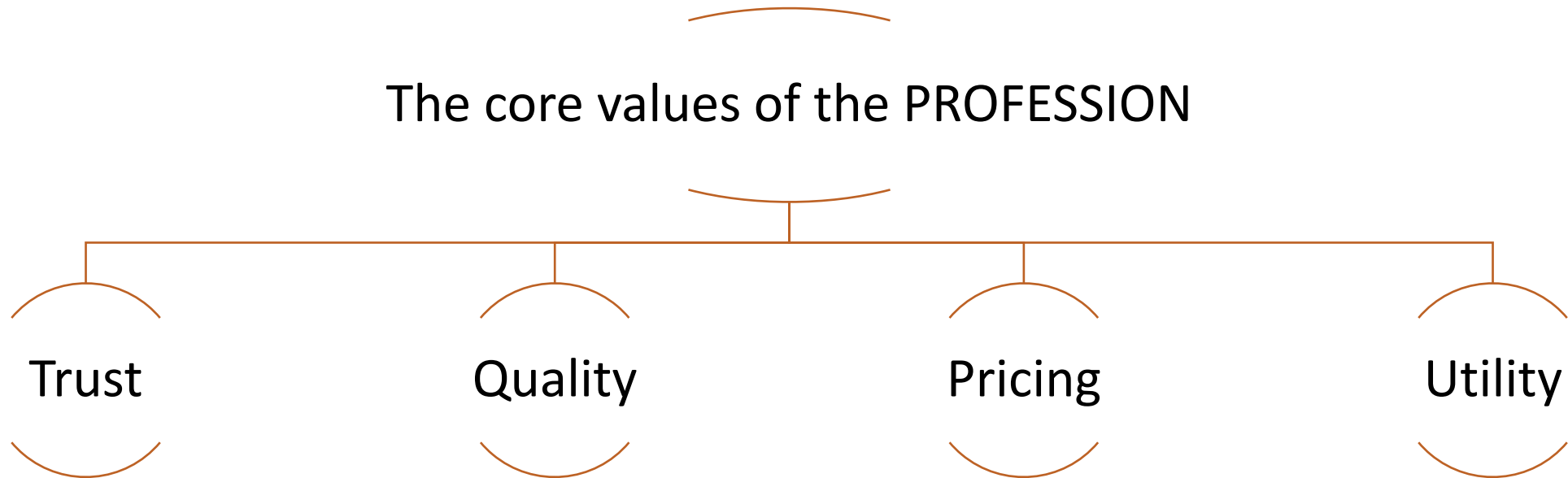
## Also keep in mind

- All clients are important irrespective of the fee collected
- Not to commit timelines which are not possible
- If a client comes late, he should be charged extra – include this aspect in fee quotation
- To allocate sufficient time to every client
- To allocate resources sufficiently

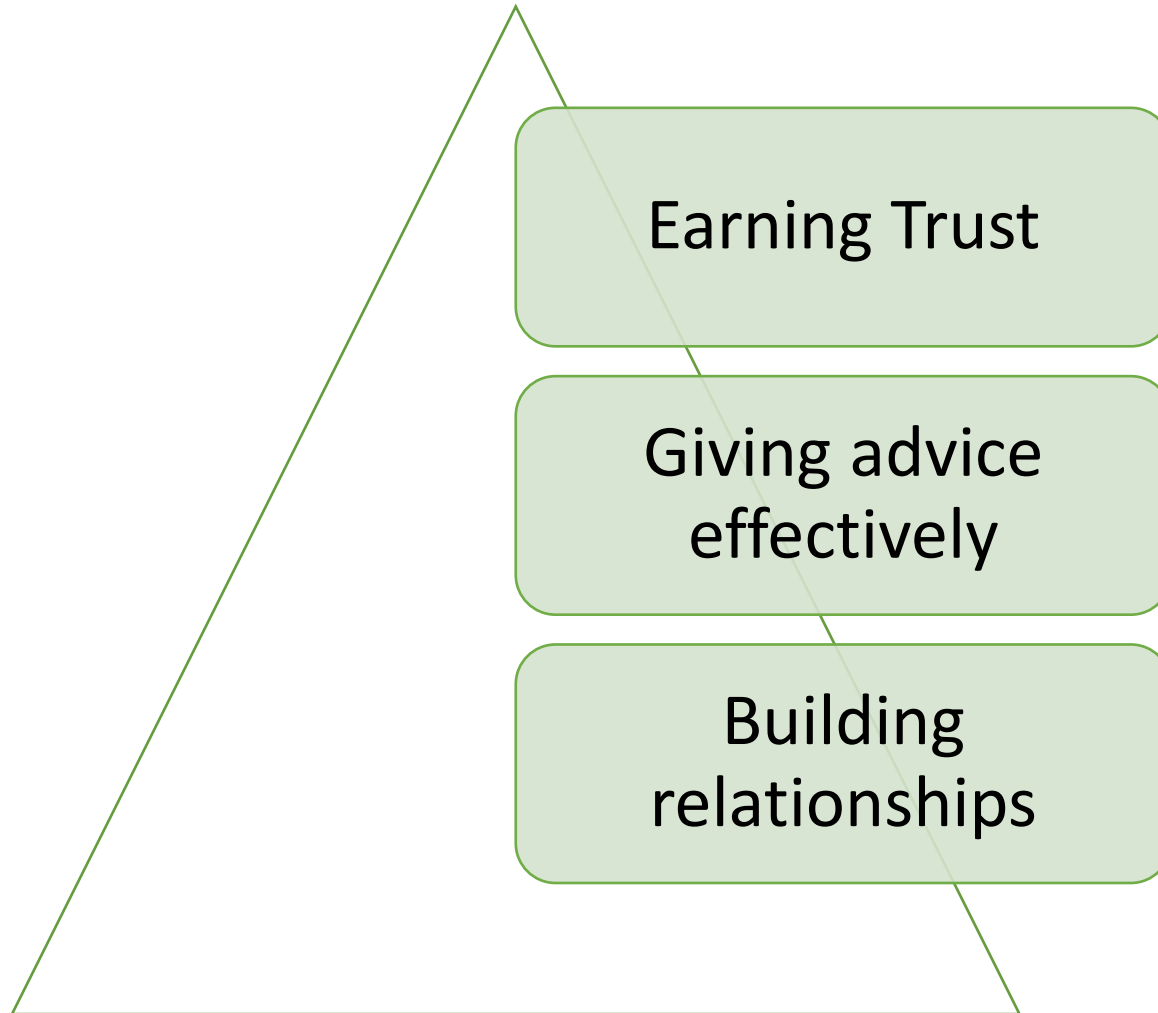
## Also keep in mind

- Our time is important
- Our health and family are more important
- Raising bills immediately
- Update knowledge regularly
- Sharing is caring
- Human Resources are used in profession but not robots
- Continuous training of HR in the office is essential
- Review the work of others – don't do it yourself, all the time
- To be empathetic

# The arsenal of core values



# THREE BASIC SKILLS A PROFESSIONAL NEEDS



# The Mission of most professional firms

To deliver outstanding client service, to provide fulfilling careers and professional satisfaction for our people and to achieve financial success so that we can reward ourselves and grow.

i.e., The Three goals of "service, satisfaction, and success"

S S S

If it is to survive, Management of a professional firm requires a **delicate balancing act** between **the demands of the client marketplace**, the **realities of the people marketplace** (the market for staff) and the **firm's economic ambitions.**



# Leverage and the Client Marketplace

The required shape of the organization (the relative mix of juniors, managers and seniors) is primarily determined by

the skill requirements of client work,

the mix of senior-level middle-level and junior-level tasks involved in the projects that the firm undertakes

# Strategies for being More Valuable to Clients

Develop an innovative approach to hiring so that we can be more valuable to clients by achieving a higher calibre of staff than the competition.

Train our people better than the competition in a variety of technical or "counselling" skills so that they will be more valuable on the marketplace than their counterparts at other firms.

Develop innovative methodologies for handling our matters or engagements, transactions or projects, so that our delivery of services becomes more thorough or efficient.

Develop systematic ways of helping, encouraging and above all, ensuring that our people are skilled at client counselling in addition to being top technicians.

Become better than our competition at accumulating, disseminating and building on our firm wide expertise and experience, so that each professional becomes more valuable in the marketplace by being empowered with a greater breadth and depth of experience.

Organise and specialize our people in innovative ways, so that they become particularly skilled and valuable to the market because of their focus on a particular market segment's needs.

Become more valuable to our clients by being more systematic and diligent about listening to the market: collecting, analysing, and absorbing the details of their business than does our competition.

Become more valuable to our clients by investing in research and development on issues of particular interest to them.

**Lessons for  
Individual  
Professionals**

**Lessons  
follow**

# Lesson One

What you know now and are able to do now, what your current success is built on, will unavoidably depreciate in value **unless you actively work on learning new things and building new skills**. Continual professional development is a lifelong requirement, not an option. There may have been a time when once you got good at something, may be "made partner", you could live off that for the rest of your career. If those times ever existed, they are gone now. The minute you start thinking you know how things work, you are dead.

# Lesson Two

The health of your career is not **dependent** so much on the volume of business you do, but the **type of work you do** (whether or not it helps you learn, grow, and develop) and **who you do it** for (whether or not you are increasingly earning the trust of some key clients). In any profession, the pattern of assignments you work on is the professional development process - you just have to learn how to manage it.

# Lesson Three

No matter how busy you are, you still owe it to yourself and to your career to get involved with and take charge of your own practice development activities (marketing and selling). If you let others in your firm generate the business you work on, you are putting your career development in other people's hands - a risky move at best. If you rely on business flowing to you unsolicited, then, with high probability, it is going to be "asset milking" rather than "asset building". What **marketing and selling are about is truly practice development: Influencing the qualitative nature of what you work on, so that you use your work experience to continue to build your career.**

# Lesson Four

Since asset building is about managing your affairs for the long-term health of your career, **you would better take charge of it yourself.** Do not wait for your firm to establish formal policies to reflect concern about the balance sheet as well as the income statement. It probably should, but whether it does or not, it is in your own interest to get started yourself.



# Lesson Five

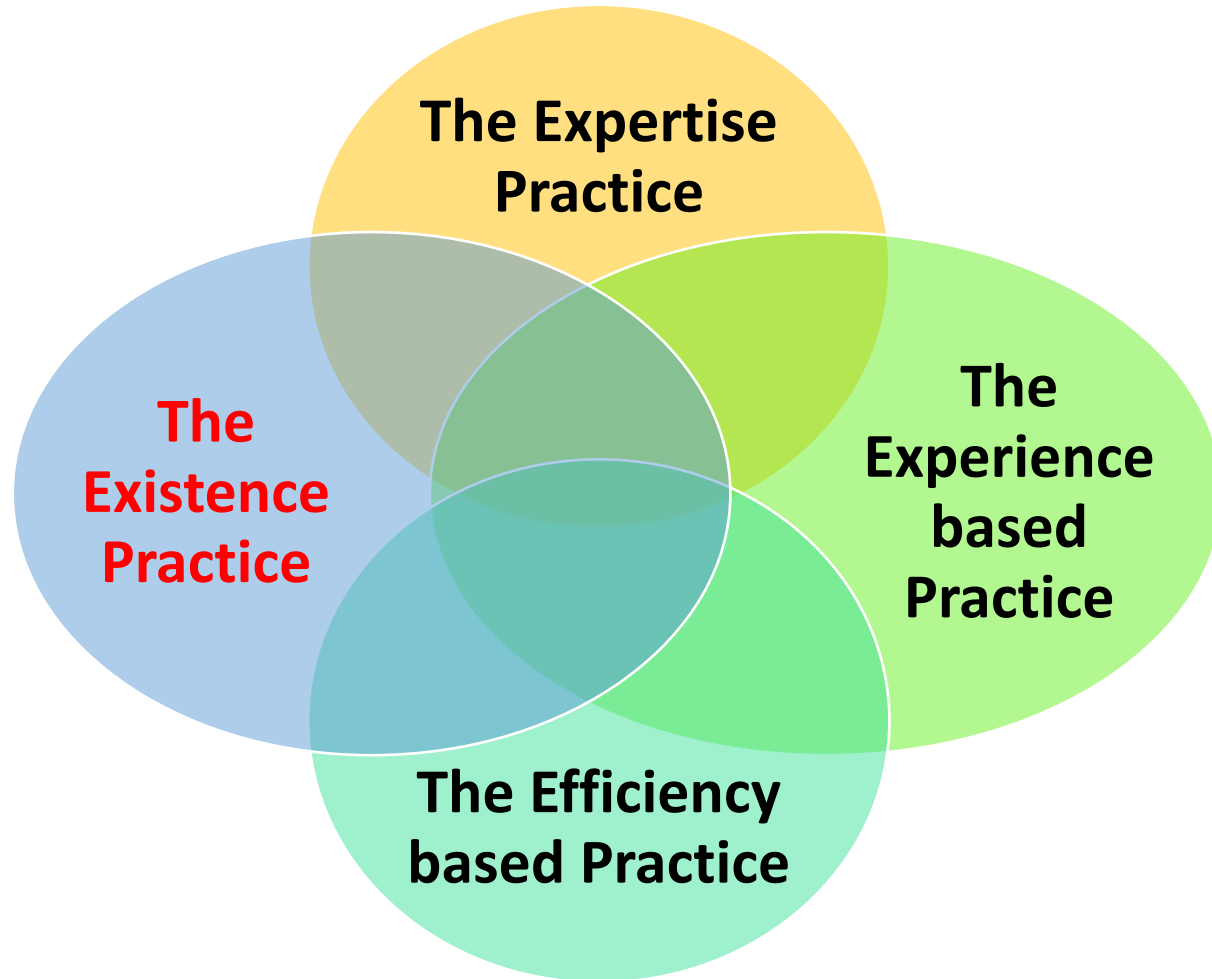
Also you cannot automatically assume that what your firm "asks you to do" will always be the right thing to build your asset. For example, if you are already experienced in a certain area, chances are that others in the firm will turn to you every time an issue comes up in that area. If you don't take charge, others will exploit your asset. **You have got to be a good corporate citizen, but you have also got to learn to balance that with what makes sense for your own development**

# Lesson Six

Among the worst mistakes a professional can make is under **investing in marketing to existing clients**. Existing clients are not only more likely to give you new business, but the business they will give you (if you work to earn) is likely to promote the value both of your skill asset and your client relationships asset.

**In any professional service there are three key benefits that clients seek - expertise, experience, and efficiency.**

# TYPES OF PRACTICE



**remember**

“It is not the strongest of the species who survive, nor the most intelligent, but those who are most adaptive to change & those who visualize & implement change...”

-Charles Darwin

**THANK YOU FOR LISTENING!!!**