

## Chapter Accy 1

### CODE OF ETHICS

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**Accy 1.01 Relations with clients and public.** (1) No person practicing public accounting as defined in chapter 135, Wis. Stats. shall:

(a) Express an opinion on financial statements of any enterprise unless he and his firm are in fact independent with respect to such enterprise, or discloses an interest in such enterprise as required by section 135.10, Wis. Stats.

1. Independence is not susceptible of precise definition, but is an expression of the professional integrity of the individual.

2. A public accountant before expressing his opinion on financial statements, has the responsibility of assessing his relationships with an enterprise to determine whether, in the circumstances, he might expect his opinion to be considered independent, objective and unbiased by one who had knowledge of all the facts.

(b) Commit an act discreditable to the profession.

(c) Violate the confidential relationship between himself and his client.

(d) Render or offer professional service for a fee which shall be contingent upon the findings or results of such service. This rule does not apply to cases involving federal, state, or other taxes, in which the findings are those of the tax authorities and not those of the accountant. Fees to be fixed by courts or other public authorities, which are therefore of an indeterminate amount at the time when an engagement is undertaken, are not regarded as contingent fees within the meaning of this rule.

(e) Accept or agree to accept or receive any retainer from or perform any service or act for a client which would conflict with the interests of another client, without the knowledge and written consent of such other client.

**History:** 1-2-56; r. and recr., Register, October, 1965, No. 113, eff. 11-1-65.

**Accy 1.02 Technical standards.** (1) No person practicing public accounting as defined in chapter 135, Wis. Stats. shall:

(a) Sign a report purporting to express his opinion as the result of examination of financial statements unless they have been examined by him, a member or an employe of his firm, a certified public accountant of a state or territory of the United States or the District of Columbia, or a holder of a foreign license to practice as a public accountant.

(b) Permit his name to be associated with statements purporting to show financial position or results of operations in such a manner as to imply that he is acting as an independent public accountant unless he shall:

1. Express an unqualified opinion; or
2. Express a qualified opinion; or
3. Express an adverse opinion; or
4. Disclaim an opinion on the statements taken as a whole and indicate clearly his reasons therefor; or
5. When unaudited financial statements are presented on his stationery without his comments, disclose prominently on each page of the financial statements that they were not audited.

(c) Permit his name to be used in conjunction with any forecast of the results of future transactions in a manner which may lead to the belief that the member or associate vouches for the accuracy of the forecast.

(2) In expressing an opinion on representations in financial statements which he has examined, a public accountant may be held guilty of an act discreditable to the profession if:

(a) He fails to disclose a material fact known to him which is not disclosed in the financial statements but disclosure of which is necessary to make the financial statements not misleading; or

(b) He fails to report any material misstatement known to him to appear in the financial statement; or

(c) He is materially negligent in the conduct of his examination or in making his report thereon; or

(d) He fails to acquire sufficient information to warrant expression of an opinion, or his exceptions are sufficiently material to negative the expression of an opinion; or

(e) He fails to direct attention to any material departure from generally accepted accounting principles or to disclose any material omission of generally accepted auditing procedure applicable in the circumstances.

**History:** Cr. Register, October, 1965, No. 118, eff. 11-1-65.

**Accy 1.03 Promotional practices.** (1) No person practicing public accounting as defined in chapter 135, Wis. Stats. shall:

(a) Advertise his professional attainments or services. Publication in a newspaper, magazine or similar medium of an announcement or what is technically known as a card is prohibited. A listing in a directory is restricted to the name, title, address and telephone number of the person or firm, and it shall not appear in a box, or other form of display or in a type or style which differentiates it from other listings in the same directory. Listing of the same name in more than one place in a classified directory is prohibited.

(b) Endeavor, directly or indirectly to obtain clients by solicitation.

(c) Minimize the value of professional accounting service, by quoting fees which are not commensurate with a high quality of performance or which do not conform within reasonable limits to the generally accepted fees of other practitioners for similar work. Flat fee bidding, either with or without reservations, on professional engage-

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ments in competition with other practitioners is deemed to be detrimental to the interests of the public and the accounting profession. It is the experience of this board that the primary cause of inferior accounting service is underbidding or undercharging, which too often results in improper performance of the work undertaken.

(d) Allow directly or indirectly commissions, brokerage, or other participation in the fees or profits of professional work to the laity.

(e) Allow directly or indirectly commissions, brokerage, or other participation in the fees, charges or profits of work recommended or turned over to the laity as incident to services for clients.

**History:** Cr. Register, October, 1965, No. 118, eff. 11-1-65.

**Accy 1.04 Operating practice.** (1) A person licensed to practice public accounting as defined in chapter 135, Wis. Stats., engaged in an occupation in which he renders services of a type performed by public accountants must observe this code of ethics in the conduct of his occupation.

(2) No person practicing public accounting as defined in chapter 135, Wis. Stats. shall:

(a) Permit any person to practice as his representative who is not a partner, or the holder of a Wisconsin registration card, or a person actually in his employ. If the service or any part thereof in another state is assigned to a resident of another state, such person should possess a certificate or a license authorizing him to practice in accordance with the law of that state.

(b) Permit an employe to perform any act or service for clients which the public accountant is not permitted to perform.

(c) Allow the use of his name or engage in any business or occupation conjointly with his professional work in a manner which would be incompatible or inconsistent with his professional practice.

**History:** Cr. Register, October, 1965, No. 118, eff. 11-1-65.

**Accy 1.05 Relations with fellow accountants.** (1) No person practicing public accounting as defined in chapter 135, Wis. Stats. shall:

(a) Encroach upon the practice of another public accountant. A public accountant may furnish service to those who request it.

(b) Negotiate for the services of an employe of another practitioner without first informing the employer of such intention, unless the employe makes application of his own initiation or in response to a public advertisement.

(c) While a permanent full time employe of a practitioner, undertake professional work on his separate account, either during or after hours, without the knowledge and written consent of his employer.

(d) Criticize before the laity, other than an actual client who has a legitimate interest in the matter, a fellow practitioner on any matter which constitutes a violation of chapter 135, Wis. Stats., or rules and regulations promulgated thereunder. If criticism is justified, the matter shall be referred to the State Board of Accountancy.

(2) A public accountant who receives an engagement for services by referral from another public accountant shall not accept an extension of his services beyond the specific engagement without first consulting with the referring public accountant.

**History:** Cr. Register, October, 1965, No. 118, eff. 11-1-65.

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