

CODE OF ETHICS FOR
CHARTERED GLOBAL
MANAGEMENT
ACCOUNTANTS (CGMAs)

As of Jan. 31, 2015

Two of the world's most prestigious accounting bodies, the AICPA and CIMA, have formed a joint venture to establish the Chartered Global Management Accountant® (CGMA®) designation to elevate and build recognition of the profession of management accounting.

This international designation recognises the most talented and committed management accountants with the discipline and skill to drive strong business performance. CGMA designation holders are either CPAs with qualifying management accounting experience or associate or fellow members of the Chartered Institute of Management Accountants.

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PREFACE

1.100 OVERVIEW OF CODE OF ETHICS FOR CGMAS

1.100.005 Introduction

- .01 The AICPA and CIMA joined together to create a designation for management accountants, the Chartered Global Management Accountant (CGMA). The CGMA is designed to elevate management accounting and further emphasise its importance for businesses worldwide. The Code of Ethics for CGMAs (CGMA code) is designed to provide guidance to all AICPA and CIMA *members* around the world who are *members in business and professional accountants in business* who hold the CGMA credential. When a CGMA is also a *member in public practice* (for example, has a part-time tax practice), the CGMA should also comply with the applicable guidance of the AICPA Code of Professional Conduct (if an AICPA *member*) or CIMA Code of Ethics for Professional Accountants (if a CIMA *member*) and apply the most restrictive provisions.

1.100.010 Rules of Conduct and Fundamental Principles

- .01 The AICPA Code of Professional Conduct applies to all *members* of the AICPA and consists of principles and rules as well as *interpretations* and other guidance. The principles provide the framework for the rules that govern the performance of their professional responsibilities. The CIMA Code of Ethics for Professional Accountants applies to all CIMA *members* (and registered students) and consists of fundamental principles. In aligning the AICPA and CIMA codes to create the CGMA code, both the AICPA rules and CIMA principles have been incorporated and aligned accordingly. CGMAs who are *members* of the AICPA are required to comply with the applicable rules [1.100.015] whereas CGMAs who are *members* of CIMA are required to comply with the fundamental principles [1.100.018].
- .02 Where the rules, principles, or related *interpretations* are applicable to CGMAs who are *members* of the AICPA or CIMA only, the guidance will indicate so by stating “AICPA” or “CIMA” in parenthesis after the title of the rule, principle or *interpretation*.
- .03 The CGMA code is aligned with the requirements contained in the AICPA Code of Professional Conduct and CIMA Code of Ethics for Professional Accountants. The AICPA and CIMA bylaws continue to require that all respective *members* adhere to these codes. Compliance with the rules and principles of these codes depend primarily on *members’* understanding and voluntary actions; secondarily on reinforcement by peers and public opinion; and ultimately on disciplinary proceedings, when necessary, against *members* who fail to comply with the rules or principles. Failure to comply with the requirements contained in the CGMA code may therefore result in disciplinary action being taken against a *member* by AICPA or CIMA under their respective codes.

1.100.015 AICPA Rules of Conduct

.01 AICPA *members* who hold the CGMA credential are required to comply with the following rules of conduct:

- Integrity and Objectivity Rule
- General Standards Rule
- Compliance With Standards Rule
- Accounting Principles Rule
- Acts Discreditable Rule

.02 The complete text of these rules is contained within the applicable sections of this code

1.100.018 CIMA Fundamental Principles

.01 CIMA *members* who hold the CGMA credential are required to comply with the following fundamental principles:

- Principle of Integrity
- Principle of Objectivity
- Principle of Professional Competence and Due Care
- Principle of Confidentiality
- Principle of Professional Behaviour

.02 The complete text of these principles is contained within the applicable sections of this code.

1.100.020 Interpretations and Other Guidance

.01 The *interpretations* “Definitions” [1.300] and “Application of the Code” [1.200.020] provide guidelines about the scope and application of the rules and fundamental principles but are not intended to limit such scope or application. A member who departs from the interpretations shall have the burden of justifying such departure in any disciplinary proceedings.

.02 Defined terms [1.300] as well as the plurals and possessives thereof, are shown in *italics* throughout the CGMA code. When a defined term is used in the code but is not shown in *italics*, the definitions in this section should not be applied.

1.200 STRUCTURE AND APPLICATION OF THE CGMA CODE

1.200.010 Structure of the CGMA Code

- .01 A variety of topics appear within the CGMA code. When applicable, topics are aligned with the relevant rule(s) and fundamental principle(s). Topics may be further divided into subtopics, and some subtopics include one or more sections. Topics, subtopics, and sections interpret the rules of conduct and fundamental principles.
- .02 Defined terms [1.300] as well as the plurals and possessives thereof, are shown in *italics* throughout the CGMA code. When a defined term is used in the code but is not shown in *italics*, the definitions in this section should not be applied.

1.200.020 Application of the CGMA Code

- .01 The CGMA code will be effective Jan. 31, 2015. Revisions made subsequent to Jan. 31, 2015, are identified at the end of the applicable section with the month and year of the change.
- .02 The rules of conduct and fundamental principles apply to all *professional services* performed, except when the wording of the rule indicates otherwise.
- .03 A *members* shall not knowingly permit a person whom the *member* has the authority or capacity to control to carry out on his or her behalf, either with or without compensation, acts that, if carried out by the *member*, would place the *member* in violation of the rules or fundamental principles.

1.200.050 Drafting Conventions

- .01 The CGMA code utilises certain drafting conventions to enhance the clarity of the *interpretations* and definitions. For example, when the term “should consider” is used in connection with a specified procedure or action, consideration of the procedure or action by the *member* is presumptively required. Actual performance of the action or procedure is up to the *member*, based upon the outcome of the *member's* consideration and the *member's* professional judgement. Other drafting conventions used in the code include use of the terms “consider”, “evaluate”, and “determine”, as follows:
 - a. “Consider” is used when the *member* is required to think about several matters.
 - b. “Evaluate” is used when the *member* has to assess and weigh the significance of a matter.
 - c. “Determine” is used when the *member* has to come to a conclusion and make a decision on a matter.

1.300 DEFINITIONS

- .01 Acceptable level.** An acceptable level is a level at which a reasonable and informed third party who is aware of the relevant information would be expected to conclude that a *member's* compliance with the rules or fundamental principles is not compromised.
- .02 Client.** Any person or entity, other than the *member's* employer, that engages a member or *member's* firm to perform *professional services* and, if different, the person or entity with respect to which *professional services* are performed. For purposes of this definition for AICPA members, the term employer does not include the following:
- a. Person or entity engaged in public practice.
 - b. Federal, state, and local government or component unit thereof, provided that the member performing *professional services* with respect to the entity is
 - i. directly elected by voters of the government or component unit thereof with respect to which *professional services* are performed;
 - ii. an individual who is (1) appointed by a legislative body and (2) subject to removal by a legislative body; or
 - iii. appointed by someone other than the legislative body, so long as the appointment is confirmed by the legislative body and removal is subject to oversight or approval by the legislative body.
- .03 Close relative.** A parent, sibling, or nondependent child.
- .04 Council.** The AICPA Council.
- .05 Employing organisation.** Any entity that employs the *member* or engages the *member* on a contractual or volunteer basis in an executive, a staff, a governance, an advisory, or an administrative capacity to provide *professional services*.
- .06 Financial interest.** An ownership interest in an equity or a debt security issued by an entity, including rights and obligations to acquire such an interest and derivatives directly related to such interest.
- .07 Financial statements.** A presentation of financial data, including accompanying disclosures, if any, intended to communicate an entity's economic resources or obligations, or both, at a point in time or the changes therein for a period of time, in accordance with the applicable financial reporting framework. Tax returns and supporting schedules do not, for this purpose, constitute financial statements. The statement, affidavit, or signature of preparers required on tax returns neither constitutes an opinion on financial statements nor requires a disclaimer of such opinion.
- .08 Immediate family.** A spouse, spousal equivalent, or dependent (regardless of whether the dependent is related).
- .09 Institute.** The AICPA or CIMA.
- .10 Interpretation.** Pronouncements issued by the AICPA and CIMA to provide guidelines concerning the scope and application of the rules of conduct and fundamental principles.

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- .11 Member.** A member of the AICPA is a member, an associate or affiliate member or international associate of the AICPA. A member of CIMA is a Fellow or Associate of the *Institute*, and includes, for the purposes of the disciplinary powers and procedures of the *Institute*, a person who ceased to be a member on or after June 14, 2003. When used in this code, the term member means a member in *business or professional accountant in business* who is a CGMA.
- .12 Member(s) in business or professional accountant(s) in business.** A *member* who is employed or engaged on a contractual or volunteer basis in a(n) executive, staff, governance, advisory, or administrative capacity in such areas as industry, the public sector, education, the not-for-profit sector, and regulatory or professional bodies. This does not include a *member* engaged in *public practice*.
- .13 Professional services.** Include all services requiring accountancy or related skills that are performed by a *member* for an employer, or on a volunteer basis. These services include, but are not limited to accounting, tax, bookkeeping, management consulting, financial management, corporate governance, business valuation and educational services. For AICPA members, it also includes those services for which standards are promulgated by bodies designated by AICPA *Council*.
- .14 Public interest entity(ies).** Public interest entities are (a) all listed entities, including entities whose shares, stock, or debt are quoted or listed on a recognised stock exchange or marketed under the regulations of a recognised stock exchange or other equivalent body, and (b) any entity for which an audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to an audit of listed entities. *Members* may wish to consider whether additional entities should also be treated as public interest entities because they have a large number and wide range of stakeholders. Factors to be considered may include (a) the nature of the business, such as the holding of assets in a fiduciary capacity for a large number of stakeholders; (b) size; and (c) number of employees.
- .15 Public practice.** Consists of the performance of *professional services* for a *client* by a member or member's firm.
- .16 Safeguards.** Actions or other measures that may eliminate a *threat* or reduce a *threat* to an *acceptable level*.
- .17 Those charged with governance.** The person(s) or organisation(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and the obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance may include management personnel (for example, executive members of a governance board or an owner-manager).
When an *interpretation* requires communicating with those charged with governance, the *member* should determine, considering the nature and importance of the particular circumstances and matter to be communicated, the appropriate person(s) within the entity's governance structure with whom to communicate. If the *member* communicates with a subgroup of those charged with governance (for example, an audit committee or an individual), the *member* should determine whether communication with all of those charged with governance is also necessary, so that they are adequately informed.
- .18 Threat(s).** Relationships or circumstances that could compromise a *member's* compliance with the rules or fundamental principles.

CODE OF ETHICS FOR CGMAs

2.000 INTRODUCTION

2.000 Introduction

- .01 The Code of Ethics for CGMAs applies to *members in business* (AICPA) and *professional accountants in business* (CIMA) who hold the CGMA credential. Accordingly, when the term member is used in the CGMA code, the requirements apply to *members in business and professional accountants in business* who are CGMAs.

2.000.010 Conceptual Framework for Members in Business

Introduction

- .01 *Members* may encounter various relationships or circumstances that create *threats* to the *member's* compliance with the rules and fundamental principles. The rules, fundamental principles and *interpretations* seek to address many situations; however, they cannot address all relationships or circumstances that may arise. Thus, in the absence of an *interpretation* that addresses a particular relationship or circumstance, a *member* should evaluate whether that relationship or circumstance would lead a reasonable and informed third party who is aware of the relevant information to conclude that there is a threat to the *member's* compliance with the rules and fundamental principles that is not at an *acceptable level*. When making that evaluation, the *member* should apply the conceptual framework approach as outlined in this interpretation.
- .02 The CGMA code specifies that in some circumstances, no *safeguards* can reduce a *threat* to an *acceptable level*. For example, the code specifies that a *member* may not subordinate the *member's* professional judgement to others without violating the Integrity and Objectivity Rule and Principles. A *member* may not use the conceptual framework to overcome this or any other prohibition or requirement in the code.

Conceptual Framework Approach

- .03 Under the conceptual framework approach, *members* should identify *threats* to compliance with the rules and fundamental principles and evaluate the significance of those *threats*. *Members* should evaluate identified *threats* both individually and in the aggregate because *threats* can have a cumulative effect on a *member's* compliance with the rules and fundamental principles. *Members* should perform three main steps in applying the conceptual framework approach:
- Identify threats*. The relationships or circumstances that a *member* encounters in various engagements and work assignments or positions will often create different *threats* to complying with the rules. When a *member* encounters a relationship or circumstance that is not specifically addressed by a rule, fundamental principle or an *interpretation*, under this approach, the *member* should determine whether the relationship or circumstance creates one or more *threats*, such as those identified in paragraphs .06–.11 that follow. The existence of a *threat* does not mean that the *member* is not in compliance with the rules and fundamental principles; however, the *member* should evaluate the significance of the *threat*.
 - Evaluate the significance of a threat*. In evaluating the significance of an identified threat, the *member* should determine whether a *threat* is at an *acceptable level*. A threat is at an *acceptable level* when a reasonable and

informed third party who is aware of the relevant information would be expected to conclude that the *threat* would not compromise the *member's* compliance with the rules and fundamental principles. *Members* should consider both qualitative and quantitative factors when evaluating the significance of a *threat*, including the extent to which existing *safeguards* already reduce the *threat* to an *acceptable level*. If the *member* evaluates the threat and concludes that a reasonable and informed third party who is aware of the relevant information would be expected to conclude that the threat does not compromise a *member's* compliance with the rules and fundamental principles, the *threat* is at an *acceptable level* and the *member* is not required to evaluate the *threat* any further under this conceptual framework approach.

- c. *Identify and apply safeguards*. If, in evaluating the significance of an identified *threat*, the *member* concludes that the *threat* is not at an *acceptable level*, the *member* should apply *safeguards* to eliminate the *threat* or reduce it to an *acceptable level*. The *member* should apply judgement in determining the nature of the *safeguards* to be applied because the effectiveness of *safeguards* will vary depending on the circumstances. When identifying appropriate *safeguards* to apply, one *safeguard* may eliminate or reduce multiple *threats*. In some cases, the *member* should apply multiple *safeguards* to eliminate or reduce one *threat* to an *acceptable level*. In other cases, an identified *threat* may be so significant that no *safeguards* will eliminate the *threat* or reduce it to an *acceptable level*, or the *member* will be unable to implement effective *safeguards*. Under such circumstances, providing the specific *professional services* would compromise the *member's* compliance with the rules, and the *member* should determine whether to decline or discontinue the *professional services* or resign from the *employing organisation*.

Threats

- .04 Many *threats* fall into one or more of the following six broad categories: adverse interest, advocacy, familiarity, self-interest, self-review, and undue influence (also referred to as “intimidation threat”).
- .05 Examples of *threats* associated with a specific relationship or circumstance are identified in the *interpretations* of the code. Paragraphs .06–.11 of this section define and provide examples, which are not all inclusive, of each of these *threat* categories.
- .06 *Adverse interest threat*. The *threats* that a *member* will not act with objectivity because the *member's* interests are opposed to the interests of the *employing organisation*. Examples of adverse interest *threats* include the following:
- a. A *member* has charged, or expressed an intention to charge, the employing organisation with violations of law.
 - b. A *member* or the *member's immediate family* or *close relative* has a financial or another relationship with a vendor, customer, competitor, or potential acquisition of the *employing organisation*.
 - c. A *member* has sued or expressed an intention to sue the *employing organisation* or its officers, directors, or employees.
- .07 *Advocacy threat*. The *threats* that a *member* will promote an *employing organisation's* interests or position to the point that his or her objectivity is compromised. Examples of advocacy *threats* include the following:
- a. Obtaining favorable financing or additional capital is dependent upon the information that the *member* includes in, or excludes from, a prospectus, an offering, a business plan, a financing application, or a regulatory filing.
 - b. The *member* gives or fails to give information that the *member* knows will unduly influence the conclusions reached by an external service provider or other third party.

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- .08 Familiarity threat.** The *threat* that, due to a long or close relationship with a person or an *employing organisation*, a *member* will become too sympathetic to their interests or too accepting of the person's work or *employing organisation's* product or service. Examples of familiarity *threats* include the following:
- a. A *member* uses an *immediate family's* or a *close relative's* company as a supplier to the *employing organisation*.
 - b. A *member* may accept an individual's work product with little or no review because the individual has been producing an acceptable work product for an extended period of time.
 - c. A *member's immediate family* or *close relative* is employed as a *member's* subordinate.
 - d. A *member* regularly accepts gifts or entertainment from a vendor or customer of the *employing organisation*.
- .09 Self-interest threat.** The *threat* that a *member* could benefit, financially or otherwise, from an interest in, or relationship with, the *employing organisation* or persons associated with the *employing organisation*. Examples of self-interest *threats* include the following:
- a. A *member's immediate family* or *close relative* has a financial interest in the *employing organisation*.
 - b. A *member* holds a *financial interest* (for example, shares or share options) in the *employing organisation*, and the value of that *financial interest* is directly affected by the *member's* decisions.
 - c. A *member* is eligible for a profit or other performance-related bonus, and the value of that bonus is directly affected by the *member's* decisions.
- .10 Self-review threat.** The *threat* that a *member* will not appropriately evaluate the results of a previous judgement made or service performed or supervised by the *member*, or an individual in the *employing organisation*, and that the *member* will rely on that service in forming a judgement as part of another service. Examples of self-review *threats* include the following:
- a. When performing an internal audit procedure, an internal auditor accepts work that he or she previously performed in a different position.
 - b. The *member* accepts the work previously performed by the *member*, alone or with others, that will be the basis for providing another *professional service*.
- .11 Undue influence threat** (also referred to as "intimidation threat"). The *threat* that a *member* will subordinate his or her judgement to that of an individual associated with the *employing organisation* or any relevant third party due to that individual's position, reputation or expertise, aggressive or dominant personality, or attempts to coerce or exercise excessive influence over the *member*. Examples of undue influence *threats* include the following:
- a. A *member* is pressured to become associated with misleading information.
 - b. A *member* is pressured to deviate from a company policy.
 - c. A *member* is pressured to change a conclusion regarding an accounting or a tax position.
 - d. A *member* is pressured to hire an unqualified individual.

Safeguards

- .12 *Safeguards* may partially or completely eliminate a *threat* or diminish the potential influence of a *threat*. The nature and extent of the *safeguards* applied will depend on many factors. To be effective, *safeguards* should eliminate the *threat* or reduce it to an *acceptable level*.
- .13 *Safeguards* that may eliminate a *threat* or reduce it to an *acceptable level* fall into two broad categories:
- Safeguards* created by the profession, legislation, or regulation
 - Safeguards* implemented by the *employing organisation*
- .14 The effectiveness of a *safeguard* depends on many factors, including those listed here:
- The facts and circumstances specific to a particular situation
 - The proper identification of *threats*
 - Whether the *safeguard* is suitably designed to meet its objectives
 - The party(ies) who will be subject to the *safeguard*
 - How the *safeguard* is applied
 - The consistency with which the *safeguard* is applied
 - Who applies the *safeguard*
 - How the *safeguard* interacts with a *safeguard* from another category
 - Whether the *employing organisation* is a *public interest* entity
- .15 Examples of *safeguards* within each category are presented in the following paragraphs. Because these are only examples and are not intended to be all inclusive, it is possible that *threats* may be sufficiently mitigated through the application of other *safeguards* not specifically identified herein.
- .16 The following are examples of *safeguards* created by the profession, legislation, or regulation:
- Education and training requirements on ethics and professional responsibilities
 - Continuing education requirements on ethics
 - Professional standards and the threat of discipline
 - Legislation establishing prohibitions and requirements for entities and employees
 - Competency and experience requirements for professional licensure and credentials
 - Professional resources, such as hotlines, for consultation on ethical issues
- .17 Examples of *safeguards* implemented by the *employing organisation* are as follows:
- A tone at the top emphasising a commitment to fair financial reporting and compliance with applicable laws, rules, regulations, and corporate governance policies
 - Policies and procedures addressing ethical conduct and compliance with laws, rules, and regulations
 - Audit committee charter, including independent audit committee members

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- d.** Internal policies and procedures requiring disclosure of identified interests or relationships among the *employing organisation*, its directors or officers, and vendors, suppliers, or customers
 - e.** Internal policies and procedures related to purchasing controls
 - f.** Internal policies and procedures related to customer acceptance or credit limits
 - g.** Dissemination of corporate ethical compliance policies and procedures, including whistle-blower hotlines, the reporting structure, dispute resolution, or other similar policies, to promote compliance with laws, rules, regulations, and other professional requirements
 - h.** Human resource policies and procedures safeguarding against discrimination or harassment, such as those concerning a worker's religion, sexual orientation, gender, or disability
 - i.** Human resource policies and procedures stressing the hiring and retention of technically competent employees
 - j.** Policies and procedures for implementing and monitoring ethical policies
 - k.** Assigning sufficient staff with the necessary competencies to projects and other tasks
 - l.** Policies segregating personal assets from company assets
 - m.** Staff training on applicable laws, rules, and regulations
 - n.** Regular monitoring of internal policies and procedures
 - o.** A reporting structure whereby the internal auditor does not report to the financial reporting group
 - p.** Policies and procedures that do not allow an internal auditor to monitor areas where the internal auditor has operational or functional responsibilities
 - q.** Policies for promotion, rewards, and enforcement of a culture of high ethics and integrity
 - r.** Use of third-party resources for consultation as needed on significant matters of professional judgement

2.000.020 Ethical Conflicts

- .01 An ethical conflict arises when a *member* encounters one or both of the following:
- a. Obstacles to following an appropriate course of action due to internal or external pressures
 - b. Conflicts in applying relevant professional and legal standards

For example, a *member* suspects a fraud may have occurred, but reporting the suspected fraud would violate the *member's* responsibility to maintain the confidentiality of his or her employer's confidential information.

- .02 Once an ethical conflict is encountered, a *member* may be required to take steps to best achieve compliance with the rules, fundamental principles and law. In weighing alternative courses of action, the *member* should consider factors such as the following:
- a. Relevant facts and circumstances, including applicable rules, laws, or regulations
 - b. Ethical issues involved
 - c. Established internal procedures
- .03 The *member* should also be prepared to justify any departures that the *member* believes were appropriate in applying the relevant rules, fundamental principles and law. If the *member* was unable to resolve the conflict in a way that permitted compliance with the applicable rules, fundamental principles and law, the *member* may have to address the consequences of any violations.
- .04 Before pursuing a course of action, the *member* should consider consulting with appropriate persons within the organisation that employs the *member*.
- .05 If a *member* decides not to consult with appropriate persons within the organisation that employs the *member*, and the conflict remains unresolved after pursuing the selected course of action, the *member* should consider either consulting with other individuals for help in reaching a resolution or obtaining advice from an appropriate professional body or legal counsel. The *member* also should consider documenting the substance of the issue, the parties with whom the issue was discussed, details of any discussions held, and any decisions made concerning the issue.
- .06 If the ethical conflict remains unresolved, the *member* will in all likelihood be in violation of one or more rules or fundamental principles if he or she remains associated with the matter creating the conflict. Accordingly, the *member* should consider his or her continuing relationship with the specific assignment or employer.

2.100 INTEGRITY AND OBJECTIVITY

2.100.001 Integrity and Objectivity Rule (AICPA)

- .01 In the performance of any *professional service*, a *member* shall maintain objectivity and integrity, shall be free of conflicts of interest, and shall not knowingly misrepresent facts or subordinate his or her judgement to others.

2.100.002 Integrity Principle (CIMA)

- .01 The principle of integrity imposes an obligation on all *members* to be straightforward and honest in all professional and business relationships.

2.100.003 Objectivity Principle (CIMA)

- .01 The principle of objectivity imposes an obligation on all *members* not to compromise their professional or business judgement because of bias, conflict of interest or the undue influence of others.

Interpretations Under the “Integrity and Objectivity Rule” and the Integrity and Objectivity Principles

2.100.005 Application of the Conceptual Framework for Members in Business and Ethical Conflicts

- .01 In the absence of an *interpretation* of the “Integrity and Objectivity Rule” and the Integrity and Objectivity principles that addresses a particular relationship or circumstance, a *member* should apply the “Conceptual Framework for Members in Business”. [2.000.010]
- .02 A *member* will be considered in violation of the “Integrity and Objectivity Rule” and the Integrity and Objectivity principles if the *member* cannot demonstrate that *safeguards* were applied that eliminated or reduced significant *threats* to an *acceptable level*.
- .03 A *member* should consider the guidance in the “Ethical Conflicts” interpretation [2.000.020] when addressing ethical conflicts that may arise when the *member* encounters obstacles to following an appropriate course of action. Such obstacles may be due to internal or external pressures or to conflicts in applying relevant professional and legal standards, or both.

2.110 CONFLICTS OF INTEREST

2.110.010 Conflicts of Interest for Members in Business

- .01 A *member in business* may be faced with a conflict of interest when undertaking a *professional service*. In determining whether a *professional service*, relationship, or matter would result in a conflict of interest, a *member* should use professional judgement, taking into account whether a reasonable and informed third party who is aware of the relevant information would conclude that a conflict of interest exists.
- .02 A conflict of interest creates adverse interest and self-interest *threats* to the *member's* compliance with the “Integrity and Objectivity Rule” and the Integrity and Objectivity principles. For example, *threats* may be created when
 - a. a *member* undertakes a *professional service* related to a particular matter involving two or more parties whose interests with respect to that matter are in conflict; or
 - b. the interests of a *member* with respect to a particular matter and the interests of a party for whom the *member* undertakes a *professional service* related to that matter are in conflict.
- .03 A party may include an *employing organisation*, a vendor, a customer, a lender, a shareholder, or another party.
- .04 The following are examples of situations in which conflicts of interest may arise:
 - a. Serving in a management or governance position for two *employing organisations* and acquiring confidential information from one *employing organisation* that could be used by the member to the advantage or disadvantage of the other *employing organisation*
 - b. Undertaking a *professional service* for each of two parties in a partnership employing the *member* to assist in dissolving their partnership
 - c. Preparing financial information for certain *members* of management of the *employing organisation* who are seeking to undertake a management buy-out
 - d. Being responsible for selecting a vendor for the *member's employing organisation* when the *member* or his or her *immediate family member* could benefit financially from the transaction
 - e. Serving in a governance capacity or influencing an *employing organisation* that is approving certain investments for the company in which one of those specific investments will increase the value of the personal investment portfolio of the *member* or his or her *immediate family member*

Identification of a Conflict of Interest

- .05 In identifying whether a conflict of interest exists or may be created, a *member* should take reasonable steps to determine
 - a. the nature of the relevant interests and relationships between the parties involved and;
 - b. the nature of the services and its implication for relevant parties.
- .06 The nature of the relevant interests and relationships and the services may change over time. The *member* should remain alert to such changes for the purposes of identifying circumstances that might create a conflict of interest.

Evaluation of a Conflict of Interest

- .07 When an actual conflict of interest has been identified, the *member* should evaluate the significance of the *threat* created by the conflict of interest to determine if the *threat* is at an *acceptable level*. *Members* should consider both qualitative and quantitative factors when evaluating the significance of the *threat*, including the extent to which existing *safeguards* already reduce the *threat* to an *acceptable level*.
- .08 In evaluating the significance of an identified *threat*, *members* should consider the following:
- The significance of relevant interests or relationships.
 - The significance of the *threats* created by undertaking the *professional service* or services. In general, the more direct the connection between the *member* and the matter on which the parties' interests are in conflict, the more significant the *threat* to compliance with the rule will be.
- .09 If the *member* concludes that the *threat* is not at an *acceptable level*, the *member* should apply *safeguards* to eliminate the *threat* or reduce it to an *acceptable level*. Examples of *safeguards* include the following:
- Restructuring or segregating certain responsibilities and duties
 - Obtaining appropriate oversight
 - Withdrawing from the decision making process related to the matter giving rise to the conflict of interest
 - Consulting with third parties, such as a professional body, legal counsel, or another professional accountant
- .10 In cases where an identified *threat* may be so significant that no *safeguards* will eliminate the *threat* or reduce it to an *acceptable level*, or the *member* is unable to implement effective *safeguards*, the *member* should (a) decline to perform or discontinue the *professional services* that would result in the conflict of interest; or (b) terminate the relevant relationships or dispose of the relevant interests to eliminate the *threat* or reduce it to an *acceptable level*.

Disclosure of a Conflict of Interest and Consent

- .11 When a conflict of interest exists, the *member* should disclose the nature of the conflict to the relevant parties, including to the appropriate levels within the *employing organisation* and obtain their consent to undertake the *professional service*. The *member* should disclose the conflict of interest and obtain consent even if the *member* concludes that *threats* are at an acceptable level.
- .12 The *member* is encouraged to document the nature of the circumstances giving rise to the conflict of interest, the *safeguards* applied to eliminate or reduce the *threats* to an *acceptable level*, and the consent obtained.
- .13 When addressing a conflict of interest, a *member* is encouraged to seek guidance from within the *employing organisation* or from others, such as a professional body, legal counsel, or another professional accountant. When making disclosures and seeking guidance of third parties, the *member* should remain alert to the requirements of the "Confidential Information Obtained From Employment or Volunteer Activities", interpretation [2.300.070]. In addition, federal, state, or local statutes, or regulations concerning confidentiality of employer information may be more restrictive than the requirements contained in the CGMA code.
- .14 A *member* may encounter other *threats* to compliance with the "Integrity and Objectivity Rule" and the Integrity and Objectivity principles. This may occur, for example, when preparing or reporting financial information as a result of undue pressure from others within the *employing organisation* or financial, business or personal relationships that *close relatives* or *immediate family members* of the *member* have with the *employing organisation*. Guidance on managing such *threats* is covered by the "Knowing Misrepresentations in the Preparation of Financial Statements or Records", interpretation [2.130.010] and the "Subordination of Judgement by a Member", interpretation [2.130.020].

2.120 GIFTS, ENTERTAINMENT AND OTHER FORMS OF INDUCEMENTS

2.120.010 Offering or Accepting Gifts or Entertainment

- .01 For purposes of this interpretation, a customer or vendor of the member's employer includes a representative of the customer or vendor.
- .02 When a member offers to, or accepts gifts or entertainment from, a customer or vendor of the member's employer, self-interest, familiarity, or undue influence threats to the member's compliance with the “Integrity and Objectivity Rule” and the Integrity and Objectivity principles may exist.
- .03 Threats to compliance with the “Integrity and Objectivity Rule” and the “Integrity Principle” would not be at an acceptable level and could not be reduced to an acceptable level by the application of safeguards and the member would be presumed to lack integrity in violation of the “Integrity and Objectivity Rule” and the “Integrity Principle” in the following circumstances:
 - a. The member offers to, or accepts gifts or entertainment from, a customer or vendor of the member's employer that violate applicable laws, rules, or regulations or the policies of the member's employer or the customer or vendor.
 - b. The member knows of the violation or demonstrates recklessness in not knowing.
- .04 A member should evaluate the significance of any threats to determine if they are at an acceptable level. Threats are at an acceptable level when gifts or entertainment are reasonable in the circumstances. The member should exercise judgement in determining whether gifts or entertainment would be considered reasonable in the circumstances. The following are examples of relevant facts and circumstances:
 - a. The nature of the gift or entertainment
 - b. The occasion giving rise to the gift or entertainment
 - c. The cost or value of the gift or entertainment
 - d. The nature, frequency, and value of other gifts and entertainment offered or accepted
 - e. Whether the entertainment was associated with the active conduct of business directly before, during, or after the entertainment
 - f. Whether other customers or vendors also participated in the entertainment
 - g. The individuals from the customer or vendor and a member's employer who participated in the entertainment
- .05 Threats to compliance with the “Integrity and Objectivity Rule” and the “Objectivity Principle” would not be at an acceptable level and could not be reduced to an acceptable level through the application of safeguards if a member offers to, or accepts gifts or entertainment from, a customer or vendor of the member's employer that is not reasonable in the circumstances. The member would be considered to lack objectivity in violation of the “Integrity and Objectivity Rule” and the “Objectivity Principle” under these circumstances.

2.120.015 Offering or Accepting Other Forms of Inducements

- .01 *Threats* to compliance with the “Integrity and Objectivity Rule” and the Integrity and Objectivity principles may also exist when a *member* or his or her *immediate family* or *close relative* offer to, or accept from, a third party other forms of inducements such as, preferential treatment or inappropriate appeals to friendship or loyalty.
- .02 For example, self-interest *threats* are created when an inducement is made in an attempt to unduly influence actions or decisions, encourage illegal or unethical behaviour, or obtain confidential information, and undue influence *threats* are created if such an inducement is offered or accepted and it is followed by threats to make that offer public and damage the reputation of either the *member* or an *immediate family* member or *close relative*.
- .03 A *member* should evaluate the significance of any *threats* to determine if they are at an *acceptable level*. *Threats* are at an *acceptable level* when the inducement is reasonable in the circumstances [see 2.120.010.04] and not intended to encourage unethical behaviour.
- .04 *Threats* to compliance with the “Integrity and Objectivity Rule” and the Integrity and Objectivity principles would not be at an *acceptable level* and could not be reduced to an *acceptable level* through the application of *safeguards* if a *member* offers to, or accepts inducements from, a third party that are not reasonable in the circumstances or are intended to encourage unethical behavior. The *member* would be considered to lack integrity and objectivity in violation of the “Integrity and Objectivity Rule” and the Integrity and Objectivity principles under these circumstances.

2.130 PREPARING AND REPORTING INFORMATION

2.130.010 Knowing Misrepresentations in the Preparation of Financial Statements or Records

- .01 *Members in business* are often involved in the preparation and reporting of information that may either be made public or used by others inside or outside the *employing organisation*. Such information may include financial or management information, for example, forecasts and budgets, *financial statements*, management's discussion and analysis, and the management letter of representation provided to the auditors during the audit of the entity's *financial statements*.
- .02 *Threats* to compliance with the "Integrity and Objectivity Rule" and the Integrity and Objectivity principles would not be at an *acceptable level* and could not be reduced to an *acceptable level* by the application of *safeguards*, and the *member* would be considered to have knowingly misrepresented facts in violation of the "Integrity and Objectivity Rule" and the Integrity and Objectivity principles if the member
- makes, or permits or directs another to make, materially false and misleading entries in an entity's *financial statements* or records;
 - fails to correct an entity's *financial statements* or records that are materially false and misleading when the *member* has the authority to record the entries; or
 - signs, or permits or directs another to sign, a document containing materially false and misleading information.

2.130.020 Subordination of Judgement

- .01 The "Integrity and Objectivity Rule" and the Integrity and Objectivity principles prohibit a *member* from knowingly misrepresenting facts or subordinating his or her judgement when performing *professional services* for an employer or on a volunteer basis. This interpretation addresses differences of opinion between a *member* and his or her supervisor or any other person within the *member's* organisation.
- .02 Self-interest, familiarity, and undue influence *threats* to the *member's* compliance with the "Integrity and Objectivity Rule" and the Integrity and Objectivity principles may exist when a *member* and his or her supervisor or any other person within the *member's* organisation have a difference of opinion relating to the application of accounting principles; auditing standards; or other relevant professional standards, including standards applicable to tax and consulting services or applicable laws or regulations.
- .03 A *member* should evaluate the significance of any *threats* to determine if they are at an *acceptable level*. *Threats* are at an *acceptable level* if the *member* concludes that the position taken does not result in a material misrepresentation of fact or a violation of applicable laws or regulations. If *threats* are not at an *acceptable level*, the *member* should apply the *safeguards* in paragraphs .06–.08 to eliminate or reduce the *threat(s)* to an *acceptable level* so that the *member* does not subordinate his or her judgement.

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- .04 In evaluating the significance of any identified *threats*, the *member* should determine, after appropriate research or consultation, whether the result of the position taken by the supervisor or other person
- a. fails to comply with professional standards, when applicable;
 - b. creates a material misrepresentation of fact; or
 - c. may violate applicable laws or regulations.
- .05 If the *member* concludes that *threats* are at an *acceptable level* the *member* should discuss his or her conclusions with the person taking the position. No further action would be needed under this *interpretation*.
- .06 If the *member* concludes that the position results in a material misrepresentation of fact or a violation of applicable laws or regulations, then *threats* would not be at an *acceptable level*. In such circumstances, the *member* should discuss his or her concerns with the supervisor.
- .07 If the difference of opinion is not resolved after discussing the concerns with the supervisor, the *member* should discuss his or her concerns with the appropriate higher level(s) of management within the *member's* organisation (for example, the supervisor's immediate superior, senior management, and *those charged with governance*).
- .08 If after discussing the concerns with the supervisor and appropriate higher level(s) of management within the *member's* organisation, the *member* concludes that appropriate action was not taken, then the *member* should consider, in no specific order, the following *safeguards* to ensure that *threats* to the *member's* compliance with the "Integrity and Objectivity Rule" and the Integrity and Objectivity principles are eliminated or reduced to an *acceptable level*:
- a. Determine whether the organisation's internal policies and procedures have any additional requirements for reporting differences of opinion.
 - b. Determine whether he or she is responsible for communicating to third parties, such as regulatory authorities or the organisation's (former organisation's) external accountant. In considering such communications, the *member* should be cognisant of his or her obligations under the "Confidential Information Obtained From Employment or Volunteer Activities" interpretation [2.300.070] and the "Obligation of a Member to His or Her Employer's External Accountant" interpretation [2.130.030].
 - c. Consult with his or her legal counsel regarding his or her responsibilities.
 - d. Document his or her understanding of the facts, the accounting principles, auditing standards, or other relevant professional standards involved or applicable laws or regulations and the conversations and parties with whom these matters were discussed.
- .09 If the *member* concludes that no *safeguards* can eliminate or reduce the *threats* to an *acceptable level* or if the *member* concludes that appropriate action was not taken, then he or she should consider the continuing relationship with the *member's* organisation and take appropriate steps to eliminate his or her exposure to subordination of judgement.

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- .10 Nothing in this interpretation precludes a *member* from resigning from the organisation at any time. However, resignation may not relieve the *member* of responsibilities in the situation, including any responsibility to disclose concerns to third parties, such as regulatory authorities or the employer's (former employer's) external accountant.
 - .11 A *member* should use professional judgement and apply similar *safeguards*, as appropriate, to other situations involving a difference of opinion as described in this interpretation so that the *member* does not subordinate his or her judgement.

2.130.030 Obligation of a Member to His or Her Employer's External Accountant

- .01 The "Integrity and Objectivity Rule" and the Integrity and Objectivity principles require a *member* to maintain objectivity and integrity in the performance of a *professional service*. When dealing with an employer's external accountant, a *member* must be candid and not knowingly misrepresent facts or knowingly fail to disclose material facts. This would include, for example, responding to specific inquiries for which the employer's external accountant requests written representation.

2.160 EDUCATIONAL SERVICES

2.160.010 Educational Services

- .01 *Members* who perform educational services, such as teaching full or part time at a university, teaching a continuing professional education course, or engaging in research and scholarship, are performing *professional services* and, therefore, are subject to the “Integrity and Objectivity Rule” and the Integrity and Objectivity principles.

2.200 GENERAL STANDARDS

2.200.001 General Standards Rule (AICPA)

- .01 A *member* shall comply with the following standards and with any *interpretations* thereof by bodies designated by *Council*.
- a. *Professional Competence*. Undertake only those *professional services* that the *member* or the *member's* firm can reasonably expect to be completed with professional competence.
 - b. *Due Professional Care*. Exercise due professional care in the performance of *professional services*.
 - c. *Planning and Supervision*. Adequately plan and supervise the performance of *professional services*.
 - d. *Sufficient Relevant Data*. Obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to any *professional services* performed.
- .02 See [appendix A](#), “Council Resolution Designating Bodies to Promulgate Technical Standards”.

2.200.002 Professional Competence and Due Care Principle (CIMA)

- .01 The principle of Professional Competence and Due Care imposes the following obligations on all professional accountants:
- a. To maintain professional knowledge and skill at the level required to ensure that employers receive competent *professional service*
 - a. To act diligently in accordance with applicable technical and professional standards when providing *professional services*

Interpretations Under the “General Standards Rule” and “Professional Competence and Due Care Principle”

2.200.005 Application of the Conceptual Framework for Members in Business and Ethical Conflicts

- .01 In the absence of an *interpretation* of the “General Standards Rule” and “Professional Competence and Due Care Principle” that addresses a particular relationship or circumstance, a *member* should apply the “Conceptual Framework for Members in Business” [2.000.010].
- .02 A *member* would be considered in violation of the “General Standards Rule” and “Professional Competence and Due Care Principle” if the *member* cannot demonstrate that *safeguards* were applied that eliminated or reduced significant *threats* to an *acceptable level*.
- .03 A *member* should consider the guidance in the “Ethical Conflicts” interpretation [2.000.020] when addressing ethical conflicts that may arise when the *member* encounters obstacles to following an appropriate course of action. Such obstacles may be due to internal or external pressures or to conflicts in applying relevant professional and legal standards, or both.

2.200.010 Professional Competence and Due Care

- .01 Competence, in this context, means that the *member* or *member's* staff possesses the appropriate technical qualifications to perform *professional services* and, as required, supervises and evaluates the quality of work performed. Competence encompasses knowledge of the profession's standards, the techniques and technical subject matter involved, and the ability to exercise sound judgement in applying such knowledge in the performance of *professional services*.
- .02 A *member's* agreement to perform *professional services* implies that the *member* has the necessary competence to complete those services according to professional standards and to apply the *member's* knowledge and skill with reasonable care and diligence. However, the member does not assume a responsibility for infallibility of knowledge or judgement.
- .03 The *member* may have the knowledge required to complete the services in accordance with professional standards prior to performance. A normal part of providing *professional services* involves performing additional research or consulting with others to gain sufficient competence.
- .04 *Threats* to the *member's* compliance with the "General Standards Rule" and "Professional Competence and Due Care Principle" may exist if the *member* is performing *professional services* and the member has
- insufficient time for properly performing or completing the relevant duties;
 - incomplete, restricted or otherwise inadequate information for performing the duties properly;
 - insufficient experience, training or education, or both; or
 - inadequate resources for the proper performance of the duties.
- .05 The significance of the *threats* will depend on factors such as the extent to which the *member* is working with others, relative seniority in the business, and the level of supervision and review applied to the work. The *member* should evaluate the significance of any *threats* and apply *safeguards*, when necessary, to eliminate or reduce the *threats* to an *acceptable level*. Examples of such safeguards include
- performing additional research or obtaining additional advice or training.
 - ensuring that there is adequate time available for performing the relevant duties.
 - obtaining assistance from someone with the necessary expertise.
 - consulting, where appropriate, with
 - superiors within the *employing organisation*;
 - independent experts; or
 - a relevant professional body.
- .05 If the *member* determines that the *threats* are so significant that no *safeguards* could eliminate or reduce the *threats* to an *acceptable level*, and therefore the *member* is unable to gain sufficient competence, the *member* should suggest the involvement of a competent person to perform the needed *professional service*, either independently or as an associate.

2.200.030 Submission of Financial Statements

- .01 When a *member* is a stockholder, a partner, a director, an officer, or an employee of an entity and, in this capacity, prepares or submits the entity's *financial statements* to third parties, the *member* should clearly communicate, preferably in writing, the *member's* relationship to the entity and should not imply that the *member* is independent of the entity. In addition, if the communication states affirmatively that the *financial statements* are presented in conformity with the applicable financial reporting framework, the *member* should comply with the "Accounting Principles Rule" and the "Professional Competence and Due Care Principle".
- .02 AICPA *members* should refer to the "Use of CPA Credential" interpretation [2.300.100] for additional guidance.

2.210 COMPLIANCE WITH STANDARDS

2.210.001 Compliance with Standards Rule (AICPA)

- .01 A *member* who performs auditing, review, compilation, management consulting, tax, or other *professional services* shall comply with standards promulgated by bodies designated by *Council*.
- .02 See appendix A “Council Resolution Designating Bodies to Promulgate Technical Standards”.

2.210.002 Professional Competence and Due Care Principle (CIMA)

- .01 The principle of professional competence and due care imposes the following obligations on all professional accountants:
 - a. To maintain professional knowledge and skill at the level required to ensure that employers receive competent *professional services*; and
 - b. To act diligently in accordance with applicable technical and professional standards when providing *professional services*.

Interpretations Under the Compliance with Standards Rule and the Professional Competence and Due Care Principle

2.210.005 Application of the Conceptual Framework for Members in Business and Ethical Conflicts

- .01 In the absence of an *interpretation* of the “Compliance With Standards Rule” and the “Professional Competence and Due Care Principle” that addresses a particular relationship or circumstance, a *member* should apply the “Conceptual Framework for Members in Business” [2.000.010].
- .02 A *member* would be considered in violation of the “Compliance With Standards Rule” and the “Professional Competence and Due Care Principle” if the *member* cannot demonstrate that safeguards were applied that eliminated or reduced significant *threats* to an *acceptable level*.
- .03 A *member* should consider the guidance in the “Ethical Conflicts” interpretation [2.000.020] when addressing ethical conflicts that may arise when the *member* encounters obstacles to following an appropriate course of action. Such obstacles may be due to internal or external pressures or to conflicts in applying relevant professional or legal standards, or both.

2.220 ACCOUNTING PRINCIPLES

2.220.001 Accounting Principles Rule (AICPA)

- .01 A *member* shall not (1) express an opinion or state affirmatively that the *financial statements* or other financial data of any entity are presented in conformity with generally accepted accounting principles or (2) state that he or she is not aware of any material modifications that should be made to such statements or data in order for them to be in conformity with generally accepted accounting principles, if such statements or data contain any departure from an accounting principle promulgated by bodies designated by *Council* to establish such principles that has a material effect on the statements or data taken as a whole. If, however, the statements or data contain such a departure and the *member* can demonstrate that due to unusual circumstances the *financial statements* or data would otherwise have been misleading, the *member* can comply with the rule by describing the departure, its approximate effects, if practicable, and the reasons why compliance with the principle would result in a misleading statement.
- .02 See [appendix A](#), “*Council* Resolution Designating Bodies to Promulgate Technical Standards”.

2.210.002 Professional Competence and Due Care Principle (CIMA)

- .01 The principle of professional competence and due care imposes the following obligations on all professional accountants:
- To maintain professional knowledge and skill at the level required to ensure that employers receive competent *professional service*
 - To act diligently in accordance with applicable technical and professional standards when providing *professional services*

Interpretations Under the Accounting Principles Rule and the Professional Competence and Due Care Principle

2.220.005 Application of the Conceptual Framework for Members in Business and Ethical Conflicts

- .01 In the absence of an *interpretation* of the “Accounting Principles Rule” and the “Professional Competence and Due Care Principle” that addresses a particular relationship or circumstance, a *member* should apply the “Conceptual Framework for Members in Business” [\[2.000.010\]](#).
- .02 A *member* would be considered in violation of the “Accounting Principles Rule” and the “Professional Competence and Due Care Principle” if the *member* cannot demonstrate that *safeguards* were applied that eliminated or reduced significant *threats* to an *acceptable level*.
- .03 A *member* should consider the guidance in the “Ethical Conflicts” *interpretation* [\[2.000.020\]](#) when addressing ethical conflicts that may arise when the *member* encounters obstacles to following an appropriate course of action. Such obstacles may be due to internal or external pressures or to conflicts in applying relevant professional or legal standards, or both.

2.220.010 Responsibility for Affirming That Financial Statements Are in Conformity With the Applicable Financial Reporting Framework (AICPA)

- .01 A *member* shall not state affirmatively that an entity's *financial statements* or other financial data are presented in conformity with generally accepted accounting principles (GAAP) if such statements or data contain any departure from an accounting principle promulgated by a body designated by *Council* to establish such principles. *Members* who affirm that *financial statements* or other financial data are presented in conformity with GAAP should comply with "Accounting Principles Rule". A *member's* representation in a letter or other communication that an entity's *financial statements* are in conformity with GAAP may be considered an affirmative statement within the meaning of this rule with respect to the *member* who signed the letter or other communication (for example, the *member* signed a report to a regulatory authority, a creditor, or an auditor).

2.220.015 Responsibility for Affirming That Financial Statements Are in Conformity With the Applicable Financial Reporting Framework (CIMA)

- .01 A *member* of CIMA who has responsibility for the preparation or approval of the general purpose *financial statements* of an *employing organisation* shall be satisfied that those *financial statements* are presented in accordance with the applicable financial reporting standards.

2.220.020 Status of Financial Accounting Standards Board, Governmental Accounting Standards Board, Federal Accounting Standards Advisory Board, and International Accounting Standards Board Interpretations (AICPA)

- .01 The "Accounting Principles Rule" authorises *Council* to designate bodies to establish accounting principles. *Council* has designated the U.S. Financial Accounting Standards Board (FASB) as such a body and has resolved that FASB *Accounting Standards Codification*[®] (ASC) constitutes accounting principles as contemplated in the rule. *Council* designated the U.S. Governmental Accounting Standards Board (GASB), with respect to Statements of Governmental Accounting Standards issued in July 1984 and thereafter, as the body to establish financial accounting principles for state and local governmental entities, pursuant to the "Accounting Principles Rule". *Council* designated the U.S. Federal Accounting Standards Advisory Board (FASAB), with respect to Statements of Federal Accounting Standards adopted and issued in March 1993 and subsequently, as the body to establish accounting principles for federal government entities, pursuant to the "Accounting Principles Rule". *Council* designated the International Accounting Standards Board (IASB) as an accounting body for purposes of establishing international financial accounting and reporting principles.
- .02 Reference to GAAP in the "Accounting Principles Rule" means those accounting principles promulgated by bodies designated by *Council*, which are listed in paragraph .01 and in [appendix A](#), "Council Resolution Designating Bodies to Promulgate Technical Standards".
- .03 The AICPA Professional Ethics Division will look to the codification or statements and any *interpretations* thereof issued by FASB, GASB, FASAB, or IASB in determining whether a *member* of the AICPA has departed from an accounting principle established by a designated accounting standard-setter in FASB ASC, a Statement of Governmental Accounting Standards, a Statement of Federal Accounting Standards, or International Financial Reporting Standards (IFRS).

2.220.030 Departures From Generally Accepted Accounting Principles (AICPA)

- .01 It is difficult to anticipate all the circumstances in which accounting principles may be applied. However, there is a strong presumption that adherence to GAAP would, in nearly all instances, result in *financial statements* that are not misleading. The “Accounting Principles Rule” recognizes that, upon occasion, there may be unusual circumstances when the literal application of GAAP would have the effect of rendering *financial statements* misleading. In such cases, the proper accounting treatment to apply is that which will not render the financial statements misleading.
- .02 The question of what constitutes unusual circumstances, as referred to in the “Accounting Principles Rule” is a matter of professional judgement involving the ability to support the position that adherence to a promulgated principle within GAAP would be regarded generally by reasonable persons as producing misleading *financial statements*.
- .03 Examples of circumstances that may justify a departure from GAAP include new legislation or evolution of a new form of business transaction. Examples of circumstances that would not justify departures from GAAP include an unusual degree of materiality or conflicting industry practices.
- .04 If the statements or data contain such departures, see the “Accounting Principles Rule” for further guidance.

2.220.040 Financial Statements Prepared Pursuant to Financial Reporting Frameworks Other Than GAAP (AICPA)

- .01 Reference to GAAP in the “Accounting Principles Rule” means those accounting principles promulgated by bodies designated by *Council*, which are listed in [appendix A](#). The bodies designed by Council to promulgate accounting principles are:
 - a. FASAB,
 - b. FASB,
 - c. GASB, and
 - d. IASB.
- .02 *Financial statements* prepared pursuant to other accounting principles would be considered financial reporting frameworks other than GAAP within the context of the “Accounting Principles Rule”.
- .03 However, the “Accounting Principles Rule” does not preclude a *member* from preparing or reporting on *financial statements* that have been prepared pursuant to financial reporting frameworks other than GAAP, such as
 - a. financial reporting frameworks generally accepted in another country, including jurisdictional variations of IFRS such that the entity’s *financial statements* do not meet the requirements for full compliance with IFRS, as promulgated by the IASB;
 - b. financial reporting frameworks prescribed by an agreement or a contract; or
 - c. other special purpose frameworks, including statutory financial reporting provisions required by law or a U.S. or foreign governmental regulatory body to whose jurisdiction the entity is subject.
- .04 In such circumstances, however, the *financial statements* or *member’s* reports thereon should not purport that the *financial statements* are in accordance with GAAP and the *financial statements* or reports on those *financial statements*, or both, should clarify the financial reporting framework(s) used.

2.300 ACTS DISCREDITABLE

2.300.001 Acts Discreditable Rule (AICPA)

.01 A *member* shall not commit an act discreditable to the profession.

2.300.002 Professional Behaviour Principle (CIMA)

.01 The principle of professional behaviour imposes an obligation on all *members* to comply with relevant laws and regulations and avoid any action that the *member* knows or should know may discredit the profession.

2.300.003 Confidentiality Principle (CIMA)

.01 The principle of confidentiality imposes an obligation on all *members* to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties.

Interpretations Under the Acts Discreditable Rule and Professional Behaviour and Confidentiality Principles

2.300.005 Application of the Conceptual Framework for Members in Business and Ethical Conflicts

- .01 In the absence of an *interpretation* of the “Acts Discreditable Rule” and the Professional Behaviour and Confidentiality principles that addresses a particular relationship or circumstance, a *member* should apply the “Conceptual Framework for Members in Business” [2.000.010].
- .02 A *member* would be considered in violation of the “Acts Discreditable Rule” and the Professional Behaviour and Confidentiality principles if the *member* cannot demonstrate that *safeguards* were applied that eliminated or reduced significant *threats* to an *acceptable level*.
- .03 A *member* should consider the guidance in the “Ethical Conflicts” *interpretation* [2.000.020] when addressing ethical conflicts that may arise when the *member* encounters obstacles to follow an appropriate course of action. Such obstacles may be due to internal or external pressures or to conflicts in applying relevant professional standards or legal standards, or both.

2.300.010 Discrimination and Harassment in Employment Practices

.01 A *member* would be presumed to have committed an act discreditable to the profession, in violation of the “Acts Discreditable Rule” and the “Professional Behaviour Principle” if a final determination, no longer subject to appeal, is made by a court or an administrative agency of competent jurisdiction that a *member* has violated any antidiscrimination laws of the country, state, or municipality, including those related to sexual and other forms of harassment.

2.300.020 Solicitation or Disclosure of CPA/CIMA Examination Questions and Answers

- .01 A *member* who solicits or knowingly discloses the Uniform CPA Examination or the CIMA Examination question(s) or answer(s), or both, without the AICPA's or CIMA's respective written authorisation shall be considered to have committed an act discreditable to the profession, in violation of the "Acts Discreditable Rule" and the "Professional Behaviour Principle".

2.300.030 Failure to File a Tax Return or Pay a Tax Liability

- .01 A *member* who fails to comply with applicable federal, state, or local laws or regulations regarding (a) the timely filing of the *member's* personal tax returns or tax returns for the *member's* employer that the *member* has the authority to timely file or (b) the timely remittance of all payroll and other taxes collected on behalf of others may be considered to have committed an act discreditable to the profession, in violation of the "Acts Discreditable Rule" and the "Professional Behaviour Principle".

2.300.040 Negligence in the Preparation of Financial Statements or Records

- .01 A *member* would be considered in violation of the "Acts Discreditable Rule" and the "Professional Behaviour Principle" if the *member*, by virtue of his or her negligence, does any of the following:
- Makes, or permits or directs another to make, materially false and misleading entries in the *financial statements* or records of an entity
 - Fails to correct an entity's *financial statements* that are materially false and misleading when the *member* has the authority to record an entry
 - Signs, or permits or directs another to sign, a document containing materially false and misleading information

2.300.050 Governmental Bodies, Commissions, or Other Regulatory Agencies

- .01 Many governmental bodies, commissions, or other regulatory agencies have established requirements, such as standards, guides, rules, and regulations, that *members* are required to follow in the preparation of *financial statements* or related information.
- .02 If a *member* prepares *financial statements* or related information (for example, management's discussion and analysis) for purposes of reporting to such bodies, commissions, or regulatory agencies, the *member* should follow the requirements of such organisations in addition to the applicable financial reporting framework.
- .03 A *member's* material departure from such requirements would be considered a violation of the "Acts Discreditable Rule" and the "Professional Behaviour Principle" unless the *member* discloses in the *financial statements* or related information that such requirements were not followed and the applicable reasons.

2.300.060 Indemnification and Limitation of Liability Provisions

- .01 Certain governmental bodies, commissions, or other regulatory agencies (collectively, regulators) have established requirements through laws, regulations, or published *interpretations* that
 - a. prohibit entities subject to their regulation (regulated entity) from including certain types of indemnification and limitation of liability provisions in agreements for the performance of audit or other attest or assurance services on behalf of the *employing organisation* that are required by such regulators; or
 - b. provide that the existence of such provisions disqualifies a *member* from rendering such services to these entities.
- .02 If a *member* enters into, or directs or knowingly permits another individual to enter into, a contract for the performance of audit or other attest or assurance services that are subject to the requirements of these regulators, the *member* should not include, or knowingly permit or direct another individual to include, an indemnification or limitation of liability provision that would cause the regulated entity or a *member* to be in violation of such requirements or disqualify a *member* from providing such services to the regulated entity. A *member* who enters into, or directs or knowingly permits another individual to enter into, such an agreement for the performance of audit or other attest services would be considered in violation of the “Acts Discreditable Rule” and the “Professional Behaviour Principle”.

2.300.070 Confidential Information Obtained From Employment or Volunteer Activities

- .01 A *member* should maintain the confidentiality of his or her employer’s confidential information and should not use or disclose any confidential employer information obtained as a result of an employment relationship, such as discussions with the employer’s vendors, customers, or lenders (for example, any confidential information pertaining to a current or previous employer, subsidiary, affiliate, or parent thereof, as well as any entities for which the *member* is working in a volunteer capacity).
- .02 For purposes of this interpretation, confidential employer information is any proprietary information pertaining to the employer or any organisation for whom the *member* may work in a volunteer capacity that is not known to be available to the public and is obtained as a result of such relationships.
- .03 A *member* should be alert to the possibility of inadvertent disclosure, particularly to a close business associate or *close relative* or *immediate family* member. The *member* should also take reasonable steps to ensure that staff under his or her control or others within the *employing organisation* and persons from whom advice and assistance are obtained are aware of the confidential nature of the information.
- .04 When a *member* changes employment, a *member* should not use confidential employer information acquired as a result of a prior employment relationship to his or her personal advantage or the advantage of a third party, such as a current or prospective employer. The requirement to maintain the confidentiality of an employer’s confidential information continues even after the end of the relationship between a *member* and the employer. However, the *member* is entitled to use experience and expertise gained through prior employment relationships.

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- .05 A *member* would be considered in violation of the “Acts Discreditable Rule” and “Confidentiality Principle” if the *member* discloses or uses any confidential employer information acquired as a result of employment or volunteer relationships without the proper authority or specific consent of the employer or organisation for whom the *member* may work in a volunteer capacity, unless there is a legal or professional responsibility to use or disclose such information.
- .06 The following are examples of situations in which *members* are permitted or may be required to disclose confidential employer information or when such disclosure may be appropriate:
- a. Disclosure is permitted by law and authorised by the employer.
 - b. Disclosure is required by law, for example, to
 - i. comply with a validly issued and enforceable subpoena or summons or
 - ii. inform the appropriate public authorities of violations of law that have been discovered.
 - c. There is a professional responsibility or right to disclose information, when not prohibited by law, to
 - i. initiate a complaint with, or respond to any inquiry made by, the AICPA Professional Ethics Division or trial board of the AICPA or a duly constituted investigative or disciplinary body of a state CPA society, board of accountancy, or other regulatory body (AICPA);
 - ii. initiate a complaint with, or respond to any inquiry made by, the CIMA Professional Conduct Department or a duly constituted investigative or disciplinary body of CIMA, or other regulatory body (CIMA);
 - iii. protect the *member’s* professional interests in legal proceedings;
 - iv. comply with professional standards (for example, technical standards) and other ethics requirements; or
 - v. report potential concerns regarding questionable accounting, auditing, or other matters to the employer’s confidential complaint hotline or *those charged with governance*.
 - d. Disclosure is permitted on behalf of the employer to
 - i. obtain financing with lenders;
 - ii. communicate with vendors and customers; or
 - iii. communicate with the employer’s external accountant, attorneys, regulators, and other business professionals.
- .07 In deciding whether to disclose confidential employer information relevant factors to consider include the following:
- a. Whether all the relevant information is known and substantiated to the extent that it is practicable. When the situation involves unsubstantiated facts, incomplete information, or unsubstantiated conclusions, the member should use professional judgement in determining the type of disclosure to be made, if any.
 - b. Whether the parties to whom the communication may be addressed are appropriate recipients.
- .08 A *member* may wish to consult with legal counsel prior to disclosing, or determining whether to disclose, confidential employer information.
- .09 Refer to the “Subordination of Judgement” interpretation [2.130.020] for additional guidance.

2.300.090 False, Misleading, or Deceptive Acts in Promoting or Marketing Professional Services

- .01 A *member* would be in violation of the “Acts Discreditable Rule” and the “Professional Behaviour Principle” if the *member* promotes or markets the *member’s* abilities to provide *professional services* or makes claims about the *member’s* experience or qualifications in a manner that is false, misleading, or deceptive.
- .02 Promotional efforts would be false, misleading, or deceptive if they contain any claim or representation that would likely cause a reasonable person to be misled or deceived. This includes any representation about CPA licensure, CGMA credential or any other professional certification or accreditation that is not in compliance with the requirements of the relevant licensing authority or designating body.

2.300.100 Use of the CPA Credential (AICPA)

- .01 A *member* should refer to applicable state accountancy laws and board of accountancy rules and regulations for guidance regarding the use of the CPA credential. A *member* who fails to follow the accountancy laws, rules, and regulations on use of the CPA credential in any of the jurisdictions in which the CPA practices would be considered to have used the CPA credential in a manner that is false, misleading, or deceptive and in violation of the “Acts Discreditable Rule”.

APPENDIX A (AICPA)

Council Resolution Designating Bodies to Promulgate Technical Standards

[As amended Jan. 12, 1988; Revised April 1992, October 1999, May 2004, October 2007, May 2008, October 2012 and May 2013.]

Federal Accounting Standards Advisory Board

RESOLVED: That the Federal Accounting Standards Advisory Board, with respect to its statements of federal accounting standards and concepts adopted and issued in March of 1993 and subsequently, in accordance with its rules of procedure, the memorandum of understanding, and public notice designating FASAB's standards and concepts as having substantial authoritative support, be, and hereby is, designated by the *Council* of the American Institute of Certified Public Accountants as the body to establish financial accounting principles for federal governmental entities pursuant to the "Accounting Principles Rule" (AICPA, *Professional Standards*, ET sec. 1.320.001 and 2.320.001) of the Code.¹

[Added by Council October 1999.]

Financial Accounting Standards Board

WHEREAS: In 1959 the *Council* designated the Accounting Principles Board to establish accounting principles, and

WHEREAS: The *Council* is advised that the Financial Accounting Standards Board (FASB) has become operational, it is

RESOLVED: That as of the date hereof the FASB, in respect of statements of financial accounting standards finally adopted by such board in accordance with its rules of procedure and the bylaws of the Financial Accounting Foundation, be, and hereby is, designated by this *Council* as the body to establish accounting principles pursuant to the "Accounting Principles Rule" (AICPA, *Professional Standards*, ET sec. 1.320.001 and 2.320.001), and standards on disclosure of financial information for such entities outside *financial statements* in published financial reports containing *financial statements* under the "Compliance With Standards Rule" (AICPA, *Professional Standards*, ET sec. 1.310.001 and 2.310.001) of the Code of Professional Conduct of the American Institute of Certified Public Accountants provided, however, any accounting research bulletins, or opinions of the accounting principles board issued or approved for exposure by the accounting principles board prior to April 1, 1973, and finally adopted by such board on or before June 30, 1973, shall constitute statements of accounting principles promulgated by a body designated by *Council* as contemplated in the "Accounting Principles Rule" (AICPA, *Professional Standards*, ET sec. 1.320.001 and 2.320.001) of the Code unless and until such time as they are expressly superseded by action of the FASB.¹

Governmental Accounting Standards Board

WHEREAS: The American Institute of Certified Public Accountants is a signatory to the agreement creating the GASB as an arm of the FAF and has supported the GASB professionally and financially, it is

RESOLVED: That as of the date hereof, the GASB, with respect to statements of governmental accounting standards adopted and issued in July 1984 and subsequently, in accordance with its rules of procedure and the bylaws of the

FAF, be, and hereby is, designated by the *Council* of the American Institute of Certified Public Accountants as the body to establish financial accounting principles for state and local governmental entities, pursuant to the “Accounting Principles Rule” (AICPA, *Professional Standards*, ET sec. 1.320.001 and 2.320.001) of the Code of Professional Conduct, and standards on disclosure of financial information for such entities outside *financial statements* in published financial reports containing *financial statements* under the “Compliance With Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.310.001 and 2.320.001) of the Code of Professional Conduct.¹

Public Company Accounting Oversight Board

WHEREAS: The Public Company Accounting Oversight Board (PCAOB) has been established pursuant to the Sarbanes-Oxley Act of 2002 (the Act), and

WHEREAS: The PCAOB has authority under the Act to establish or adopt, or both, by PCAOB rule, auditing and related attestation standards, quality control, ethics, independence and other standards relating to the preparation and issuance of audit reports for issuers as defined in the Act.

RESOLVED: That the PCAOB be, and hereby is, designated by the *Council* of the American Institute of Certified Public Accountants as the body to establish standards relating to the preparation and issuance of audit reports for entities within its jurisdiction as defined by the Act pursuant to the “General Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.300.001) and the “Compliance With Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.310.001) of the Code of Professional Conduct.¹

[Added by Council May 2004.]

International Accounting Standards Board

RESOLVED: That the International Accounting Standards Board (IASB) is hereby designated as the body to establish professional standards with respect to international financial accounting and reporting principles pursuant to the “Compliance With Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.310.001 and 2.310.001) and the “Accounting Principles Rule” (AICPA, *Professional Standards*, ET sec. 1.320.001 and 2.320.001) of the Code of Professional Conduct; and

BE IT FURTHER RESOLVED: That the *Council* shall reassess, no sooner than three years but no later than five years after the effective date of this resolution, whether continued recognition of the IASB as the body designated to establish professional standards with respect to international financial accounting and reporting principles under the “Compliance With Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.310.001 and 2.310.001) and the “Accounting Principles Rule” (AICPA, *Professional Standards*, ET sec. 1.320.001 and 2.320.001) of the Code of Professional Conduct is appropriate.¹

[Added by Council May 18, 2008; readopted by Council, May 19, 2013.]

AICPA COMMITTEES AND BOARDS

WHEREAS: The membership of the *Institute* has adopted the “General Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.300.001 and 2.300.001) of the Code of Professional Conduct, which authorizes the *Council* to designate bodies to promulgate technical standards with which *members* must comply, and therefore it is¹

Accounting and Review Services Committee

RESOLVED: That the AICPA accounting and review services committee is hereby designated to promulgate standards under the “General Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.300.001) and the “Compliance With Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.310.001) of the Code of Professional Conduct with respect to unaudited *financial statements* or other unaudited financial information of an entity that is not required to file *financial statements* with a regulatory agency in connection with the sale or trading of its securities in a public market.¹

Auditing Standards Board

RESOLVED: That, with respect to standards relating to the preparation and issuance of audit reports not included within the resolution on the Public Company Accounting Oversight Board, the AICPA auditing standards board is hereby designated as the body authorized under the “General Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.300.001) and the “Compliance With Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.310.001) of the Code of Professional Conduct to promulgate auditing, attestation, and quality control standards and procedures.

RESOLVED: That the auditing standards board shall establish under statements on auditing standards, the responsibilities of *members* with respect to standards for disclosure of financial information outside of the *financial statements* in published financial reports containing *financial statements*.¹

[Revised May 2004.]

Management Consulting Services Executive Committee

RESOLVED: That the AICPA management consulting services executive committee is hereby designated to promulgate standards under the “General Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.300.001 and 2.300.001) and the “Compliance With Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.310.001 and 2.300.001) of the Code of Professional Conduct with respect to the offering of management consulting services, provided, however, that such standards do not deal with the broad question of what, if any, services should be proscribed.

AND FURTHER RESOLVED: That any *Institute* committee or board now or in the future authorized by the Council to issue enforceable standards under the “General Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.300.001 and 2.300.001) and the “Compliance With Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.310.001 and 2.300.001) of the Code of Professional Conduct must observe an exposure process seeking comment from other affected committees and boards, as well as the general membership.¹

[Revised April 1992.]

Attestation Standards

RESOLVED: That the AICPA accounting and review services committee, auditing standards board, and management consulting services executive committee are hereby designated as bodies authorized under the “General Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.300.001) and the “Compliance With Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.310.001) of the Code of Professional Conduct to promulgate attestation standards in their respective areas of responsibility.¹

[Added by Council, May 1988; revised April 1992.]

Tax Executive Committee

RESOLVED: That the Tax Executive Committee is hereby designated as the body authorized under the “General Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.300.001 and 2.300.001) and the “Compliance With Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.310.001 and 2.300.001) of the Code of Professional Conduct to promulgate professional practice standards with respect to tax services.¹

[Added by Council, October 1999.]

Forensic and Valuation Services Executive Committee

RESOLVED: That the Forensic and Valuation Services Executive Committee is hereby designated as the body to promulgate professional standards with respect to forensic and valuation services under the “General Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.300.001 and 2.300.001) and the “Compliance With Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.310.001 and 2.310.001) of the Code of Professional Conduct.¹

[Added by Council, October 2007]

Personal Financial Planning Executive Committee

RESOLVED: That the Personal Financial Planning Executive Committee is hereby designated as the body to promulgate professional standards with respect to personal financial planning services under the “General Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.300.001 and 2.300.001) and the “Compliance With Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.310.001 and 2.300.001) of the Code of Professional Conduct.¹

[Added by Council, October 2012]

Footnotes

- 1 The changes to this appendix as of December 15, 2014 are administrative changes that were made to conform to the reformatted Code of Professional Conduct.

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