

Rules of Department of Economic Development

Division 10—Missouri State Board of Accountancy Chapter 3—Professional Ethics—Rules of Conduct

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**Title 4—DEPARTMENT OF
ECONOMIC DEVELOPMENT
Division 10—Missouri State
Board of Accountancy
Chapter 3—Professional Ethics—
Rules of Conduct**

4 CSR 10-3.010 General Purpose of Ethics Rules

PURPOSE: This Code of Professional Conduct is promulgated under the authority granted by section 326.170, RSMo which delegates to the board the power and duty to prescribe rules of professional conduct for establishing and maintaining high standards of competence and integrity in the profession of public accountancy.

(1) The Rules of Conduct set forth rest upon the premise that the reliance of the public in general, and of the business community in particular, on sound financial reporting, and on the implication of professional competence which inheres in the authorized use of a legally restricted title relating to the practice of public accountancy, imposes on persons engaged in that practice certain obligations both to their clients and to the public. These obligations, which the Rules of Conduct are intended to enforce where necessary, include the obligation to maintain independence of thought and action, to strive continuously to improve one's professional skills, to observe, where applicable, generally accepted accounting principles and generally accepted auditing standards, to promote sound and informative financial reporting, to hold the affairs of clients in confidence, to uphold the standards of the public accountancy profession and to maintain high standards of personal conduct in all matters affecting one's fitness to practice public accountancy.

(2) Acceptance of licensure to engage in the practice of public accountancy, or to use titles which imply a particular competence so to engage, involves acceptance by the licensee of those obligations, and accordingly of a duty to abide by the Rules of Conduct.

(3) The Rules of Conduct are intended to have application to all kinds of professional services performed in the practice of public accountancy, including tax and management advisory services, and to apply as well to all licensees, whether or not engaged in the practice of public accountancy, except where the wording of a rule clearly indicates that the applicability is more limited.

(4) A licensee who is engaged in the practice of public accountancy outside the United States will not be subject to discipline by the board for departing, with respect to foreign practice, from any of the rules, so long as his/her conduct is in accordance with the standards of professional conduct applicable to the practice of public accountancy in the country in which s/he is practicing. However, even in this case, if a licensee's name is associated with financial statements in a manner as to imply that s/he is acting as an independent public accountant and under circumstances that would entitle the reader to assume that United States practices are followed, s/he will be expected to comply with 4 CSR 10-3.020(1) and (2).

(5) In the interpretation and enforcement of the Rules of Conduct, the board will give consideration, but not necessarily dispositive weight, to relevant interpretations, rulings and opinions issued by the boards of other jurisdictions, and by appropriately authorized committees on ethics of professional organizations.

AUTHORITY: section 326.170, RSMo (1986). Original rule filed July 3, 1975, effective Aug. 25, 1975. Amended: Filed Sept. 13, 1978, effective Jan. 13, 1979.*

**Original authority 1943, amended 1949, 1977, 1981.*

4 CSR 10-3.020 Independence, Integrity and Objectivity

PURPOSE: This rule sets forth the first of four ethical principles; a certified public accountant or public accountant or firm, partnership, limited liability company or professional corporation practicing public accounting in this state shall maintain his/her or its integrity and objectivity and, when engaged in the practice of public accounting, be independent of those s/he or it serves.

(1) A licensee shall not express an opinion on financial statements of an enterprise in a manner such as to imply that s/he or it is acting as an independent certified public accountant (C.P.A.) or public accountant (P.A.) with the enterprise unless s/he or it is independent with respect to that enterprise.

(A) Independence will be considered to be impaired if, for example, during the period of his/her or its professional engagement, or at

the time of expressing his/her or its opinion, the licensee—

1. Had or was committed to acquire any direct or material indirect financial interest in the enterprise; or was a trustee of any trust or executor or administrator of any estate if that trust or estate had or was committed to acquire any direct or material indirect financial interest in the enterprise;

2. Had any joint closely-held business investment with the enterprise or any officer, director or principal stockholder which was material in relation to the net worth of either the licensee or the enterprise; or

3. Had any loan to or from the enterprise or any officer, director or principal stockholder other than loans of the following kinds made by a financial institution under normal lending procedures, terms and requirements:

A. Loans obtained by the licensee which are not material in relation to the net worth of the borrower;

B. Home mortgages; and

C. Other secured loans, except those secured solely by a guarantee of the licensee.

(B) Independence will also be considered to be impaired if, during the period covered by the financial statements, during the period of the professional engagement or at the time of expressing an opinion the licensee—

1. Was connected with the enterprise as a promoter, underwriter or voting trustee, a director or officer, or in any capacity equivalent to that of a member of management or of an employee;

2. Was a trustee for any pension or profit sharing trust of the enterprise;

3. Received from the client or a third party, or had a commitment to receive from the client or a third party, with respect to services or products procured or to be procured by the client, a commission or referral fee as defined in 4 CSR 10-3.060; or

4. Had a commitment from the client for a contingent fee as defined in 4 CSR 10-2.005; provided, however, that this rule does not apply to professional services involving federal, state or other taxes in which the findings are those of the tax authorities and not those of the licensee, nor does it apply to professional services for which the fees are to be fixed by courts or other public authorities, and which are indeterminate in amount at the time the professional services are undertaken. The foregoing examples are not intended to be all-inclusive.

(2) A licensee, in the performance of professional services, shall not knowingly misrepresent facts, nor subordinate his/her or its judgment to others. This applies to all

services including those related to management and tax services. In tax practice, however, a licensee may resolve doubt in favor of his/her or its client as long as there is reasonable support for his/her or its position.

(3) A licensee shall not concurrently engage in the practice of public accountancy and in any other business or occupation which impairs his/her independence or objectivity in rendering professional services.

(4) In order to maintain the integrity of the public accounting profession and to maintain the professional trust and confidence of the consumers of Missouri and to further provide to the consuming public the highest possible quality of public accounting services, it shall be the obligation of any licensee to fully comply with the provisions of sections 326.055 and 326.210, RSMo any lawful rules promulgated pursuant to either of the previously mentioned sections and any order issued by the board pursuant to sections 326.055 and 326.210, RSMo.

(5) The provisions of this rule are declared severable. If any provision of this rule is held invalid by a court of competent jurisdiction, the remaining provisions of this rule shall remain in full force and effect, unless otherwise determined by a court of competent jurisdiction to be invalid.

AUTHORITY: section 326.110, RSMo (1994). Original rule filed July 3, 1975, effective Aug. 25, 1975. Rescinded and readopted: Filed Sept. 13, 1978, effective Jan. 13, 1979. Amended: Filed April 1, 1986, effective July 11, 1986. Amended: Filed Nov. 1, 1988, effective Feb. 11, 1989. Amended: Filed Sept. 25, 1991, effective March 9, 1992. Amended: Filed July 13, 1993, effective Jan. 31, 1994. Amended: Filed Oct. 13, 1993, effective May 9, 1994. Amended: Filed Jan. 26, 1995, effective July 30, 1995. Amended: Filed Sept. 26, 1995, effective April 30, 1996.*

**Original authority 1943, amended 1977, 1981, 1984, 1993, 1995.*

4 CSR 10-3.030 Competence and Technical Standards

PURPOSE: This rule sets forth the second of four ethical principles and is intended to help insure that a certified public accountant or public accountant

or firm, partnership, limited liability company or professional corporation practicing public accounting observes the profession's standards and strives continually to improve his/her or its competence and the quality of his/her or its service.

Editor's Note: The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive. The entire text of the material referenced has been filed with the secretary of state. This material may be found at the Office of the Secretary of State or at the headquarters of the agency and is available to any interested person at a cost established by state law.

(1) A licensee shall not undertake any engagement for the performance of professional services which s/he or it cannot reasonably expect to complete with due professional competence, including compliance, where applicable, with sections (2) and (3) of this rule.

(2) A licensee shall not permit his/her or its name to be associated with financial statements in a manner as to imply that s/he or it is acting as an independent public accountant with respect to the financial statements unless s/he or it has complied with applicable generally accepted auditing standards. Statements on auditing standards issued by the American Institute of Certified Public Accountants, and other pronouncements having similar generally recognized authority, are declared to be interpretations of generally accepted auditing standards. Even when these pronouncements are written in terms of "should," a licensee shall follow the pronouncements in every applicable instance as though they were written in mandatory language, except in those cases where a justifiable reason exists for a departure from the pronouncements and where the licensee states the reason for his/her or its departure from the pronouncements in his/her or its report on those financial statements.

(3) A licensee shall not express an opinion that financial statements are presented in conformity with generally accepted accounting principles if the financial statements contain any departure from the accounting principles which has a material effect on the financial statements taken as a whole, unless the licensee can demonstrate that by reason of unusual circumstances the financial statements would otherwise have been misleading. In this case, the licensee's report must describe the departure, the approximate

effects, if practicable, and the reasons why compliance with the principle would result in a misleading statement. For purposes of this rule, generally accepted accounting principles are declared to be pronouncements issued by the Financial Accounting Standards Board, the Governmental Accounting Standards Board and their predecessor entities and similar pronouncements issued by other entities having similar generally recognized authority. Even when these pronouncements are written in terms of "should," a licensee shall follow the pronouncements in every applicable instance as though the pronouncements were written in mandatory language, except in those cases outlined in this rule.

(4) A licensee, in the performance of professional services, shall not permit his/her or its name to be used in conjunction with any forecast of future transactions in a manner which may reasonably lead to the belief that the licensee vouches for the achievability of the forecast.

(5) A licensee, in the performance of consulting or management advisory services or accounting and review services, shall conform to the professional standards applicable to those services. For purposes of this rule, for consulting and management advisory services, the professional standards are considered to be defined by the Statement on Standards for Consulting Services issued by the American Institute of Certified Public Accountants, and for accounting and review services, the professional standards are considered to be defined by Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

AUTHORITY: section 326.110, RSMo (Cum. Supp. 1993). Original rule filed July 3, 1975, effective Aug. 25, 1975. Amended: Filed Sept. 13, 1978, effective Jan. 13, 1979. Amended: Filed June 13, 1984, effective Oct. 11, 1984. Amended: Filed June 2, 1986, effective Oct. 27, 1986. Amended: Filed Feb. 5, 1990, effective June 28, 1990. Amended: Filed Nov. 13, 1992, effective June 7, 1993. Amended: Filed Oct. 13, 1993, effective May 9, 1994.*

**Original authority 1943, amended 1977, 1981, 1984, 1993.*

4 CSR 10-3.040 Responsibilities to Clients

PURPOSE: This rule presents the third of four ethical principles and is intended to help insure that a certified public accountant or public accountant or firm, partnership, limited liability company or professional coporation practicing public accounting shall be fair and candid with his/her or its clients and serve them to the best of his/her or its ability with professional concern for their best interests consistent with his/her or its responsibilities to the public.

(1) Confidential Client Information.

(A) A licensee, without the consent of his/her or its client, shall not disclose any information pertaining to his/her or its client obtained in the course of performing professional services. This does not mean that the licensee should acquiesce in a client's unwillingness to make disclosures in financial reports which are necessary for fair presentation.

(B) This rule does not affect in any way a licensee's obligation to comply with a validly issued subpoena or summons enforceable by order of a court; prohibit disclosure in the course of a quality review of a licensee's professional services; or preclude a licensee from responding to any inquiry made by the board or any investigative or disciplinary body established by law or formally recognized by the board.

(C) Members of the board and professional practice reviewers shall not disclose any confidential client information which comes to their attention from licensees in disciplinary proceedings or otherwise in carrying out their responsibilities, except that they may furnish the information to an investigative or disciplinary body of the kind previously mentioned.

(2) Records. A licensee shall furnish to his/her or its client or former client, upon request made within a reasonable time after original issuance of the document in question, the records specified in the following subsections (2)(A)—(D):

(A) A copy of a tax return of the client;

(B) A copy of any report, or other document, issued by the licensee to or for the client;

(C) Any accounting or other records belonging to, or obtained from, or on behalf of, the client which the licensee removed from the client's account, but the licensee may make and retain copies of those docu-

ments when they form the basis for work done by him/her;

(D) A copy of the licensee's working papers, to the extent that the working papers include records which would ordinarily constitute part of the client's books and records and are not otherwise available to the client.

1. Examples of working papers which are considered to be client's records are:

A. Worksheets in lieu of books of original entry (for example, listings and disbursements on columnar working paper);

B. Worksheets in lieu of general ledger or subsidiary ledgers, such as accounts receivable, job cost and equipment ledgers or similar depreciation records;

C. All adjusting and closing journal entries and supporting details. If the supporting details are not fully set forth in the explanation of the journal entry, but are contained in analyses of accounts in the accountant's working papers, copies of the analyses must be furnished to the client; and

D. Consolidating or combining journal entries and worksheets and supporting detail used in arriving at final figures incorporated in an end product, such as financial statements or tax returns.

2. Any working papers developed by a licensee incident to the performance of the engagement which do not result in changes to the client's records or are not in themselves part of the records ordinarily maintained by the client are considered to be solely the accountant's working papers and are not the property of the client. For example:

A. The licensee may make extensive analyses of inventory or other accounts as a part of selective audit procedures. Even if these analyses have been prepared by client personnel at the request of the licensee, they nevertheless are considered to be part of the accountant's working papers; and

B. Only to the extent these analyses result in changes to the client's records is the licensee required to furnish the details from working papers in support of the journal entries recording the changes unless the journal entries themselves contain all necessary details; and

(E) Once the licensee has returned the client's records or provided the client with copies of the records, necessary supporting data, or both, the licensee has discharged the obligation in this regard and need not comply with any subsequent requests to again furnish the records.

AUTHORITY: section 326.110, RSMo (Cum. Supp. 1993). Original rule filed July 3, 1975, effective Aug. 25, 1975. Amended: Filed Sept. 13, 1978,*

effective Jan. 13, 1979. Amended: Filed Sept. 3, 1986, effective Jan. 30, 1987. Amended: Filed Oct. 22, 1987, effective March 25, 1988. Amended: Filed Nov. 1, 1988, effective Feb. 11, 1989. Amended: Filed Oct. 13, 1993, effective May 9, 1994.

**Original authority 1943, amended 1977, 1981, 1984, 1993.*

4 CSR 10-3.050 Responsibilities to Colleagues

(Rescinded January 13, 1979)

4 CSR 10-3.060 Other Responsibilities and Practices

PURPOSE: This rule sets forth the fourth of four ethical principles and is intended to help insure that a certified public accountant or public accountant or firm, partnership, limited liability company or professional corporation practicing public accounting shall conduct him/herself or itself in a manner which will enhance the stature of the profession and its ability to serve the public.

(1) A licensee shall not commit any act that reflects adversely on his/her or its fitness to engage in the practice of public accountancy.

(2) A licensee shall be determined to have committed an act which reflects adversely on his/her or its fitness to engage in the practice of public accountancy if s/he or it fails to comply with a rule adopted by the board for the purpose of implementing the provisions of sections 326.055 and 326.210, RSMo or with any order issued pursuant to either of the previously mentioned sections.

(3) A licensee shall not permit others to carry out on his/her or its behalf, either with or without compensation, acts which, if carried out by the licensee, would place him/her or it in violation of the Rules of Conduct.

(4) A licensee shall not use or participate in the use of any form of public communication having reference to his/her or its professional services which contains a false, fraudulent, misleading, deceptive or unfair statement or claim.

(5) A licensee, by any direct personal communication, shall not solicit an engagement to perform professional services if the communication would violate section (4) of this rule if it were a public communication, or by the use of coercion, duress, compulsion,

intimidation, threats, overreaching or vexatious or harassing conduct.

(6) A licensee shall not practice public accountancy under a firm name which is misleading in any way, as to the legal form of the firm, or as to the persons who are partners, members, managers, officers, directors or shareholders of the firm, partnership, limited liability company or professional corporation, as the case may be or as to any matter with respect to which public communications are restricted by section (4) of this rule. However, names of one (1) or more past partners, members or shareholders may be included in the firm name of a partnership, limited liability company, or professional corporation or its successor, and a partner surviving the death or withdrawal of all other partners may continue to practice under a partnership name for up to two (2) years after becoming a sole practitioner.

(7) A licensee, when requested, shall respond to communications from the board within thirty (30) days of mailing of these communications by registered or certified mail.

(8) A licensee has an obligation to assist other practitioners in complying with the code of professional responsibilities and shall assist the board and other appropriate disciplinary authorities in enforcing the statutes and all rules promulgated by the board.

(9) When testifying as an expert witness in a judicial proceeding or properly constituted inquiry, a licensee shall be candid even though his/her testimony may be damaging to another licensee.

(10) If a licensee lacks the expertise necessary to render to a client services which require highly specialized knowledge, the licensee should obtain assistance from another licensee or refer the engagement to another with the technical expertise for the engagement.

(11) No licensee (person, firm, partnership, limited liability company, professional corporation or other entity) engaged in the practice of public accounting, or offering to engage in the practice of public accounting, in this state shall pay a commission to a third party to obtain a client, nor shall any licensee, directly or indirectly, accept a commission for a referral to a client of products or services of others unless, prior to being engaged by such client, or making the referral for products or services of others, the licensee discloses to the client in writing the fact and the amount of any such commission(s). The term com-

mission shall include, but not be limited to, any fee, profit or other thing of value required or received for the rendering or selling of goods or services and any fee, profit or other thing of value required or received for referring a client to the products or services of others or any fee, profit or other thing of value paid to obtain a client. This rule does not apply to payments made where the payments are part of the employees' compensation or for the purchase of all, or a material part, of an accounting practice, or to retirement payments to persons formerly engaged in the practice of public accountancy.

(12) The provisions of this rule are declared severable. If any provision of this rule is held invalid by a court of competent jurisdiction, the remaining provisions of this rule shall remain in full force and effect, unless otherwise determined by a court of competent jurisdiction to be invalid.

*AUTHORITY: sections 326.110 and 326.170, RSMo (1994). * Original rule filed July 3, 1975, effective Aug. 25, 1975. Amended: Filed Sept. 13, 1978, effective Jan. 13, 1979. Amended: Filed Oct. 16, 1979, effective Feb. 11, 1980. Amended: Filed July 15, 1985, effective Dec. 12, 1985. Amended: Filed April 1, 1986, effective July 11, 1986. Amended: Filed Nov. 1, 1988, effective Feb. 11, 1989. Amended: Filed Oct. 13, 1993, effective May 9, 1994. Amended: Filed Oct. 13, 1995, effective April 30, 1996.*

**Original authority: 326.110, RSMo (1943), amended 1977, 1981, 1984, 1993, 1995 and 326.170, RSMo (1943), amended 1949, 1977, 1981.*

4 CSR 10-3.070 Applicability of Rules
(Rescinded January 13, 1979)