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American Institute of Accountants

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AMERICAN INSTITUTE
OF
ACCOUNTANTS

BY-LAWS
AND
RULES OF PROFESSIONAL CONDUCT

1946

13 EAST 41ST STREET
NEW YORK 17, N. Y.

BY-LAWS

OF THE

American Institute of Accountants

ARTICLE I

NAME AND PURPOSES

SECTION 1. The name of this organization shall be The American Institute of Accountants. Its objects shall be to unite the accountancy profession of the United States; to promote and maintain high professional and moral standards; to assist in the maintenance of high standards for the certified public accountant certificate in the several states; to safeguard the interests of public accountants; to advance the science of accountancy; to develop and improve accountancy education; to provide for the examination of candidates for membership; and to encourage cordial intercourse among accountants practising in the United States of America.

ARTICLE II

MEMBERSHIP

SECTION 1. The Institute shall consist of members and associates.

SEC. 2. Members shall be:

(a) Fellows of the American Association of Public Accountants at September 19, 1916, admitted to membership prior to November 1, 1916.

(b) Persons who shall qualify for examination and election as provided in section 4 of this article and shall be recommended by the board of examiners after examination and shall be elected by the council.

(c) Members of the American Society of Certified Public Accountants in good standing as of August 31, 1936, who shall elect to become members.

(d) Associates of the Institute in good standing as of August 31, 1936, who elect to become members.

SEC. 3. Associates shall be:

(a) Associate members of the American Association of Public Accountants at September 19, 1916, admitted as associates prior to November 1, 1916.

(b) Persons who shall qualify for examination and election as provided in section 5 of this article and shall be recommended by the board of examiners after examination and shall be elected by the council.

(c) Members of the American Society of Certified Public Accountants in good standing as of August 31, 1936, who shall elect to become associates.

SEC. 4. The following persons may qualify for examination and election as members of the Institute provided that they be not less than twenty-one years of age and shall present evidence of preliminary education satisfactory to the board of examiners:

(a) Associates who shall meet the requirements stated in the following paragraphs of this section.

(b) Accountants engaged in public practice, or accountancy instruction in schools recognized by the board of examiners, who shall have been in practice or in accountancy instruction for a period of not less than five years. The board shall satisfy itself in each case that the applicant's experience has been sufficiently continuous and of such a character as to warrant his admission to membership. The board may give credit in its discretion for accountancy work of an outstanding character which in its opinion is clearly equivalent to public practice.

(c) After January 1, 1936, no applicant shall be admitted as a member unless he holds a valid and unrevoked certified public accountant certificate issued by the legally constituted authorities of a state or territory of the United States of America or of the District of Columbia.

(d) Any associate engaged in public practice who shall have been in possession of a certified public accountant certificate for more than ten years and shall be eligible for advancement to membership shall automatically be advanced to membership.

SEC. 5. The following persons may qualify for examination and election as associates of the Institute, provided, that they shall be not less than twenty-one years of age and shall present evidence of preliminary education satisfactory to the board of examiners:

(a) Accountants who shall have been in practice on their own account or in the employ of a practicing public accountant for not less than two years, or shall have had experience which in the opinion of the board of examiners is equivalent to two years' public accounting practice, and at the date of application shall be engaged in work related to accounting.

(b) Accountants who shall have been engaged in accountancy instruction in schools recognized by the board of examiners for a period of not less than three years next preceding the date of application, provided

(c) After January 1, 1936, no applicant shall be admitted as an associate unless he holds a valid and unrevoked certified public accountant certificate issued by the legally constituted authorities of a state or territory of the United States of America or of the District of Columbia.

SEC. 6. All credits for education and experience shall be allotted by the board of examiners, and the board shall have discretion to determine whether or not any applicant's experience is of a nature satisfactory for purposes of these by-laws.

SEC. 7. Upon election each member or associate shall be entitled to a certificate setting forth that he is a member or an associate of the Institute, but no certificate shall be issued until receipt of initiation fee and dues for the current year. Certificates of membership shall be returned to the council upon suspension or termination of membership for any cause except death.

SEC. 8. Members of the Institute shall be entitled to describe themselves as Members of the American Institute of Accountants and associates as Associates of the American Institute of Accountants.

ARTICLE III

SECTION 1. The dues for each fiscal year shall include the cost of subscription to *The Journal of Accountancy* and the *Yearbook* of the Institute and shall be as follows:

By each member.....	\$25
By each associate who shall have been in possession of a certified public accountant certificate for less than five years.....	10
By each associate who shall have been in possession of a certified public accountant certificate for more than five years.....	15

SEC. 2. All dues shall be paid in advance and shall be apportioned in the first instance to the end of the fiscal year. No dues shall be paid by members and associates of the Institute while they are engaged in military or naval service of the United States or its allies during war. Members of the Institute who have reached advanced years may be excused from the payment of dues on the recommendation of the executive committee.

ARTICLE IV

VOTING

SECTION 1. Every member of the Institute shall be entitled to attend all meetings of the Institute and to cast a vote upon all questions brought before such meetings.

SEC. 2. Associates of the Institute shall not be entitled to vote, but may attend all meetings of the Institute and have the privilege of the floor in the discretion of the chair or of the meeting in session.

SEC. 3. Any member of the Institute may be represented at regular and special meetings of the Institute by another member acting as his proxy, provided, however:

(a) That no person shall act as a proxy for more than five members.

(b) That no proxy given shall confer power of substitution and that all proxies shall be valid only for the meeting for which specifically given.

ARTICLE V

TERMINATION OF MEMBERSHIP

SECTION 1. Resignations of members and associates may be offered in writing at any time and shall be effective on the date of acceptance. Action upon the resignation of a member or an associate in good standing shall be taken by the executive committee and, in the case of a member or an associate under charges, by the council.

SEC. 2. A member or an associate who

fails to pay his annual dues or any subscription, assessment or other obligation to the Institute within five months after such debt has become due shall automatically cease to be a member or an associate of the Institute, unless in the opinion of the executive committee it is not in the best interests of the profession that his membership be terminated in this way.

SEC. 3. (a) A member or an associate who shall resign while in good standing may be reinstated by the executive committee, provided the person applying shall submit with his application for reinstatement a reinstatement fee of \$5.

(b) The executive committee, in its discretion, may reinstate a member or an associate whose membership shall have been forfeited for non-payment of dues or other sums due by him to the Institute, provided the person applying shall submit with his application for reinstatement the amount of dues and assessments which would have been payable by him if he had not forfeited his membership, plus a reinstatement fee of \$5, the total amount payable in any case not to exceed \$30.

(c) No person shall be considered to have resigned while in good standing if at the time of his resignation he was in debt to the Institute for dues or other obligations. A member submitting his resignation after the beginning of the fiscal year, but before expiration of the time limit for payment of dues or other obligation, may attain good standing by paying dues prorated according to the portion of the fiscal year which has elapsed, provided obligations other than dues shall have been paid in full.

(d) A member or an associate who has resigned or forfeited his membership may not file a new application for admission but may apply for reinstatement under paragraphs (a) or (b) of this section.

SEC. 4. A member or an associate renders himself liable to expulsion or suspension by the council sitting as a trial board if

(a) he refuses or neglects to give effect to any decision of the Institute or of the council, or

(b) he infringes any of these by-laws or any of the rules of professional conduct as approved by the council of the Institute, or

(c) he is declared by a court of competent jurisdiction to have committed any fraud, or,

(d) he is held by the council to have been guilty of an act discreditable to the profession, or

(e) he is declared by any competent court to be insane or otherwise incompetent, or

(f) his certificate as a certified public accountant is revoked or withdrawn by the authority of any state or territory of the United States or of the District of Columbia, or

(g) his certificate as a certified public accountant shall have been revoked or withdrawn by the authority of any state or territory of the United States or of the District of Columbia and such revocation or withdrawal remains in effect.

SEC. 5. A member or an associate shall be expelled if the council sitting as a trial board finds by a majority vote of the members present and entitled to vote that he has been convicted of a felony or other crime or misdemeanor involving moral turpitude. If in such a case the conviction shall be reversed by a higher court, such member or associate may request reinstatement and such request shall be referred to the committee on professional ethics which, after investigating all related circumstances, shall report the matter to the council with the committee's recommendation, whereupon the council sitting as a trial board may by a majority vote of the members present and entitled to vote reinstate said member or associate.

ARTICLE VI

TRIALS AND PENALTIES

SECTION 1. Any complaint preferred against a member or an associate under section 4 of article V shall be submitted to the committee on professional ethics. If, upon consideration of a complaint, it appears to the committee that a prima-facie case is established showing a violation of any by-law or rule of conduct of the Institute or conduct discreditable to a public accountant, the committee on professional ethics shall report the matter to the executive committee, which shall summon the member or associate involved thereby to appear in answer at the next regular or special meeting of the council.

SEC. 2. If the committee on professional ethics shall dismiss any complaint preferred against a member or an associate, or shall

fail to act thereon within ninety days after such complaint is presented to it in writing, the member or associate preferring the complaint may present the complaint in writing to the council. The council shall make such investigation of the matter as it may deem necessary and shall either dismiss the complaint or refer it to the executive committee, which shall summon the member or associate involved thereby to appear in answer at the next regular or special meeting of the council.

SEC. 3. For the purpose of adjudicating charges against members or associates of the Institute as provided in the foregoing sections, the council shall convene as a trial board. Members of the committee on professional ethics shall not be entitled to vote as members of the trial board. The executive committee shall instruct the secretary to send due notice to the parties concerned at least thirty days prior to the proposed session. After hearing the evidence presented by the committee on professional ethics or other complainant and by the defense, the trial board by a two-thirds vote of the members present and entitled to vote may admonish or suspend for a period of not more than two years the member or associate against whom complaint is made or by a three-fourths vote of the members present and entitled to vote may expel the member or associate against whom complaint is made. A statement of the case and the decision of the trial board thereon, either with or without the name of the person involved, shall be prepared by the executive committee and published in *The Journal of Accountancy*.

SEC. 4. At any time after the publication in *The Journal of Accountancy* of a statement of the case and decision of the trial board thereon the council, sitting as a trial board, members of the committee on professional ethics not being entitled to vote, by a three-fourths vote of the members present and entitled to vote may recall, rescind or modify such expulsion or suspension.

ARTICLE VII

COUNCIL AND OFFICERS

SECTION 1. The governing body of the Institute shall be a council consisting of:

(a) Thirty-five members in practice, to be increased by the following method

to forty-eight members in practice, not more than six of whom shall be residents of the same state: At each of the annual meetings in 1940 and 1941, nine members in practice shall be elected for a term of three years or until their successors shall have been elected; thereafter, sixteen members in practice shall be elected at each annual meeting for a term of three years or until their successors shall have been elected; and

(b) The following officers of the Institute: a president, two vice presidents (both vice presidents shall not be residents of one state), and a treasurer, all of whom shall be members in practice and shall be elected at the annual meeting for a term of one year or until their successors shall have been elected, and

(c) All past presidents who are members of the Institute.

SEC. 2. The same person shall not hold the office of president for more than two successive years.

SEC. 3. The council shall elect a secretary of the Institute who shall act as an executive officer under the direction of the council. The secretary may be chosen from without the membership of the Institute, but he shall have the privilege of the floor at meetings of the Institute, the council and the executive committee.

SEC. 4. In the event of a vacancy or vacancies occurring between meetings of the Institute in the membership of the council or in any of the executive offices of the Institute, the council shall be empowered to elect a member or members to fill such vacancy or vacancies until the next annual meeting or until a successor or successors shall have been elected. Such election shall be by majority vote of the council and may take place at any regular or special meeting of the council or, in lieu of a meeting, nominations may be called for by the president and the names of the nominees submitted to the members of council for election by mail ballot. Vacancies in the membership of the council shall be filled at the next annual meeting by election by the Institute for the unexpired terms.

SEC. 5. Except in the case of past presidents the office of a member of council shall be rendered vacant by his absence from four consecutive meetings of the council.

ARTICLE VIII

DUTIES OF COUNCIL AND OFFICERS

SECTION 1. It shall be the duty of the president or, in his absence, of one of the vice presidents or other members of the council designated by the council to preside at all meetings of the Institute and of the council. The president shall call special meetings of the Institute or of the council when he deems it necessary, or when requested to do so by the executive committee, or upon the written request of at least one hundred members of the Institute for a meeting of the Institute, or of at least five members of the council for a meeting of the council. Special meetings of the Institute or of the council shall be held at places designated by the executive committee.

The duties of the vice presidents and the treasurer shall be those usually appertaining to their respective offices.

The secretary, in addition to performing the usual duties of his office, shall discharge such other duties as may be assigned to him by the council or by the executive committee. The secretary of the Institute shall be the secretary of all committees.

SEC. 2. It shall be the duty of the council to take control and management of all the property of the Institute, to elect or appoint such agents or employees as may be necessary for the proper conduct of the affairs of the Institute, to keep a record of its proceedings and to report to the Institute at each annual meeting. The council shall exercise all powers requisite for the purposes of the Institute.

SEC. 3. The council shall adopt an annual budget showing the money appropriated for the purposes of the Institute and estimating the revenue for the ensuing year. No debts shall be contracted nor money expended otherwise than as provided in the budget without the approval of a majority of the council. The council shall, at least three months prior to the annual meeting of the Institute, appoint certified public accountants to audit the accounts of the Institute and its affiliated organizations for the current fiscal year. The report of the auditors shall be submitted to the members of the Institute at the annual meeting and shall be published for the information of the membership.

SEC. 4. The council may, in its discretion,

delegate to the executive committee all functions of the council except the election of officers and members, the right to review the rules and regulations of the board of examiners, discipline of members, filling a vacancy in the executive committee and the adoption or alteration of a budget.

ARTICLE IX

COMMITTEES

SECTION 1. There shall be fifteen regular standing committees, namely:

EXECUTIVE
 PROFESSIONAL ETHICS
 ACCOUNTING PROCEDURE
 AUDITING PROCEDURE
 ARBITRATION
 BUDGET AND FINANCE
 BY-LAWS
 CREDENTIALS
 EDUCATION
 FEDERAL TAXATION
 MEETINGS
 NOMINATIONS
 PUBLICATION
 STATE LEGISLATION
 TERMINOLOGY

SEC. 2. (a) The executive committee shall consist of the president, two vice presidents and the treasurer of the Institute and seven other members of the council elected by the council. Four members of the committee shall constitute a quorum of the executive committee.

(b) The committee on professional ethics shall be elected by the council and shall consist of five members of the council not members of the executive committee.

(c) The committee on nominations shall consist of seven members. Two members of the committee shall be elected by the council from its membership at the meeting of council prior to the annual meeting of the Institute or at any adjournment thereof. Officers and other members of the council whose terms expire within one year shall not be elected to the committee on nominations. The five remaining members of the committee shall be elected by the Institute at the annual meeting and shall be members in practice who are not officers or members of the council. The member of the nominating committee first named by the council shall serve as temporary chairman of the committee until the committee

itself, by mail vote or at a duly called meeting, shall elect a permanent chairman.

(d) The committee on education shall consist of five members appointed by the president for a term of three years, except that, of the members first appointed, one shall serve for a term of one year, two for a term of two years, and two for a term of three years. Appointments to fill vacancies occurring before the end of a term shall be for the unexpired term only.

(e) All other standing committees shall be appointed by the president. The president shall also have power in his discretion to constitute and appoint special committees as occasion may arise.

(f) Except as provided above, all committees shall consist of a chairman and not less than two other members of the Institute and shall serve until the annual meeting of the Institute next following their election or appointment.

SEC. 3. The president of the Institute shall be ex officio a member of all committees.

SEC. 4. Except in the case of the executive committee a majority of each committee shall constitute a quorum for the transaction of business. All committees shall be subject to the call of their respective chairmen, but, in lieu of a meeting of a committee, the chairman may submit any question to the members of the committee for vote by mail, and any action approved in writing by not less than two-thirds of the whole committee shall be declared an act of the committee.

ARTICLE X

DUTIES OF COMMITTEES

SECTION 1. The duties of the various committees shall be as described in this article and, in addition, such other duties as are indicated by their respective titles.

SEC. 2. The executive committee shall administer the affairs of the Institute, supervise the finances and exercise such other powers as may be designated by the council. It shall keep minutes of its proceedings and shall report fully to the council at each meeting thereof.

No payments except for duly authorized salaries shall be made by the treasurer without the approval of the executive committee.

SEC. 3. The committee on professional

ethics shall perform the duties set forth in section 1 of article VI and may advise anyone applying to it as to whether or not a submitted action or state of facts warrants a complaint against a member or an associate of the Institute, provided, however, that if the committee finds itself unable to express an opinion, such inability shall not be construed as an endorsement of the action or state of facts.

SEC. 4. The committee on arbitration shall sit as a committee in equity to investigate and decide disputes between members or associates of the Institute or others which shall, by agreement of the parties, be submitted to the committee in due form. If the decision of the committee on arbitration in any dispute be rejected by any member or associate of the Institute, the matter shall be reported to the council, which may instruct the executive committee to prefer charges against the offending member or associate if it shall decide, by a two-thirds vote of members present, that the recommendation of the committee on arbitration should have been accepted.

SEC. 5. The committee on credentials shall convene immediately after the annual meeting of the Institute shall have been called to order and at any time during the meeting may register proxies submitted to it. Only proxies validated by this committee shall be entitled to vote.

SEC. 6. The committee on publication shall supervise *The Journal of Accountancy*.

ARTICLE XI

NOMINATION AND ELECTION OF OFFICERS AND MEMBERS OF COUNCIL

SECTION 1. (a) Nominations for officers and members of the council shall be made by the committee on nominations at least sixty days prior to the date of the annual meeting at which the elections are to take place. Notice of such nominations shall be mailed by the secretary to all members at least thirty days prior to the annual meeting.

Before making its nominations the committee on nominations shall send, at least four months prior to the date of the annual meeting, to all the members of the Institute in those states from which, in the opinion of the committee, members should be elected to the council in that

year, a questionnaire requesting the submission within thirty days of names of members resident in the state concerned for election to the council. Nominees for the council shall be selected by the committee on nominations from among the names submitted in response to this request by members of the Institute in the states entitled to representation.

(b) Any ten members of the Institute may submit independent nominations, provided that such nominations be filed with the secretary at least twenty days prior to the date of the annual meeting. Notice of such independent nominations shall be mailed by the secretary to all members at least ten days prior to the annual meeting.

(c) Nominations for officers and members of council may be made from the floor at the time of the annual meeting only by the consent of the majority of the members present in person.

SEC. 2. Election of officers and members of council shall be by ballot. The president shall appoint a chairman and two tellers, who shall receive and count the ballots cast for each officer and member of council and shall announce the result to the presiding officer. A majority of votes shall elect.

If there be no majority on the first ballot for any one or more officers or members of council, additional ballots shall be taken at once for the particular office or offices to which there shall have been no election until an election be effected.

SEC. 3. The members present at any election of officers and members of council, and eligible to vote in such election, may direct the secretary to cast a ballot for any nominee or nominees for such office or offices, and election by such ballot shall be valid and effective.

ARTICLE XII

EXAMINATIONS

SECTION 1. The examination of candidates for admission to the Institute shall be under the supervision of a board of examiners, which shall consist of nine members in practice, three of whom shall be elected each year by the council, at its first meeting after the annual meeting of the Institute, to serve for a term of three years.

SEC. 2. The board of examiners shall hold simultaneous examinations for candidates either annually or semiannually, as it may deem expedient at such places in different parts of the country as it may select, where candidates for admission may conveniently attend. Such examinations shall be oral or written or partly oral and partly written, and by this method or such other methods as may be adopted, the board of examiners shall determine the preliminary education and training and the technical qualifications of all candidates for admission before the applications shall be submitted to the council.

SEC. 3. The board of examiners shall organize by the election of a chairman and shall formulate the necessary rules and regulations for the conduct of its work, but all such rules and regulations may be amended, suspended or revoked by the council. The board may appoint duly qualified examiners to prepare examination questions and to grade the papers of applicants. Each applicant shall pay an examination fee, which shall be applied to the payment of expenses incident to examinations.

ARTICLE XIII

MEETINGS

SECTION 1. There shall be a regular meeting of the Institute during the period included within the months of September, October and November of each year on a date to be fixed by the executive committee. The fiscal year of the Institute shall end with the 31st day of August of each year.

SEC. 2. Special meetings of the Institute may be convened as provided in article VIII, section 1, at such places as the executive committee shall designate. No business shall be transacted at such meetings other than that for which the meetings shall have been convened.

SEC. 3. Notice of each meeting of the Institute, whether regular or special, shall be mailed to each member and associate of the Institute, at his last-known address, at least thirty days prior to the date of such meeting.

SEC. 4. In lieu of a special meeting, the Institute in meeting assembled may direct, or the council by a majority vote may direct, that the president submit any

question to the entire membership for a vote by mail, and any action approved in writing by not less than a majority of the members of the Institute shall be declared by the president an act of the Institute and shall be so recorded in its minutes. Mail ballots shall be valid and counted only if received within sixty days after date of mailing ballot forms from the office of the Institute.

SEC. 5. Regular meetings of council shall be held within three days prior to and two days subsequent to the annual meeting of the Institute, and in April or May, the dates of such meetings to be fixed by the executive committee.

SEC. 6. Special meetings of the council may be called as provided in article VIII, section 1, of these by-laws.

SEC. 7. Notice of each meeting of the council except the meeting subsequent to the date of the annual meeting of the Institute, shall be sent to each member of the council at his last-known address twenty-one days before such meeting. Such notice as far as practicable shall contain a statement of the business to be transacted.

SEC. 8. A transcript of the minutes of each meeting shall be forwarded to each member of the council within thirty days after such meeting.

SEC. 9. In lieu of a special meeting of the council the president may submit any question to the council for vote by mail and any action approved in writing by not less than two-thirds of the whole membership of the council shall be declared by the president an act of the council and shall be recorded in the minutes of the council.

SEC. 10. Fifty members of the Institute shall constitute a quorum for the transaction of any business duly presented at any meeting of the Institute. Twenty members of the council shall constitute a quorum of the council.

SEC. 11. The rules of parliamentary procedure contained in Robert's *Rules of Order* shall govern all meetings of the Institute and of the council.

ARTICLE XIV

ADVISORY COUNCIL

The Institute shall invite presidents of the recognized societies of certified public accountants in the several states and

territories of the United States of America and the District of Columbia to form an advisory council of state society presidents.

The advisory council shall at all times consist of the state society presidents then holding office in their respective societies, but if a member of the advisory council is unable to attend a meeting of the advisory council a member of his society may be designated by the society to represent him at the meeting.

At least once in each year the Institute shall convene the advisory council which shall choose its own chairman and secretary. A majority of the members of the advisory council shall constitute a quorum.

The advisory council shall consider matters submitted to it from time to time by the council of the Institute and in its discretion shall make recommendations to the council of the Institute. A full report of the transactions of the advisory council shall be submitted to the membership of the Institute at the same time as committee reports.

ARTICLE XV

AMENDMENTS

The secretary shall embody in the call for the annual meeting all proposals to amend the by-laws prepared by the committee on by-laws for submission to such meeting, and any other proposals to amend the by-laws of which he shall have had notice in writing signed by thirty or more members in good standing at least sixty days prior to the date of such meeting. All such proposals to amend the by-laws shall be presented for vote of the members at the annual meeting, and by consent of the majority of the members present in person other proposals to amend the by-laws which are made by members present in person at the meeting may be presented for vote of the members at any annual meeting. Any proposal to amend the by-laws, if approved by a two-thirds vote of the members present at such meeting in person or by proxy, shall be submitted to all of the members of the Institute for a vote by mail, and if approved in writing by a majority of the members of the Institute shall become effective as an amendment to the by-laws. Mail ballots shall be valid and counted only if received within sixty days after date of mailing ballot forms from the office of the Institute.

RULES OF PROFESSIONAL CONDUCT

As revised January 10, 1944

(These rules of conduct supplement the disciplinary clauses of the by-laws.)

(1) A firm or partnership, all the individual members of which are members of the Institute (or in part members and in part associates, provided all the members of the firm are either members or associates), may describe itself as "Members of the American Institute of Accountants," but a firm or partnership, not all the individual members of which are members of the Institute (or in part members and in part associates), or an individual practicing under a style denoting a partnership when in fact there be no partner or partners, or a corporation, or an individual or individuals practicing under a style denoting a corporate organization shall not use the designation "Members (or Associates) of the American Institute of Accountants."

(2) A member or an associate shall not allow any person to practice in his name who is not in partnership with him or in his employ.

(3) Commissions, brokerage or other participation in the fees or profits of professional work shall not be allowed directly or indirectly to the laity by a member or an associate.

Commissions, brokerage or other participation in the fees, charges or profits of work recommended or turned over to the laity as incident to services for clients shall not be accepted directly or indirectly by a member or an associate.

(4) A member or an associate shall not engage in any business or occupation conjointly with that of a public accountant, which is incompatible or inconsistent therewith.

(5) In expressing an opinion on representations in financial statements which he has examined, a member or an associate shall be held guilty of an act discreditable to the profession if:

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

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

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

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

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

(6) A member or an associate shall not sign a report purporting to express his opinion as the result of examination of financial statements unless they have been examined by him, a member or an employee of his firm, a member or an associate of the Institute, a member of a similar association in a foreign country, or a certified public accountant of a state or territory of the United States or the District of Columbia.

(7) A member or an associate shall not directly or indirectly solicit the clients or encroach upon the practice of another public accountant, but it is the right of any member or associate to give proper service and advice to those asking such service or advice.

(8) Direct or indirect offer of employment shall not be made by a member or an associate to an employee of another public accountant without first informing such accountant. This rule shall not be construed so as to inhibit negotiations with anyone who of his own initiative or in response to public advertisement shall apply to a member or an associate for employment.

(9) Professional service shall not be rendered or offered for a fee which shall be contingent upon the findings or results of such service. This rule does not apply to cases involving federal, state or other taxes, in which the findings are those of the tax authorities and not those of the

accountant. Fees to be fixed by courts or other public authorities, which are therefore of an indeterminate amount at the time when an engagement is undertaken, are not regarded as contingent fees within the meaning of this rule.

(10) A member or an associate shall not advertise his professional attainments or services. The publication of what is technically known as a card is restricted to an announcement of the name, title (member of American Institute of Accountants, CPA, or other professional affiliation or designation), class of service, and address of the person or firm, issued in connection with the announcement of change of address or personnel of firm, and shall not exceed two columns in width and three inches in depth if appearing in a newspaper, and not exceed one-quarter of a page if appearing in a magazine, directory, or similar publication.

(11) A member or an associate shall not be an officer, director, stockholder, representative or agent of any corporation engaged in the practice of public accounting in any state or territory of the United States or the District of Columbia.

(12) A member or an associate shall not permit his name to be used in conjunction with an estimate of earnings contingent upon future transactions in a manner which may lead to the belief that the member or associate vouches for the accuracy of the forecast.

(13) A member or an associate shall not express his opinion on financial state-

ments of any enterprise financed in whole or in part by public distribution of securities, if he owns or is committed to acquire a financial interest in the enterprise which is substantial either in relation to its capital or to his own personal fortune, or if a member of his immediate family owns or is committed to acquire a substantial interest in the enterprise. A member or an associate shall not express his opinion on financial statements which are used as a basis of credit if he owns or is committed to acquire a financial interest in the enterprise which is substantial either in relation to its capital or to his own personal fortune, or if a member of his immediate family owns or is committed to acquire a substantial interest in the enterprise, unless in his report he discloses such interest.

(14) A member or an associate shall not make a competitive bid for professional engagements in any state, territory or the District of Columbia, if such a bid would constitute a violation of any rule of the recognized society of certified public accountants or the official board of accountancy in that state, territory, or district.

(15) A member or an associate of the American Institute of Accountants engaged simultaneously in the practice of public accounting and in another occupation must in both capacities observe the by-laws and rules of professional conduct of the Institute.

(16) A member or an associate shall not violate the confidential relationship between himself and his client.