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Recommended Citation

American Institute of Certified Public Accountants (AICPA), "CPAs Approve FTC Agreement" (1988). *Guides, Handbooks and Manuals*. 889.

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AICPA NEWS

American Institute of Certified Public Accountants

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FOR IMMEDIATE RELEASE

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CPAs APPROVE FTC AGREEMENT

NEW YORK CITY, August 30 -- The governing Council of the American Institute of Certified Public Accountants (AICPA) voted today by a margin of 191 to 5 in Chicago to approve a recommendation of its Board of Directors that the Institute enter into an agreement with the Federal Trade Commission resolving an FTC investigation of the Institute's bans on commissions, contingent fees and several other activities.

The settlement which lawfully resolves the FTC inquiry which began in 1985 will result in several changes in the AICPA Code of Ethics. Under the agreement:

1. While the Institute retains its right to prohibit members from taking commissions or contingent fees from any clients for whom the CPA performs audit, review or compilation services, and examinations of prospective financial statements, it may no longer prohibit these practices with respect to clients for whom a member does not perform such services.

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2. The AICPA retains its right to require that members disclose to clients that they are accepting a referral fee or a commission for products or services of others referred to the client.
3. The rules which prohibit advertising or solicitation by false, misleading or deceptive statements remain in force, but certain interpretations under those rules relating to self-laudatory or comparative claims, testimonials and endorsements, and advertising that lacks professional dignity and good taste will be withdrawn.

Once signed by AICPA and by the FTC staff, the agreement will be submitted to the Commission for tentative approval, after which it will be open to public comment for sixty days. After that period, the Commission will decide whether to adopt the agreement finally as signed, or to modify it in some way.

According to A. Marvin Strait, Chairman of the AICPA Board of Directors, "We continue to believe that the accounting profession is different from other professions against whom the FTC has taken action. Our requirements of independence and objectivity are crucial to continued public confidence in our work. The agreement leaves untouched our ability to adopt reasonable rules prohibiting commissions and contingent fees in connection with clients for whom we do work that will be relied on by third parties."

"Throughout the 100 years of our existence," said Philip B. Chenok, AICPA President, "our members have practiced under ethical rules designed to serve the public interest. We are pleased to have the investigation behind us on terms that enable us to meet our public responsibilities. A key element of the agreement approved today allows us to require disclosure when a member accepts a commission."

The American Institute of CPAs is the national professional organization of CPAs with more than 272,000 members in public practice, industry, government and education. In its continuing efforts to serve the public interest, the organization sets auditing standards, upholds the profession's code of ethics, provides continuing professional education and prepares and grades the Uniform CPA examination.

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8/30/88