

Chapter 4-10

In final form,  
as approved by  
the Board.  
Loring J. Wilson  
5/21/62



BOARD OF ACCOUNTANCY  
of the  
STATE OF WASHINGTON

PROPOSED RULES OF PROFESSIONAL CONDUCT

.04.500. RULES OF PROFESSIONAL CONDUCT. PREAMBLE. The issuance of a certificate or permit to practice as a certified public accountant, licensed public accountant, or public accountant in the State of Washington implies that the holder thereof assumes an obligation to be diligent in the performance of professional services, and fair and honest in his relations with clients, fellow practitioners, and the public, and has a proper appreciation of his responsibilities to the community and the State. In recognition thereof the Board of Accountancy of the State of Washington, pursuant to authority granted by the Legislature of the State, has promulgated the rules of professional conduct set forth hereinafter. Wherever reference is made to a certified public accountant, licensed public accountant, or public accountant in these rules of professional conduct it shall also apply to a partnership or firm of certified public accountants, licensed public accountants, or public accountants.

.04.501. INTEGRITY AND DIGNITY IN THE PROFESSION. A certified public accountant, licensed public accountant, or public accountant shall at all times maintain a high standard of integrity and dignity in the profession of public accountancy.

.04.502. CONFORMANCE TO LAWS, RULES, AND REGULATIONS. A certified public accountant, licensed public accountant, or public accountant shall conform to the laws of the jurisdiction in which he may be engaged to practice, whether regularly or temporarily.

.04.503. INDEPENDENCE. Neither a certified public accountant, licensed public accountant, or public accountant, nor a firm of which he is a partner, shall express an opinion on financial statements of any enterprise unless he and his firm are in fact independent with respect to such enterprise. The determination of independence requires an assessment of the totality of the accountant's relationships with respect to such enterprise.

A certified public accountant, licensed public accountant, or public accountant will be considered not independent, for example, with respect to any enterprise if he, or one of his partners, (a) during the period of his professional engagement or at the time of expressing his opinion, had, or was committed to acquire, any direct financial interest or material indirect financial interest in the enterprise, or (b) during the period of his professional engagement, at the time of expressing his opinion or during the period covered by the financial statements, was connected with the enterprise as a promoter, underwriter, voting trustee, director, officer or key employee. In cases where a certified public accountant, licensed public accountant, or public accountant ceases to be the independent accountant for an enterprise and is subsequently called upon to re-express a previously expressed opinion on financial statements, the phrase "at the time of expressing his opinion" refers only to the time at which the certified public accountant, licensed public accountant, or public accountant first expressed his opinion on the financial statements in question. The word "director" is not intended to apply to a connection in such a capacity with a charitable, religious, civic or other similar type of non-profit organization when the duties performed in such a capacity are such as to make it clear that the certified public accountant, licensed public accountant, or public accountant can express an independent opinion on the financial statements. The example cited in this paragraph, of circumstances under which a certified public accountant, licensed public accountant, or public accountant will be considered not independent, is not intended to be all-inclusive. The effective date of this rule (.04.503) is January 1,

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.04.504. CONFIDENTIAL RELATIONSHIP. A certified public accountant, licensed public accountant, or public accountant shall not violate the confidential relationship between himself and his client or former client and no information obtained from a client in the course of employment shall be disclosed except with permission of the client or when required by judicial procedure.

.04.505. CONTINGENT FEE. 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.

.04.601. EXPRESSING OPINIONS. (a) Whenever a certified public accountant, licensed public accountant, or public accountant allows his name to be associated with financial statements he shall do one of the following:

- (1) Express an unqualified opinion;
- (2) Express a qualified opinion;
- (3) Express an adverse opinion;
- (4) Disclaim an opinion on the statements taken as a whole;
- (5) Disclose that the statements have been prepared without audit.

(b) In order to express an opinion a certified public accountant, licensed public accountant, or public accountant shall acquire, by the application of the necessary auditing procedures, in accordance with generally accepted auditing standards, sufficient information to warrant such opinion.

(c) If an unqualified opinion cannot be expressed a certified public accountant, licensed public accountant, or public accountant must determine the significance of the qualifications or exceptions; if they are not such as to require the disclaimer of an opinion, a properly qualified opinion may be expressed which shall:

- (1) Disclose any material fact known to him, the disclosure of which is necessary to make the financial statements not misleading;
- (2) Report any material mis-statement known to him to appear in the financial statements;
- (3) Direct attention to any material departure from generally accepted accounting principles;
- (4) Disclose any material change in the application of generally accepted accounting principles and the effect of such change;
- (5) Disclose any material omissions of generally accepted auditing procedures applicable in the circumstances.

(d) If the qualifications or exceptions are such as to negative an opinion on the statements taken as a whole, or if the examination has been less in scope than he considers necessary to express an opinion on such statements, a certified public accountant, licensed public accountant, or public accountant shall clearly disclaim an opinion or express an adverse opinion. He shall state that he is not in the position to express an opinion and shall indicate clearly his reasons therefor. However, to the extent that the scope of his examination and the findings thereof justify, he may comment as to compliance of the statements with generally accepted accounting principles and the consistent application thereof in respects other than those which require the disclaimer of an opinion on the over-all fairness of the financial statements. It is not sufficient to state merely that certain auditing



procedures were omitted or that certain departures from generally accepted accounting principles were noted without explaining their effect upon the opinion regarding the statements taken as a whole.

(e) A disclaimer of opinion should not be used to avoid the expression of an adverse opinion. If the certified public accountant, licensed public accountant, or public accountant has formed an opinion that the financial statements do not present fairly in accordance with generally accepted accounting principles what they purport to present, he should express an adverse opinion.

(f) It is incumbent upon the certified public accountant, licensed public accountant, or public accountant, not upon the reader of his report, to evaluate his qualifications and exceptions as they affect the significance of his examination and the over-all fairness of the financial statements.

(g) If financial statements are prepared without audit by a certified public accountant, licensed public accountant, or public accountant a notation such as "Prepared Without Audit" shall appear on each of the financial statements or in a letter attached thereto and referred to on such statements. This provision shall apply regardless of the kind of stationery on which such statements are presented.

(h) If financial statements are prepared without audit by a certified public accountant, licensed public accountant, or public accountant who has knowledge that the financial statements are false or misleading as a whole or in any significant respect he shall require adjustment of the accounts or adequate disclosure of the facts.

(i) When a certified public accountant, licensed public accountant, or public accountant performs material auditing procedures in connection with an examination, he shall not use the expression "prepared from the general records without audit" or other wording similar in intent or meaning; rather he shall use the expression "prepared from the general records after limited examination only" or other wording similar in intent or meaning, and he shall express or disclaim an opinion as provided in above paragraphs (a)(1), (a)(2), (a)(3), or (a)(4).

.04.602. USE OF NAME WITH ESTIMATE OF EARNINGS. A certified public accountant, licensed public accountant, or public accountant 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 certified public accountant, licensed public accountant, or public accountant vouches for the accuracy of the forecast.

.04.701. ADVERTISING. A certified public accountant, licensed public accountant, or public accountant shall not advertise his professional attainments or services.

A listing in a directory is restricted to the name, title, address and telephone number of the person or firm, and it shall not appear in a box, or other form of display or in a type or style which differentiates it from other listings in the same directory. Listing of the same name in more than one place in a classified directory is prohibited.

.04.702. SOLICITATION. A certified public accountant, licensed public accountant, or public accountant shall not directly or indirectly solicit clients.

.04.703. COMPETITIVE BIDDING. A certified public accountant, licensed public accountant, or public accountant shall not make a competitive bid for a professional engagement. Competitive bidding for public accounting services is not in the public interest, is a form of solicitation, and is unprofessional.

.04.704. FREE SPLITTING AND COMMISSIONS. 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 certified public accountant, licensed public accountant, or public accountant.

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 certified public accountant, licensed public accountant, or public accountant.

.04.801. USE OF NAME BY OTHERS. A certified public accountant, licensed public accountant, or public accountant shall not allow any person to practice in his name who is not in partnership with him or in his employ.

.04.802. EMPLOYEES' SERVICES. A certified public accountant, licensed public accountant, or public accountant in his practice of public accountancy shall not permit an employee to perform for the clients of the certified public accountant, licensed public accountant, or public accountant any services which the certified public accountant, licensed public accountant, or public accountant himself or his firm is not permitted to perform.

.04.803. INCOMPATIBLE OCCUPATION. A certified public accountant, licensed public accountant, or public accountant shall not engage conjointly in any business or occupation with that of the practice of public accountancy, which is incompatible or inconsistent therewith. The effective date of this rule (.04.803) is January 1, 1964.

.04.804. SIMULTANEOUS PRACTICE OF OTHER OCCUPATIONS. A certified public accountant, licensed public accountant, or public accountant engaged in an occupation in which he renders services of a type performed by certified public accountants, licensed public accountants, or public accountants, or renders other professional services, must observe the rules of professional conduct promulgated by the Board of Accountancy of the State of Washington in the conduct of that occupation.

.04.805. ENCROACHMENT. A certified public accountant, licensed public accountant, or public accountant shall not encroach upon the practice of another person who is a certified public accountant, licensed public accountant, or public accountant. A certified public accountant, licensed public accountant, or public accountant may furnish service to those who request it.

.04.806. ENGAGEMENTS REFERRED BY ANOTHER. A certified public accountant, licensed public accountant, or public accountant who receives an engagement for services by referral from another certified public accountant, licensed public accountant, or public accountant shall not extend his services beyond the specific engagement without consulting with the referring certified public accountant, licensed public accountant, or public accountant.

.04.807. OFFERS TO ANOTHER'S EMPLOYEES. Direct or indirect offer of employment shall not be made by a certified public accountant, licensed public accountant, or public accountant to an employee of another certified public accountant, licensed public accountant, or public accountant without first informing such certified public accountant, licensed public accountant, or public 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 certified public accountant, licensed public accountant, or public accountant for employment.

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May 21, 1962

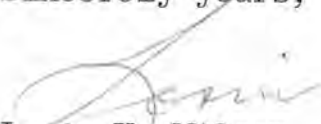
Mr. David Cummins,  
Assistant Attorney General,  
Temple of Justice Building,  
State Capital,  
Olympia, Washington.

Dear Dave:

There are enclosed three copies of our Rules of Professional Conduct in final form for filing with the Office of the Code Reviser. I would appreciate it if, in our behalf, you would have one copy officially filed with the Code Reviser. I would appreciate having the second copy show that the original has been filed with the Code Reviser and returned to us for our files. The third copy is for your files.

Thank you very much for your very valuable assistance with respect to these rules. Both on behalf of the Board and personally I want to express our deep appreciation for your interest in our affairs and the good work you have done for us.

Sincerely yours,

  
Lorin H. Wilson  
Chairman

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