



# Ethical Standards Board

## E- News Letter 2020-2021

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### COMPOSITION OF ETHICAL STANDARDS BOARD (ESB) 2020 - 21

CA. Kemisha Soni  
*Chairperson*

CA. Nandkishore Chidamber Hegde  
*Vice-Chairman*

CA. Atul Kumar Gupta  
*President (Ex-officio)*

CA. Nihar Niranjan Jambusaria  
*Vice-President (Ex-officio)*

CA. Jay Chhaira

CA. Prafulla Premeek Chhajer  
*Past President*

CA. Tarun Jamnadas Ghia

CA. Aniket Sunil Talati

CA. Babu Abraham Kallivayalil

CA. G. Sekar

CA. M P Vijay Kumar

CA. Ranjeet Kumar Agarwal

CA. Shriniwas Joshi

CA. Hans Raj Chugh

CA. Pramod Jain

CA. (Dr.) Sanjeev Kumar Singhal

CA. Charanjot Singh Nanda

CA. Dheeraj Kumar Khandelwal

Mrs. Ritika Bhatia

Shri Sunil Kanoria

Adv. Vijay Kumar Jhalani

Ms. Mahua Pal

### CO-OPTED MEMBERS

CA. Sanjiv Kumar Chaudhary

CA. Minesh Jain

CA. Pankaj Tyagi

CA. B.S. Yadav

CA. Shrikumar Banerjee

CA. Sunil Talati, Past President

CA. Rajiv Saldi

### SPECIAL INVITEES

CA. Maitreyee Roy

CA. Sunil Bajaj

### President's Message



**CA. Atul Kumar Gupta**  
President, ICAI

Ethics is the science of morals in human conduct and is of vital significance for regulation of the profession of Chartered Accountants, and relationship of Chartered Accountants with their clients, organizations, peers, various stakeholders and the public generally. It would be appropriate to say that ethics are the heart and soul of any profession. Ethical codes are the fundamental principles that Chartered Accountants choose to abide by to enhance their profession, maintain public trust and demonstrate honesty and fairness.

Chartered Accountants have the unique responsibility of providing clients with professional services while presenting a truthful and accurate assessment of a company's financial health to the general public. A distinguishing mark of the accountancy profession is the acceptance of its responsibility to the public. The accountancy profession's stakeholders, mainly Governments, banks and society at large, rely on the objectivity and integrity of a professional accountant and depend on the certifications done by Chartered Accountants to take important economic decisions. This reliance imposes a public interest responsibility on the accountancy profession. The Code of Ethics enables Chartered Accountants to meet their responsibilities vis-a-vis acting in the public interest.

The E-Newsletter is an important support in dissemination of ethics related updates. I am happy to note that Ethical Standards Board is releasing the first issue of quarterly E-newsletter for the year 2020-2021. I hope members will find contents of this E-Newsletter immensely informative and useful for their ethical requirements and understanding.

### Vice-President's Message



**CA. Nihar N. Jambusaria**  
Vice-President, ICAI

The Ethics in accountancy profession are invaluable to accounting professionals. The Code of Ethics sets out fundamental principles of ethics for Chartered Accountants reflecting the profession's recognition of its public interest responsibility. I am happy to note that the Ethical standards board is coming up with this quarterly e-newsletter, aiming to provide regular updates to the members on best practices and latest ethical issues. I hope this E-newsletter would prove to be immensely useful in broadening the knowledge base of the members on the professional ethics and of various initiatives of the Institute.

### Chairperson's Message



**CA. Kemisha Soni**  
Chairperson

It gives me great pleasure to present the first edition of quarterly E-Newsletter for the year 2020-21 of Ethical Standards Board. The newsletter disseminates knowledge on ethics and acts as informational tool to share recent developments with regards to initiatives that are taken by the Ethical Standards Board. We are sure that this edition of the E-newsletter and the successive editions will help the members to deliver the best, through their professionalism and credibility. We seek your support in strengthening the ethical requirements by being a part of this interactive medium of E-newsletter and sharing your experience, views and suggestions with us.

### Vice-Chairman's Message



**CA. Nandkishore Chidamber Hegde**  
Vice-Chairman

Dissemination of knowledge and updates on professional ethics through E-newsletter is a pro-active initiative of the Ethical Standards Board, and it gives me immense pleasure to be a part of it. This quarterly E-newsletter intends to present a brief of the recent initiatives taken by the Ethical Standards Board for the benefit of the members. It would include a range of features like amendments, recent decisions, programmes etc. I am sure that this edition of E-newsletter will really be appreciated by all the members.

# LATEST INSIGHTS IN ETHICS



## Release of revised Code of Ethics

The 12th revised edition of code of ethics has been issued on 1st July, 2020. This is the first edition of the Code of Ethics to be segregated into three Volumes - I, II and III. While Volumes I and II represent the revised counterparts respectively of Parts A and B of Code of Ethics, 2009, the Volume-III is the Case Laws Referencer. It is accessible on [www.icai.org](http://www.icai.org) at the following links :-

### **Code of Ethics Volume- I:**

<https://resource.cdn.icai.org/55133CodeofEthics-2019.pdf>

### **Code of Ethics Volume- II:**

<https://resource.cdn.icai.org/60018code-of-ethics-2020vol2.pdf>

### **Code of Ethics Volume- III:**

<https://resource.cdn.icai.org/59111esb48239.pdf>  
(Case Laws Referencer)

In terms of the decision taken at the 393rd Meeting of Council held on 30th June and 1st July, 2020, the revised Code of Ethics has been made applicable w.e.f 1st July, 2020. However, the following provisions of Volume-I of Code of Ethics, 2020 have been deferred till further notification :-

1. Responding to Non-Compliance of Laws and Regulations (NOCLAR)
2. [Sections 260 and 360]
3. Fees - Relative Size  
[Paragraphs 410.3 to R410.6]

4. Taxation Services to Audit Clients  
[Subsection 604]

With the exception of aforesaid provisions, all other provisions of revised Code of Ethics are applicable w.e.f 1st July, 2020.

## Launch of new website of Ethical Standards Board ([www.esb.icai.org](http://www.esb.icai.org))

Ethical Standards Board has launched new website [esb.icai.org](http://esb.icai.org) for the benefit of members. The new website contains many new features for better knowledge dissemination on professional ethics among the members. Members may send their queries through “Ethics Helpdesk.”

## Social Media Platform

Ethical Standards Board has presence on social Media platforms i.e., LinkedIn, Twitter, Facebook and Instagram. Creative for awareness of members on revised code of Ethics and other useful information are being issued on all these social media platforms. The objective behind this is to achieve optimum adoption and implementation of revised Code of Ethics by members.

## Faculty Developments Programmes

Ethical Standards Board has organized and planning to organize various Faculty Development programmes for the purpose of developing pool of trained faculty that may be utilized in making members aware on the provisions on revised Code of Ethics.

## E-learning

ICAI has introduced mandatory completion of 2 Structured CPE Hours on Code of Ethics to members from calendar year 2020 onwards through online/ virtual mode. To make the members aware about the provisions of Code of Ethics, the Ethical Standard Board has uploaded varied study material at ICAI's Digital Learning Hub (<https://learning.icai.org/elearning>), and is in the process of uploading more such material.

## E-book on Volume-I of Code of Ethics

Ethical Standard Board has issued e-book on Volume-I of Code of Ethics. The E-book is a web-based tool that delivers the Code of Ethics and related resources on a digital platform. Features of the E-book are such as bookmarking the content, add note to the content, advanced search option, highlighting the content/paragraph/word & as "export to pdf" etc. The e-book is accessible to member ICAI's Digital Learning Hub (<https://learning.icai.org/elearning>).

## Know Your Ethics

Ethical Standards Board has brought out a special ethical awareness column 'Know your Ethics' being published regularly in the CA Journal since September, 2009 which is accessible at <https://www.icai.org/post/know-your-ethics>.

## SOME SIGNIFICANT AMENDMENTS IN NEW EDITION OF CODE OF ETHICS

- Acknowledgement of the communication from retiring auditor's email address registered with the Institute or his last known official email address forms an additional proof of delivery
- "Acting as Insolvency Professional" in terms of Insolvency and Bankruptcy Code, 2016 and "Administrative Services" are new services being part

of Guidelines for Management Consultancy and Other Services

- Members to abstain from advertising their association with Coaching /teaching activities through hoardings, posters, banners and by any other means. Subject to the above prohibition, such members may put, outside their Coaching /teaching premises, sign board mentioning the name of Coaching/teaching Institute, contact details and subjects taught therein only. As regards the size and type of sign board, the Council Guidelines as applicable to Firms of Chartered Accountants would apply.
- Definition of "Write up" vide which services may be advertised to now include social Networking Websites also.
- Display of Passport style photograph (instead of Passport size photograph) is now permitted in write-up of services or website of the CA Firm.
- Write-up may now include mentioning position held as Director or Managing Director in a Management Consultancy Company registered with the Institute and Affiliation of the CA Firm with a Network registered with the Institute.
- It is not permissible for members to list themselves with online Application based service provider Aggregators, wherein other categories like businessmen, technicians, maintenance workers, event organizers etc. are also listed.
- The members are permitted to mention a title on their visiting cards to indicate membership of a foreign Institute of Accountancy, which has been recognised by the Council e.g. South African Institute of Chartered Accountants (SAICA), Institute of Certified Public Accountants (CPA Ireland) and Institute of Chartered Accountants in England and Wales (ICAEW).



# LEARNING SERIES

## Learning Series on Volume-I of Code of Ethics

**Q1.** What are the Fundamental Principles which a Professional Accountant is required to comply?

- A.** As per paragraph R110.2 of Volume-I of Code of Ethics, a professional accountant shall be required to comply with the following fundamental principles set out in paragraph 110.1 A1 :
- (a) Integrity
  - (b) Objectivity
  - (c) Professional Competence and Due Care
  - (d) Confidentiality
  - (e) Professional Behaviour

**Q2.** What are the threats involved while complying with the fundamental principles?

- A.** Following threats are involved while complying with the fundamental principles
- (a) Self-interest threats;
  - (b) Self-review threats;
  - (c) Advocacy threats;
  - (d) Familiarity threats;
  - (e) Intimidation threats.

**Q3.** What is the Conceptual Framework?

- A.** The conceptual framework specifies an approach for a professional accountant to:

Identify threats to compliance with the fundamental principles; Evaluate the threats identified; and

Address the threats by eliminating or reducing them to an acceptable level.

**Q4.** What is Independence?

- A.** Professional accountants in public practice are required by Independence Standards to be independent when performing audits, reviews, or other assurance engagements. Independence is linked to the fundamental principles of objectivity and integrity. It comprises:

Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.

Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm's or an audit or assurance team member's integrity, objectivity or professional skepticism has been compromised.

## Learning Series on Volume-II of Code of Ethics

**Q1.** Whether a member in practice is permitted to undertake the management of NRI funds?

- A.** No, the member is not permitted to undertake such assignment because the same is not covered under "Management Consultancy and Other Services" permitted to be rendered by the practicing members of the Institute.

**Q2.** Can a Chartered Accountant provide 'Portfolio Management Services' (PMS) as part of CA practice?

- A.** No, the Explanation to Clause (xix) of the definition of 'Management Consultancy and other Services' as appearing under section 2(2) (iv) of Chartered Accountants Act, 1949 in Volume-II of Code of Ethics, 2020 expressly bars the activities of broking, underwriting and Portfolio Management.

**Q3.** Whether a Chartered Accountant in practice is required to obtain any trade license for practicing?

- A.** No, a Chartered Accountant in practice is not required to obtain any trade license for practicing as a professional. From the stand-point of ICAI, the certificate of practice is the only requirement to practice as a Chartered Accountant. It may, however, be noted that a Government / specified Authority may stipulate additional requirement(s) like registration, and the members may need to comply with such requirement(s).

**Q4.** Can a Chartered Accountant in practice work as a 'Collection Agent/Recovery Agent'?

- A.** No, a Chartered Accountant in practice cannot work as a Collection Agent. However, he can act as a Recovery Consultant in the Banking Sector as provided in clause (xxv) of 'Management Consultancy and other Services', as appearing under section 2(2) (iv) of Chartered Accountants Act, 1949 in Volume-II of Code of Ethics, 2020

**Q5.** Whether a member not in practice can use any other description?

- A.** A member not in practice may use, as per the provisions of Section 7 of the Act, the designation of "chartered accountant". However, if he chooses to use the designation of "chartered accountant", he shall not use any other description, whether in addition, or in substitution thereof.

However, such a member is not prohibited from adding any other description or letters to his name, if entitled thereto, to indicate membership of such other Institute of accountancy, whether in India or elsewhere, as may be recognised in this behalf by the Council, or any other qualification that he may possess,