

6 min read

# The AICPA Code: An Overview

The American Institute of Certified Public Accountants is responsible for setting standards and establishing rules for the CPA profession. While AICPA membership isn't mandatory to practice as a CPA, it does distinguish its members by showing that they follow higher ethical and professional standards. An AICPA membership also lets CPAs update themselves with the latest developments in the accounting industry.

Members can access a network of more than 400,000+ CPAs who are willing to offer guidance regarding career advancement, changes, and other professional issues. The Code of Professional Conduct of the AICPA requires its members to adhere to high professional and ethical standards. In the next section, we'll look into the Code of Professional Conduct in greater detail.

## **The Code Is Constantly Updated**

The AICPA's Code of Professional Conduct was most recently updated on December 15, 2014. Pending, revised, and new interpretations were included in the new update along with other guidance information to reflect recent changes that took place in the accounting field. The new and updated interpretations include guidance for Hosting Services, information Systems Services, and a few other guidance updates, whereas the pending interpretation includes updates to the Information System Services guidance.

As the CPA profession becomes more dependent on technology, these interpretations can offer guidance to CPAs. It's important to review the updated guidance and interpretation annually, making sure that they're in compliance with the latest updates.

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## The Code Focuses on 6 Important Principles

The Principles of Professional Conduct have been written in the Preface section of the Code of Professional Conduct, which is applicable to every AICPA member. While there are many other principles, the Code holds these six to be the most basic codes of conduct. Members need to evaluate new situations constantly to ensure their behavior is not violating any ethical standards.

**1. Responsibilities** – All members are required to exercise professional and moral judgment while fulfilling their professional duties. They are required to always behave in line with their professional standards.

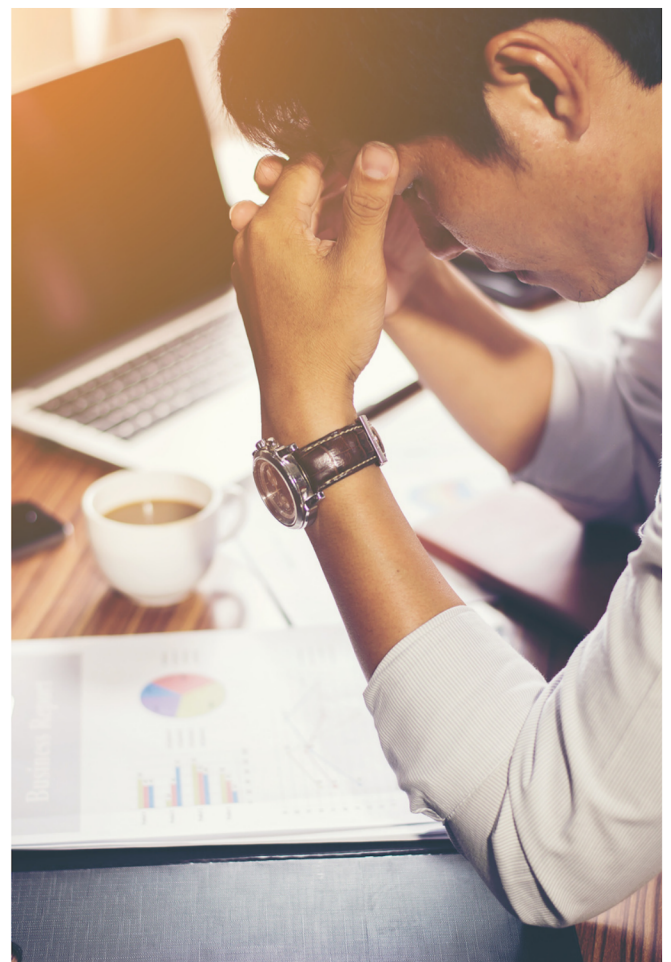
**2. Public Interest** – All members are required to only take those actions that sustain and build public trust. Here, the public refers to all clients, customers, and individuals who approach the CPA for their services. Sometimes, this may result in conflicting demands being made to them by different people. In such cases, the Code asks members to behave with integrity and do the right thing even when faced with severe opposition.

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**3. Integrity** – The Code defines integrity to mean being candid and honest while maintaining confidentiality. As per this principle, all professional duties need to be carried out with integrity, which maintains public trust. Integrity must always be considered as the benchmark while making decisions and taking action.

**4. Independence and Objectivity** – Members need to maintain a sense of independence in appearance and fact while offering their services. The objectivity principle requires members to carry out their professional duties without any conflict. Both of these principles are dependent on the other: independence allows professionals to negotiate with a sense of objectivity whereas objectivity deals with facing scenarios without any inner conflicts. Independence cannot exist without objectivity and vice-versa.

Members need to constantly evaluate their relationships and responsibilities to remain compliant with the highest independence and objectivity standards.



**5. Due Care** – All members are required to keep improving their internal ethical competence, which will help them make the right decisions. Due care refers to the constant pursuit of excellence when it comes to fulfilling professional responsibilities with competence. All members must take it upon themselves to ensure that their duties are being fulfilled without any compromise in their ethics.

**6. Nature and Scope of Services** – Before a client is brought on board, members must complete a self-evaluation check to ensure that they're capable of complying with the aforementioned professional standards while providing these services.

### **The Code Caters to Three Different Categories**

The AICPA Code of Professional Conduct has three parts that cover every role a CPA is likely to come across while practicing their profession. Members are required to determine the category they find themselves in and act in adherence to the rules of that category.

**1. Members in Business** - These are members who work on a volunteer or contractual basis as staff members or executives. This category also includes those in administrative, advisory, and governance roles in the industry, professional, regulatory, educational, and non-profit bodies, and the public sector. Do note that this isn't the same as members in public practice. Should a member be both in public practice and business simultaneously, they ought to consult the section reserved for members in 'public practice'.

**2. Members in Public Practice** – This category refers to professionals who offer their own or their firm's services to a client. Government auditors fall under this category as well, subject to certain criteria. This category is for members in 'public practice' and helps them adhere to the ethical standards laid out for this category.

**3. Other Members** – CPA professionals who aren't in business or public practice may consult this section to learn about the ethical standards expected of them.



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## It's Not the Only Code That CPAs Should Adhere To

While the AICPA Code of Professional Conduct is considered to be a general rule framework, there are many other governing bodies with similar guidance. All members are advised to first look at the ethical requirements listed by their state accountancy board and/or the state CPA society. Once the ethical guidelines from these bodies have been reviewed, the AICPA recommends reviewing the ethical guidelines issued by the following bodies:

- The Department of Labor (DOL)
- The Government Accountability Office (GAO)
- The Public Company Accounting Oversight Board (PCAOB)
- The Securities and Exchange Commission (SEC)
- Tax authorities at the local, state, and federal levels

Although it's not essential to hold an AICPA membership, it indicates to other professionals that you adhere higher ethical and professional standards. The Code of Professional Conduct can be reviewed in greater detail on the official AICPA site.

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