

public accountant's or public accountant's objectivity is impaired with respect to the client since the kinship is so close. In addition, financial interests held by close kin may result in an indirect financial interest being ascribed to the certified public accountant or public accountant.

c. The presumption that the appearance of independence is impaired would also prevail where a close kin has an important role or responsible executive position (e.g., director, chief executive or financial officer) with a client.

d. Geographical separation from the close kin and infrequent contact may mitigate such impairment except with respect to a partner working on the engagement or located in the office responsible for the engagement, a partner in the same office or one who maintained close personal relationships with partners working on the engagements, a partner who, as a result of the administrative or advisory positions, is involved in the engagement, or a staff member participating on the engagement or located in the office responsible for the engagement. If a certified public accountant or public accountant does not or could not reasonably be expected to have knowledge of the financial interests, investments and business relationships of close kin, such lack of knowledge would preclude an impairment of objectivity and appearance of independence.

3. Financial and business relationships that are not normally ascribed to the certified public accountant or public accountant. A presumption that the appearance of independence is impaired would not normally arise from the financial interests and business relationships of remote kin: uncles, aunts, cousins, nephews, nieces, other in-laws, and other kin who are not close. The financial interests and business relationships of these remote kin are not considered either direct or indirect interests ascribed to the certified public accountant or public accountant. However, the presumption of no impairment with remote kin would be negated if other factors indicating a closeness exist, such as living in the same household with the certified public accountant or public accountant, having financial ties, or jointly participating in other business enterprises.

4. Summary. Certified public accountants or public accountants must be aware that it is impossible to enumerate all circumstances wherein the appearance of independence might be questioned by third parties because of family relationships. In situations involving the assessment of relationships with both close and remote kin, certified public accountants or public accountants must consider whether geographical proximity, strength of personal and other business relationships and other factors—when viewed together with financial interests in question—would lead a reasonable observer to conclude that the specified relationships pose an unacceptable threat to the certified public accountant's or public accountant's objectivity and appearance of independence.

(e) Meaning of term "normal lending procedures, terms and requirements." Accy 1.101 (1) (a) 3 prohibits loans to a certified public accountant or public accountant from a client except for certain specified kinds of loans from a client financial institution when made under "normal lending procedures, terms and requirements." The certified public accountant or public accountant would meet the

criteria prescribed by this rule if the procedures, terms and requirements relating to the loan are reasonably comparable to those relating to loans of a similar character committed to other borrowers during the period in which the loan to the certified public accountant or public accountant is committed. Accordingly, in making such comparison and in evaluating whether the loan was made under "normal lending procedures, terms and requirements," the certified public accountant or public accountant should consider all the circumstances under which the loan was granted including

1. The amount of the loan in relation to the value of the collateral pledged as security and the credit standing of the certified public accountant or public accountant or his or her firm.

2. Repayment terms.

3. Interest rate, including "points."

4. Requirement to pay closing costs in accordance with the lender's usual practice.

5. General availability of such loans to the public.

6. Related prohibitions prescribed by certain state and federal agencies having regulatory authority over financial institutions.

History: Cr. Register, June, 1974, No. 222, eff. 7-1-74; cr. (2), Register, December, 1974, No. 228, eff. 1-1-75; cr. (2) (d), Register, February, 1976, No. 242, eff. 4-1-76; cr. (2) (e), Register, January, 1977, No. 253, eff. 3-1-77.

Accy 1.102 Integrity and objectivity. (1) No person licensed to practice as a certified public accountant, or public accountant, as defined in the statutes, shall knowingly misrepresent facts, and when engaged in the practice of public accounting, including the rendering of tax and management advisory services, shall not subordinate his judgment to others. In tax practice, a member may resolve doubt in favor of his client as long as there is reasonable support for his position.

History: Cr. Register, June, 1974, No. 222, eff. 7-1-74.

Accy 1.103 Disclosure of interest. As to disclosure of interest in corporation reported on, section 442.10, Wis. Stats., is controlling.

History: Cr. Register, June, 1974, No. 222, eff. 7-1-74.

SUBCHAPTER II, COMPETENCE AND TECHNICAL STANDARDS

Accy 1.201 Competence. (1) No person licensed to practice as a certified public accountant, or public accountant, as defined in the statutes, shall undertake any engagement which he or the partnership or firm with which he is associated cannot reasonably expect to complete with professional competence.

(2) Interpretations of Accy 1.201, not intended to be all-inclusive, are as follows:

(a) A certified public accountant or public accountant who accepts a professional engagement implies that he has the necessary competence to complete the engagement according to professional standards, applying his knowledge and skill with reasonable care and

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diligence, but he does not assume a responsibility for infallibility of knowledge or judgment.

(b) Competence in the practice of public accounting involves both the technical qualifications of the certified public accountant or public accountant and his staff and his ability to supervise and evaluate the quality of the work performed. Competence relates both to knowledge of the profession's standards, techniques and the technical subject matter involved, and to the capability to exercise sound judgment in applying such knowledge to each engagement.

(c) The certified public accountant or public accountant may have the knowledge required to complete an engagement professionally before undertaking it. In many cases, however, additional research or consultation with others may be necessary during the course of the engagement. This does not ordinarily represent a lack of competence, but rather is a normal part of the professional conduct of an engagement.

(d) However, if a certified public accountant or public accountant is unable to gain sufficient competence through these means, he should suggest, in fairness to his client and the public, the engagement of someone competent to perform the needed service, either independently or as an associate.

History: Cr. Register, June, 1974, No. 222, eff. 7-1-74; cr. (2), Register, December, 1974, No. 228, eff. 1-1-75.

Accy 1.202 Auditing standards. (1) No person licensed to practice as a certified public accountant, or public accountant, as defined in the statutes, shall permit his name to be associated with financial statements in such a manner as to imply that he is acting as an independent public accountant, unless he has complied with the applicable generally accepted auditing standards as promulgated by the American institute of certified public accountants. Statements on