



Professional Ethics Division

Revised interpretations related to
Officers, Directors, and
Beneficial Owners

ET sec. 1.000.010, 1.120.010, and 1.285.010

Effective December 31, 2022

Standards-setting

August 2022

Ethics interpretations and other guidance are promulgated by the executive committee of the Professional Ethics Division to provide guidelines about the scope and application of the rules but are not intended to limit such scope or application. Publication in the *Journal of Accountancy* constitutes notice to members.

The Professional Ethics Executive Committee adopted revisions to three interpretations (ET secs. 1.000.001, 1.120.010, and 1.285.010) at its August 2022 meeting.

Notice of the revisions will appear in the *Journal of Accountancy* online in November 2022. The revisions are effective December 31, 2022, and early implementation is allowed.

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Additions appear in ***boldface italic***. Deletions appear in ~~strikethrough~~.

Terms defined in the AICPA Code of Professional Conduct are italicized in this document. If you'd like to see the definitions, you can find them in "Definitions" ([ET sec. 0.400](#)).

1.000.010 Conceptual Framework for Members in Public Practice

[Paragraphs .01 – .10 are unchanged.]

- .11 Advocacy threat. The *threat* that a *member* will promote a *client's* interests or position to the point that his or her objectivity or *independence* is compromised. Examples of advocacy threats include the following:
- a. A *member* provides forensic accounting services to a *client* in litigation or *in* a dispute with third parties.
 - b. A *firm* acts as an investment adviser for an officer ~~or, a director~~ ***of a client with the ability to affect decision-making***, or a ~~10 percent shareholder of a client~~ ***an individual with a beneficial ownership interest (known through reasonable inquiry) that gives the individual significant influence over the client.***
 - c. A *firm* underwrites or promotes a *client's* shares.
 - d. A *firm* acts as a registered agent for a *client*.
 - e. A *member* endorses a *client's* services or products.
- .12 Familiarity threat. The *threat* that, due to long or close relationship with a *client*, a *member* will become too sympathetic to the *client's* interests or too accepting of the *client's* work or product. Examples of familiarity threats include the following:
- a. A *member's* immediate family or close relative is employed by the *client*.
 - b. A *member's* close friend is employed by the *client*.
 - c. A former *partner* or professional employee joins the *client* in a *key position* and has knowledge of the *firm's* policies and practices for the *professional services* engagement.
 - d. Senior personnel have a long association with a *client*.

- e. A *member* has a significant close business relationship with an officer ~~or~~ a director **of a client with the ability to affect decision-making**, or a 10 percent shareholder of a client **an individual with a beneficial ownership interest (known through reasonable inquiry) that gives the individual significant influence over the client.**

[Paragraphs .13–.24 are unchanged.]

[See [Revision History Table.](#)]

1.120.010 Offering or Accepting Gifts or Entertainment

.01 For purposes of this interpretation, a client includes the *client*, an individual in a *key position* with the *client*, or an individual ~~owning 10 percent or more of the client's outstanding equity securities or other ownership interests~~ **with a beneficial ownership interest (*known through reasonable inquiry*) that gives the individual significant influence over the client.**

[Paragraphs .02–.06 are unchanged.]

[See [Revision History Table](#).]

1.285.010 Offering or Accepting Gifts or Entertainment

.01 For purposes of this interpretation, the *attest client* also includes an individual in a *key position* with the *attest client* ~~and/or an~~ individuals owning 10 percent or more of the attest client's outstanding equity securities or other ownership interests **with a beneficial ownership interest (known through reasonable inquiry) that gives the individual significant influence over the attest client.**

[Paragraphs .02–.06 are unchanged.]

[See [Revision History Table](#).]



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