

MINNESOTA CODE OF AGENCY RULES

RULES OF THE BOARD OF ACCOUNTANCY

1982 Reprint



All rules as in effect on September 15, 1982

Prepared by

THE OFFICE OF REVISOR OF STATUTES
Room 3, State Capitol, St. Paul, Minnesota 55155

Distributed by

STATE REGISTER AND PUBLIC DOCUMENTS DIVISION
DEPARTMENT OF ADMINISTRATION
117 University Avenue, St. Paul, Minnesota 55155

BOARD OF ACCOUNTANCY

Chapter One: Definitions and General

4 MCAR S 6.001	Board.
4 MCAR S 6.002	CPA.
4 MCAR S 6.003	LPA.
4 MCAR S 6.004	Certificate.
4 MCAR S 6.005	Person.
4 MCAR S 6.006	In public practice and rendering professional service.
4 MCAR S 6.007	Contested case.
4 MCAR S 6.008	Party.
4 MCAR S 6.009	License.
4 MCAR S 6.010	
4 MCAR S 6.011	
4 MCAR S 6.012	Service.
4 MCAR S 6.018	Interpretation.
4 MCAR S 6.019	

Chapter Three: Board; Duties; Officers; Examination

4 MCAR S 6.030

Chapter Four: Certificate; Qualifications of Accountant

4 MCAR S 6.040	
4 MCAR S 6.041	
4 MCAR S 6.042	Personal appearance.
4 MCAR S 6.043	Examinations for CPA applicants.
4 MCAR S 6.044	Re-examinations for CPA applicants.
4 MCAR S 6.045	Examination in other states for CPA applicants.
4 MCAR S 6.046	Education for CPA applicants.

Chapter Five: Certificate Without Examination

4 MCAR S 6.050	Reciprocity.
4 MCAR S 6.051	Foreign certificate and degree holders.
4 MCAR S 6.052	Personal appearance.
4 MCAR S 6.053	

Chapter Six: Qualifying Experience for CPA Examination and Granting of License for Certified Public Accountant and Licensed Public Accountant

4 MCAR S 6.060	
4 MCAR S 6.061	Experience recognized by the board.
4 MCAR S 6.062	Part-time work in public accounting.
4 MCAR S 6.063	Qualifying governmental accounting experience.

Chapter Seven: Licensure as Certified Public
Accountants or Licensed Public Accountants

- 4 MCAR S 6.070
- 4 MCAR S 6.071
- 4 MCAR S 6.072
- 4 MCAR S 6.073
- 4 MCAR S 6.074
- 4 MCAR S 6.075

Chapter Eight: Licensure of Partnerships

- 4 MCAR S 6.080
- 4 MCAR S 6.081
- 4 MCAR S 6.082
- 4 MCAR S 6.083

Chapter Eleven: Fee for License and Renewal

- 4 MCAR S 6.110
- 4 MCAR S 6.111
- 4 MCAR S 6.112

Chapter Twelve: Annual License Fee

- 4 MCAR S 6.120
- 4 MCAR S 6.121

Chapter Fourteen: Revocation or Suspension; Reinstatement

- 4 MCAR S 6.140
- 4 MCAR S 6.141

Chapter Fifteen: Code of Professional Conduct

- 4 MCAR S 6.150
- 4 MCAR S 6.151

Chapter Sixteen: Continuing Education

- 4 MCAR S 6.160 Continuing education rules.

Chapter Twenty: Professional Corporations

4 MCAR S 6.200

4 MCAR S 6.200

4 MCAR S 6.201

4 MCAR S 6.202

First annual report.

4 MCAR S 6.203

4 MCAR S 6.204

4 MCAR S 6.205

Chapter Twenty One: Contested Cases

4 MCAR S 6.210

Chapter One: Definitions and General
4 MCAR SS 6.001-6.019

4 MCAR S 6.001 Board. Board means the Minnesota State Board of Accountancy.

4 MCAR S 6.002 CPA. CPA means certified public accountant.

4 MCAR S 6.003 LPA. LPA means licensed public accountant.

4 MCAR S 6.004 Certificate. Certificate means a certificate for a CPA or LPA issued by the board.

4 MCAR S 6.005 Person. Person means any individual, partnership, corporation, joint stock company, unincorporated association or society, municipal corporation, or any government or governmental subdivision, unit or agency, other than a court of law.

4 MCAR S 6.006 In public practice and rendering professional service. In public practice and rendering professional service mean:

A. When used in reference to a CPA or LPA, that he individually or as an employer performs professional accounting services for a fee within this state.

B. When used in reference to a CPA partnership or LPA partnership, that it performs professional accounting services for a fee within this state.

C. When used in reference to a CPA corporation or LPA corporation, that it performs professional accounting services for a fee within this state.

4 MCAR S 6.007 Contested case. Contested case means a proceeding before the board in which the legal rights, duties or privileges of specific parties are required by law or constitutional right to be determined after a board hearing.

4 MCAR S 6.008 Party. Party means any person whose legal rights, duties or privileges may be determined in a contested case. The term party shall include the board except when the board participates in the contested case in a neutral or quasi-judicial capacity only.

4 MCAR S 6.009 License. License means a license for a certified

widow

public accountant or licensed public accountant issued by the board.

4 MCAR S 6.010 References to the accountancy board of another state shall include appropriate boards of the territories of the United States and the District of Columbia.

4 MCAR S 6.011 All communications should be addressed to "Secretary of the Minnesota State Board of Accountancy."

4 MCAR S 6.012 Service. When required by Chapters One through Thirty-Nine of these rules service shall be by first class United States mail, postage prepaid and addressed to the person at his last known address, unless some other manner of service is required by law.

4 MCAR SS 6.013-6.017 Reserved for future use.

4 MCAR S 6.018 Interpretation. Except as otherwise specifically provided herein, these rules shall be interpreted in accordance with the provisions of Minnesota Statutes, chapter 645 (1974).

4 MCAR S 6.019 Nothing contained in these rules shall be deemed to prohibit or limit in any way the exercise by the board of powers granted to it by Minnesota Statutes, sections 319A.01 to 319A.22, sections 326.17 to 326.23, section 326.53 and sections 214.001 to 214.12.

Chapter Two: Board of Accountancy.
4 MCAR SS 6.020-6.029

4 MCAR SS 6.020-6.029 Reserved for future use.

Chapter Three: Board; Duties; Officers; Examination
4 MCAR SS 6.030-6.039

4 MCAR S 6.030. All rules of the board shall be adopted in the manner prescribed by Minnesota Statutes, chapter 15, and the rule hearing procedures of the State Office of Hearing Examiners.

4 MCAR SS 6.031-6.039 Reserved for Future Use.

Chapter Four: Certificate; Qualifications
of Accountant (4 MCAR SS 6.040-6.049)
Certificate; To Whom Granted
Certificate; Examination

006457
4 MCAR S 6.040 The following requirements are to be observed in submitting applications to the board for examination and re-examination for the certificate as certified public accountant and reciprocal certificate as certified public accountant:

A. Such applications must be submitted on a form provided by the board and in the case of a non-resident supported by a statement of the applicant's need for a Minnesota certificate.

B. Such applications must be accompanied by the appropriate fee as hereinafter provided in the form of money order or check payable to "Treasurer, State of Minnesota".

C. Applications for CPA examination or re-examination not reaching the board 60 or more days prior to the initial examination date may, at the board's discretion, be deferred for consideration for a subsequent examination.

4 MCAR S 6.041 An application for CPA examination or reexamination shall expire five years from the date of the board's approval to sit for the initial examination. Once expired, the board may refuse to consider a new application or may require the applicant to be re-examined in all subjects.

4 MCAR S 6.042 Personal appearance. Applicant, when requested, must appear before the board to answer any questions or produce any evidence to sustain such facts as may be necessary to determine his qualifications as prescribed by the law and rules of the board.

4 MCAR S 6.043 Examinations for CPA applicants.

A. The examination shall consist of written tests provided by the examination service of the American Institute of Certified Public Accountants which presently include auditing, commercial law, accounting theory and accounting practice. The dates of examination are those selected by the Institute and correspond with the dates of the examination in the other states. In addition, an oral examination and attendance at a lecture or discussion session, may be required covering questions on professional qualifications, experience, general knowledge relating to accountancy, fitness as an accountant and professional ethics.

B. Ample notice will be given to each applicant of the time and place selected for holding the examination, and each

applicant must be present and prepared to engage in the work promptly at the hours appointed. An applicant who is unable to be present must notify the board as soon as reasonably possible. Failure to do so will be considered, at the discretion of the board, just cause for exclusion and forfeiture of the amount of the fee. An applicant who is unable to be present at the examination for which his application was approved shall notify the board at least 60 days prior to a subsequent examination to which he desires to be admitted and furnish current information on forms provided by the board. Cheating on the examination is conduct unbecoming to a professional person and upon discovery will incur severe penalties. Instances of cheating during the course of the examination may include, but shall not be limited to:

1. Communications between candidates inside or outside of the examination room, or copying another's answers.
2. Communication with others outside of the examination room.
3. Substitution by a candidate of another person to sit in the examination room in his stead and write one or more of the examination papers for him.
4. Use of crib sheets, notes or other unauthorized materials.

Penalties imposed for cheating may include the following: Grade of zero on the examination, immediate expulsion from the examination room, and temporary or permanent suspension of the candidate's right to take the examination again.

C. To pass an examination an applicant must receive a grade of at least seventy-five percent (75%) in each of the subjects covered by the examination.

D. A written examination on professional ethics is required before issuance of a certificate. A grade of at least seventy-five (75%) is required to pass this examination.

E. Where an applicant has passed the examination, a certificate as certified public accountant shall be issued to him without an additional fee. Such certificate shall indicate that this certificate is not a license to practice.

4 MCAR S 6.044 Re-examinations for CPA applicants.

A. An applicant who fails all subjects shall not be allowed to sit for re-examination at the next examination and must show proof of furtherstudy in order to sit for subsequent examinations.

B. An applicant having passed two of the subjects given in the written examination and received no grade less than 50 in

the subjects failed, shall be re-examined only in the subjects in which he failed.

C. An applicant having passed three of the subjects shall be re-examined only in the subject in which he failed.

D. An applicant for re-examination pursuant to 4 MCAR S 6.044 B. must pass the remaining subjects within the next five examinations given by the board or be re-examined in all subjects.

E. An applicant for re-examination must apply for re-examination in all failed subjects.

4 MCAR S 6.045 Examination in other states for CPA applicants.

A. An applicant required to be temporarily out of the state on the date of the examination, may request the Minnesota board to arrange to have his examination monitored by the Accountancy Board of another state.

B. An applicant who has passed two or more parts of the uniform examination under the jurisdiction of the Accountancy Board of another state may request that the board recognize and adopt said passing grades. The request shall be granted if, in the opinion of the board, the applicant satisfied all of the qualifications which would have been required had he made application to the board on the date of his original application to the other Accountancy Board.

4 MCAR S 6.046 Education for CPA applicants.

A. An applicant must be a graduate of an accredited high school or possess an equivalent education. At the discretion of the board, an applicant not graduated from high school may be required to take the prescribed high school equivalency test given by the University of Minnesota.

B. The following credits from an accredited college or university will constitute a major in accounting:

	Semester Hours	Quarter Hours
1. Accounting* and business law	24	36
2. Business (may include accounting and business law not listed in 1. above)**	24	36
3. Non-business	48	72
4. Business or non-business	24	36
Total	120	180

* Includes financial, managerial, taxation, auditing, data processing, etc.

** Economics and mathematics may be classified as business or non-business. Not all courses of one discipline need be placed in the same category.

C. Applicants who are currently registered in their final quarter or semester preceding graduation and who at that graduation will be receiving a baccalaureate degree with a major in accounting or a higher accounting degree will be permitted to sit for the examination. They will be considered for this purpose as having attained the degree and will qualify in the category of the degree to be attained. The applicant must submit an official transcript from the college he is attending and a statement by the college or university that he is enrolled in his final quarter or semester. A final official transcript showing degree and date awarded must be submitted to the board before the examination grades are released to the candidate.

4 MCAR SS 6.047-6.049 Reserved for future use.

Chapter Five: Certificate without Examination
(4 MCAR SS 6.050-6.059)

4 MCAR S 6.050 Reciprocity. Ordinarily a reciprocal CPA certificate will not be granted unless the state of origin grants similar privileges to holders of Minnesota certificates, and the applicant conforms to all requirements which would be imposed by the state of origin upon the holder of a Minnesota CPA certificate seeking reciprocal recognition in that jurisdiction.

4 MCAR S 6.051 Foreign certificate and degree holders. An individual who holds a certificate or degree of CPA, or chartered accountant, or the equivalent thereof, issued by a foreign government or recognized authority therein, will not be eligible to have the examination waived unless he meets all the requirements set forth in Minnesota Statutes, section 326.19, subdivision 3 and 4 MCAR S 6.050 for a CPA of another state, and in addition, demonstrates to the satisfaction of the board a fluency of language and a familiarity with accounting, auditing and business practice in the United States which will enable him to perform with the competence and insight of a person permitted to style himself a CPA.

4 MCAR S 6.052 Personal appearance. Whenever the board cannot determine from documents presented to it whether an individual possesses the qualifications prescribed by law and these rules as necessary to permit waiver of the examination, the board may require the individual to appear personally to answer questions and present evidence which will permit the board to determine his qualifications.

4 MCAR S 6.053 Application for a reciprocal CPA certificate must be supported by a statement of the applicant's need for a Minnesota certificate.

4 MCAR SS 6.054-6.059 Reserved for future use.

Chapter Six: Qualifying Experience for CPA
Examination and Granting of License for Certified
Public Accountant and Licensed Public Accountant
(4 MCAR SS 6.060-6.069)

4 MCAR S 6.060 It is the intent of this requirement that the applicant should have had practical public accounting experience of reasonable variety and importance, requiring independent thought and judgment on important accounting, auditing and income tax matters, consistent with the competence generally expected of a certified public accountant or licensed public accountant.

4 MCAR S 6.061 Experience recognized by the board. Experience recognized by the board will ordinarily be measured on the basis of calendar months and days worked by the applicant as a full time employee on the staff of a certified public accountant or public accountant.

4 MCAR S 6.062 Part-time work in public accounting. Part-time work in public accounting (regularly less than five working days per week, or less than a normal working day) will not be recognized unless unusual circumstances and conditions of such part-time employment or practice justify recognition as qualifying experience. Credit for recognized part-time work will be allowed in proportion to normal working time.

4 MCAR S 6.063 Qualifying governmental accounting experience. Qualifying governmental accounting experience may have been gained through employment in one or more of the following capacities:

A. As an examiner or supervising examiner in the Office of Legislative Auditor or state auditor of the state of Minnesota, or in substantially identical offices of other governmental bodies, engaged in examining the books, records, accounts, and affairs of state or local governments or their instrumentalities;

B. As a field examiner or supervising examiner of federal or state tax agencies, engaged in examining the books, records, accounts, and documents of taxpayers for the purpose of verifying financial data contained in income tax returns;

C. As an auditor or examiner with any other agency of government if the experience is at least as comprehensive and diversified as that described in subsections A. and B. of this chapter. The burden rests with the applicant to demonstrate to the board that other governmental experience should be recognized as qualifying. A written statement should be filed with the board, giving a complete description of the purposes, work standards and procedures of any position believed to be qualifying. It is desirable that this statement be provided by a responsible administrative officer of the applicable governmental unit.

Chapter Seven: Licensure as Certified Public
Accountants or Licensed Public Accountants
(4 MCAR SS 6.070-6.079)

APC 06/15/87
4 MCAR S 6.070 A license shall be granted to any person who meets the requirements of Minn. Stat. S 326.19, subd. 2 as a certified public accountant or Minn. Stat. S 326.191 as a licensed public accountant who applies for licensure on forms provided by the board.

4 MCAR S 6.071 Each individual holder of an unrevoked Minnesota certificate or license as a Certified Public Accountant or Licensed Public Accountant who engages in or intends to be engaged in the practice of public accounting within the state of Minnesota during all or part of a calendar year is required to apply for and obtain from the board an annual license for that year. The application for the annual license and the appropriate fee shall be submitted to the board within thirty (30) days after engaging in public practice in any year.

4 MCAR S 6.072 Each November the board will notify each current licensee of the licensing requirements for the succeeding year. However, it is the responsibility of each licensee in public practice to apply for a license and pay the appropriate fee.

4 MCAR S 6.073 The following requirements are to be observed in making applications for annual license issued to an individual holder of a Minnesota certificate.

A. Applications must be submitted on a form provided by the board.

B. Applications must be accompanied by the appropriate fee hereinafter provided in the form of money order or check payable to "Treasurer, State of Minnesota."

4 MCAR S 6.074 Failure to apply for license and pay the

appropriate fee by a CPA or LPA at the beginning of the year in public practice shall be deemed unprofessional conduct and may be cause for suspension or revocation of his certificate.

4 MCAR S 6.075 The annual license granted by the Board to a licensee shall be prominently displayed in the principal office of the licensee.

4 MCAR SS 6.076-6.079 Reserved for future use.

Chapter Eight: Licensure of Partnerships
4 MCAR SS 6.080-6.089

4 MCAR S 6.080 Each partnership consisting of one or more partners holding unrevoked Minnesota certificates and licenses which engages in or intends to be engaged in the practice of public accounting within the state of Minnesota during all or part of a calendar year is required to apply for and obtain from the board an annual license for that year. The application for license and the appropriate fee shall be submitted to the board within thirty (30) days after engaging in public practice in any year.

4 MCAR S 6.081 Each November the board will notify each currently licensed partnership of the licensing requirements for the succeeding year. However, it is the responsibility of each partnership in public practice to apply for a license and pay the appropriate fee as provided in 4 MCAR S 6.120.

4 MCAR S 6.082 The following requirements are to be observed in making application for an annual license issued to a partnership:

A. Applications must be submitted on a form provided by the board.

B. Applications must be accompanied by the appropriate fee as hereinafter provided in the form of a money order or check payable to "Treasurer, State of Minnesota."

4 MCAR S 6.083 Failure to apply. Failure to apply for a license and pay the appropriate fee as provided in 4 MCAR S 6.120 by a partnership in public practice shall be deemed unprofessional conduct and may be cause for suspension or revocation of the certificates and licenses of the partnership and of each individual partner.

4 MCAR SS 6.084-6.089 Reserved for future use.

Chapter Nine: Unlicensed Practice
4 MCAR SS 6.090-6.099

4 MCAR SS 6.090-6.099 Reserved for future use.

Chapter Ten: Holder of License; How Styled
4 MCAR SS 6.100-6.109

4 MCAR SS 6.100-6.109 Reserved for future use.

Chapter Eleven: Fee for License and Renewal
4 MCAR SS 6.110-6.119

4 MCAR S 6.110 Applications shall be accompanied by fees in the following amounts:

A. Application for certified public accountant examination by first time applicants. \$100.00.

B. Application for certified public accountant re-examination in failed subjects. \$25.00 per subject but not in excess of \$100.00 (Accounting practice is considered to be two subjects.) 4 MCAR S 6.044 E. provides that applicants must apply for re-examination in all failed subjects.

C. Application for reciprocal certificate and license for certified public accountant. \$75.00.

D. Application for certificate and license for licensed public accountant. \$75.00.

E. Application for reciprocal certificate and license for licensed public accountant. \$75.00.

4 MCAR S 6.111 Fees shall be refunded if an application is rejected.

4 MCAR S 6.112 Once an application for examination or re-examination has been approved by the board, the fee will not be refunded. Such fee may be applied to any future examination fee at any time during a period of five years after approval of the application, thereafter which the fee shall be forfeited.

4 MCAR SS 6.113-6.119 Reserved for future use.

Chapter Twelve: Annual License Fee
4 MCAR SS 6.120-6.129

4 MCAR S 6.120 Annual license fees shall be as follows:

- A. Individuals \$15.00
- B. Partnerships \$25.00

4 MCAR S 6.121 License fees pertain to a calendar year and shall not be pro-rated.

4 MCAR SS 6.122-6.129 Reserved for future use.

Chapter Thirteen: Expenses of Administration;
Fees; Disposition 4 MCAR SS 6.130-6.139

4 MCAR SS 6.130-6.139 Reserved for future use.

Chapter Fourteen: Revocation or Suspension; Reinstatement
4 MCAR SS 6.140-6.149

4 MCAR S 6.140 All revocation and suspension proceedings shall be conducted in accordance with Minnesota Statutes, chapter 15, and the contested case procedures of the Office of Hearing Examiners.

4 MCAR S 6.141 Failure to comply with Chapter Fifteen; Code of Professional Conduct, 4 MCAR SS 6.150-6.159, shall be deemed unprofessional conduct and may be grounds for revocation or suspension of a certificate and license.

4 MCAR SS 6.142-6.149 Reserved for future use.

Chapter Fifteen: Code of Professional Conduct
4 MCAR SS 6.150-6.159

4 MCAR S 6.150 In practice of accounting and in rendering professional accounting services a CPA and LPA shall adhere to the following code.

DEFINITIONS

The following definitions of terminology are applicable wherever such terminology is used in the rules and interpretations.

Board means the Minnesota State Board of Accountancy.

Certified Public Accountant or licensee means a person holding such certificate or license issued under the Accountancy Law of Minnesota.

Licensed Public Accountant or licensee means a person holding such certificate or license issued under the Accountancy Law of Minnesota.

Client means the person or entity which retains a certified public accountant or his firm or a licensed public accountant or his firm, engaged in the practice of public accounting, for the performance of professional services.

Enterprise means any person or entity, whether organized for profit or not, for which a CPA or LPA provides services.

Firm means a partnership or professional corporation or association engaged in the practice of public accounting, including individual partners or shareholders thereof.

Financial statements means statements and footnotes related thereto that purport to show financial position which relates to a point in time or changes in financial position which related to a period of time, and statements which use cash or other incomplete basis of accounting. Balance sheets, statements of income, statements of retained earnings, statements of changes in financial position and statements of changes in owners' equity are financial statements.

Incidental financial data included in management advisory services reports to support recommendations to a client, and tax returns and supporting schedules do not, for this purpose, constitute financial statements; and the statement, affidavit or signature of preparers required on tax returns neither constitutes an opinion on financial statements nor requires a disclaimer of such opinion.

Institute means the American Institute of Certified Public Accountants.

Interpretations of Rules of Professional Conduct means pronouncements issued by the Division of Professional Ethics to provide guidelines as to the scope and application of the Code of Professional Conduct.

Practice of public accounting means holding oneself out to be a CPA or LPA and at the same time performing for a client one or more types of services rendered by public accountants.

Professional services means one or more types of services performed in the practice of public accounting.

APPLICABILITY OF RULES

These rules are adopted under the authority granted by Minn. Stat. S 326.18 which delegates to the board the power and duty to make rules of professional conduct. The reliance of the public and the business community on sound financial reporting and advice on business affairs imposes on the accounting profession an obligation to maintain high standards of technical competence, morality and integrity. To this end, a certified public accountant or licensed public accountant shall at all times maintain independence of thought and action, hold the affairs of his clients in strict confidence, strive continuously to improve his professional skills, observe generally accepted auditing standards, promote sound and informative financial reporting, uphold the dignity and honor of the accounting profession, and maintain high standards of personal conduct.

Acceptance of licensure as a CPA or LPA implies that the licensee has assumed an obligation to be diligent in the performance of professional service, and fair and honest in relations with clients, fellow practitioners and the public, and has a proper appreciation of his duties to the community and state. In recognition thereof the board has promulgated the following rules of professional conduct which each licensee agrees to regard as binding upon him.

These rules do not comprise all acts that may be considered incompatible with the obligations and responsibilities imposed by professional status or discreditable or harmful even though not specifically mentioned or described in the rules. Any licensee may be censured, suspended or expelled for cause by the board, after due opportunity of a hearing upon charges preferred against him, whether or not the alleged misconduct is specifically enumerated or described in the following rules.

The Rules of Professional Conduct which follow apply to all services performed in the practice of public accounting including tax and management advisory services except (a) where the wording of the rule indicates otherwise and (b) that a licensee who is practicing outside the United States will not be subject to discipline for departing from any of the rules stated herein so long as his conduct is in accord with the rules of the organized accounting profession in the country in which he is practicing. However, where a licensee's name is associated with financial statements in such a manner as to imply that he is acting as an independent public accountant and under circumstances that would entitle the reader to assume that United States practices were followed he must comply with the requirements of Rules 202 and 203.

A licensee may be held responsible for compliance with the Rules of Professional Conduct by all persons associated with him in the practice of public accounting who are either under his

supervision or are his partners or shareholders in the practice.

A licensee engaged in the practice of public accounting must observe all the Rules of Professional Conduct. A licensee not engaged in the practice of public accounting must observe only Rules 102, 403 and 409 since all other Rules of Professional Conduct relate solely to the practice of public accounting.

A licensee shall not permit others to carry out on his behalf, either with or without compensation, acts which, if carried out by the licensee, would place him in violation of the Rules of Professional Conduct.

INDEPENDENCE, INTEGRITY AND OBJECTIVITY

Rule 101 -- Independence. A licensee or a firm of which he is a partner or shareholder shall not express an opinion on financial statements of an enterprise unless he and his firm are independent with respect to such enterprise. Independence will be considered to be impaired if, for example:

A. During the period of his professional engagement, or at the time of expressing his opinion, he or his firm:

1. Had or was committed to acquire any direct or material indirect financial interest in the enterprise; or

2. Had any joint closely held business investment with the enterprise or any officer, director or principal stockholder thereof which was material in relation to his or his firm's net worth; or

3. Had any loan to or from the enterprise or any officer, director or principal stockholder thereof. This latter proscription does not apply to the following loans from a financial institutional when made under normal lending procedures, terms and requirements:

- a. Loans obtained by a licensee or his firm which are not material in relation to the net worth of such borrower.

- b. Home mortgages.

- c. Other secured loans, except loans guaranteed by a licensee's firm which are otherwise unsecured.

B. During the period covered by the financial statements, during the period of the professional engagement or at the time of expressing an opinion, he or his firm:

1. Was connected with the enterprise as a promotor, underwriter or voting trustee, a director or officer or in any capacity equivalent to that of a member of management or an employee; or

2. Was a trustee of any trust or executor or administrator of any estate if such trust or estate had a direct or material indirect financial interest in the enterprise; or was a trustee for any pension or profit-sharing trust of the enterprise.

The above examples are not intended to be all-inclusive.

Rule 102 -- Integrity and objectivity. A licensee shall not 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.

Rule 103 -- In tax practice, a licensee may resolve doubt in favor of his client as long as there is reasonable support for his position.

COMPETENCE AND TECHNICAL STANDARDS

Rule 201 -- Competence. A licensee shall not undertake any engagement which he or his firm cannot reasonably expect to complete with professional competence. In determining "incompetence" or "negligence", the board may consider, among others, the generally accepted auditing standards and accounting principles promulgated by the Institute and by the Financial Accounting Standards Board.

Rule 202 -- Auditing standards. A licensee shall not 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 promulgated by the Institute. Statements on Auditing Procedure issued by the Institute's Auditing Standards Executive Committee are, for purposes of this rule, considered to be interpretations of the generally accepted auditing standards, and departures from such statements must (or other standards considered by the board to be applicable in the circumstances) be justified by those who do not follow them.

Rule 203 -- Accounting principles. A licensee shall not express an opinion that financial statements are presented in conformity with generally accepted accounting principles if such statements contain any departure from accounting principles promulgated by the Institute or the Financial Accounting Standards Board, among others, which has a material effect on the statements taken as a whole, unless the licensee can demonstrate that due to unusual circumstances the financial statements would otherwise have been misleading. In such cases his report must describe the departure, the approximate effects thereof, if practicable, and the reasons why compliance with the principle would result in an otherwise misleading statement.

Rule 204 -- Forecasts. A licensee shall not permit his name to be used in conjunction with any forecast of future transactions in a manner which may lead to the belief that the licensee

vouches for the achievability of the forecast.

RESPONSIBILITIES TO CLIENTS

Rule 301 -- Confidential client information. A licensee shall not disclose any confidential information obtained in the course of a professional engagement except with the consent of the client.

This rule shall not be construed (a) to relieve a licensee of his obligation under Rules 202 and 203, (b) to affect in any way his compliance with a validly issued subpoena or summons enforceable by order of a court, (c) to prohibit review of a licensee's professional practices as part of voluntary quality review under board authorization or (d) to preclude a licensee from responding to any inquiry made by the board, under state statutes.

Members of the board and professional practice reviewers under board authorization shall not disclose any confidential client information which comes to their attention from licensees in disciplinary proceedings or otherwise in carrying out their official responsibilities. However, this prohibition shall not restrict the exchange of information with an aforementioned duly constituted investigative or disciplinary body.

Rule 302 -- Contingent fees. Professional services shall not be offered or rendered under an arrangement whereby no fee will be charged unless a specified finding or result is attained, or where the fee is otherwise contingent upon the findings or results of such services. However, a licensee's fees may vary depending, for example, on the complexity of the service rendered.

Fees are not regarded as being contingent if fixed by courts or other public authorities or, in tax matters, if determined based on the results of judicial proceedings or the findings of governmental agencies.

Rule 303 -- Reserved for future use.

Rule 304 -- A licensee shall furnish to his client upon request:

- A. a copy of a tax return, or
- B. a copy of a report, or other document, that was previously issued to or for such client, or
- C. any accounting or other records belonging to or obtained for the client which he or his firm may have had occasion to remove from the client's premises or to receive for the client's account, but this shall not preclude him from making copies of such documents when they form the basis for work done by him (or his firm), but in no event shall the accountant have a lien on these accounting or other records, or

D. a copy of an accountant's working papers if such working papers include records which would ordinarily constitute part of the client's books and records and are not otherwise available to the client. The information on these working papers must be treated the same as if it were part of the clients books and records.

A licensee shall not withhold any of the above because his fee has not been paid, unless the client agreed to pay such fee in advance.

OTHER RESPONSIBILITIES AND PRACTICES

Rule 401 -- Services to clients of other accountants. A licensee shall not endeavor to provide a person or entity with a professional service which is currently provided by another public accountant except:

A. He may respond to a request for a proposal to render services and may furnish services to those who request them. However, if a client of another independent public accountant requests a licensee to provide such professional service, the licensee must first consult with the other accountant to ascertain that the licensee is aware of all the available relevant facts.

B. Where a licensee is required to express an opinion on combined or consolidated financial statements which include a subsidiary, branch or other component audited by another independent public accountant, he may insist on auditing any such component which in his judgment is necessary to warrant the expression of his opinion.

A licensee who receives an engagement for services by referral from another public accountant shall not accept the client's request to extend his service beyond the specific engagement without first notifying the referring accountant, nor shall he seek to obtain any additional engagement from the client.

Rule 402 -- Offers of employment. A licensee in public practice shall not make a direct or indirect offer of employment to an employee of another public accountant on his own behalf or that of his client without first informing such accountant. This rule shall not apply if the employee of his own initiative or in response to a public advertisement applies for employment.

Rule 403 -- Acts discreditable. A licensee shall not commit an act discreditable to the profession.

Rule 404 -- Advertising. A licensee shall not use or participate in the use of any form of public communication having reference to his professional services which contains a false, fraudulent, misleading, deceptive or unfair statement or claim. A false, fraudulent, misleading, deceptive or unfair statement or claim includes but is not limited to a statement or

claim which:

- A. Contains a misrepresentation of fact; or
- B. Is likely to mislead or deceive because it fails to make full disclosure of relevant facts; or
- C. Contains any testimonial or laudatory statement, or other statement or implication that the licensee's professional services are of exceptional quality that is not based on verifiable facts; or
- D. Is intended or likely to create false or unjustified expectations of favorable results; or
- E. Implies educational or professional attainments or licensing recognition not supported in fact; or
- F. States or implies that the licensee has received formal recognition as a specialist in any aspect of the practice of public accountancy, if this is not the case; or
- G. Represents that professional services can or will be competently performed for a stated fee when this is not the case, or makes representations with respect to fees for professional service that do not disclose all variables affecting the fees that will in fact be charged; or
- H. Contains other representations or implications that in reasonable probability will cause an ordinarily prudent person to misunderstand or be deceived.

Rule 405 -- Commissions. A licensee shall not pay a commission to obtain a client, nor shall he accept a commission for a referral to a client of products or services of others. This rule shall not prohibit payments for the purchase of an accounting practice or retirement payments to individuals formerly engaged in the practice of public accounting or payments to their heirs or estates.

Rule 406 -- Incompatible occupations. A licensee shall not concurrently engage in the practice of public accountancy and in any other business or occupation which impairs his independence or objectivity in rendering professional services.

Rule 407 -- Form of practice and name. A licensee may practice public accounting, whether as an owner or employee, only in the form of a proprietorship, a partnership or a professional corporation, organized in accordance with the applicable provisions of the Minnesota Accountancy Law and the Minnesota Professional Corporations Act.

A licensee shall not practice under a firm name which includes any fictitious name, indicates specialization or is misleading as to the type of organizations (proprietorship, partnership or corporation). However, names of one or more past

partners or shareholders may be included in the firm name of a successor partnership or corporation. Also, a partner surviving the death or withdrawal of all other partners may continue to practice under the partnership name for up to two years after becoming a sole practitioner.

Rule 408 -- Solicitation. A licensee shall not by any direct personal communication solicit an engagement to perform professional services (a) if the communication would violate Rule 404 if it were a public communication; or (b) by the use of coercion, duress, compulsion, intimidation, threats, overreaching, or vexatious or harassing conduct, or (c) where the engagement would be for a person or entity not already a client of the licensee, unless such person or entity has invited such communication or is seeking to secure the performance of professional services and has not yet engaged another to perform them. The term "direct personal communication" as used in this rule means any in-person, written, telephonic, or similar communication directed to a specific recipient or tailored in content to a specific recipient.

Rule 409 -- Communications. A licensee shall respond to communications from the board within thirty days of the mailing of such communications, unless an earlier response is requested within the communications.

4 MCAR S 6.151 The act of filing an application for examination, certification, or licensure shall be deemed to and shall constitute an agreement upon the part of the applicant to observe the Code of Professional Conduct.

4 MCAR SS 6.152-6.159 Reserved for future use.

Chapter Sixteen: Continuing Education
4 MCAR S 6.160

4 MCAR S 6.160 Continuing education rules. Pursuant to the provision of Minn. Stat. S 214.12, the board prescribes the following rules establishing requirements of continuing education to be met from time to time by licensees in order to maintain their professional knowledge and competence, as a condition to continuing to practice as certified public accountants or licensed public accountants. These rules shall become effective for certified public accountants on January 1, 1978, and for licensed public accountants on January 1, 1981.

A. Basic requirement:

1. During the three year period immediately preceding relicensing, applicants for license renewal must complete 120 hours of acceptable continuing education except as otherwise

provided under Sections A-3 and E. The following standards will be used to measure the hours of credit to be given for acceptable continuing education programs completed by individual applicant.

a. A one day program will be considered to equal eight hours.

b. Only class hours or the equivalent (and not student hours devoted to preparation) will be counted.

c. Service as lecturer or discussion leader of continuing education programs will be counted to the extent that it contributes to the applicant's professional competence.

2. The effective date of this requirement shall be three years after the effective date of these rules, or three years after a licensee's initial registration, whichever is later.

3. The board shall have authority to make exceptions for reasons of individual hardship including health, military service, foreign residency, retirement, or other good cause.

B. Programs which qualify:

1. The overriding consideration in determining whether a specific program qualifies as acceptable continuing education is that it be a formal program of learning which contributes directly to the professional competence of an individual licensed to practice as a certified public accountant.

2. Continuing education programs requiring attendance will qualify only if:

a. An outline of the program is prepared in advance and preserved.

b. The program is at least one hour (fifty minute period) in length.

c. The program is conducted by a qualified instructor.

d. A record of registration or attendance is maintained.

3. The following programs are deemed to qualify provided the above criteria are met:

a. Professional development programs of recognized national and state accounting organizations.

b. Technical sessions at meetings of recognized national and state accounting organizations and their chapters.

c. University or college courses:

(1) Credit courses -- each semester hour credit shall equal 15 hours toward the requirement. A quarter hour credit shall equal 10 hours.

(2) Non-credit short courses.

d. Formal organized in-firm educational programs.

e. Programs in other recognized organizations (accounting, industrial, professional, etc.)

4. Formal correspondence or other individual study programs which require registration and provide evidence of satisfactory completion will qualify with the amount of credit to be determined by the board.

5. The board may look to recognized state or national accounting organizations for assistance in interpreting the acceptability of and credit to be allowed for individual courses.

C. Controls and reporting. Applicants for license renewal must provide a signed statement of the continuing education programs which they claim to be acceptable showing:

1. Sponsoring organization.
2. Location of program.
3. Title of program or description of content.
4. Dates attended.
5. Hours claimed.

D. Continuing education policies. The board has adopted the following policies to assist licensees in complying with the accountancy statute and rules as they pertain to continuing education:

1. Who must comply--exceptions.

a. General. All licensees are required to comply with the continuing education requirements except those individuals not engaged in public practice, such as licensees in private industry, governmental organizations, educational institutions, or similar activities, unless those individuals in addition to their basic employment, engage in public practice, regardless of degree, or perform for compensation any services normally performed by public accountants whether or not a license is required to perform such services. The board anticipates that licensees will maintain the high standards of the profession in selecting quality education programs to fulfill the continuing education requirement.

b. Non-resident licensees. Licensees who are out-of-state residents and not engaged in public accounting in

this state are excepted from the continuing education requirements until such time as they enter or re-enter this state to practice public accounting. This exception also applies to non-resident licensees who are partners of public accounting partnerships or stockholders of professional accounting corporations that are licensed by the board to do business in this state, provided such non-resident licensees do not practice public accounting in this state.

c. Attorney-licensees. Persons occupying the dual status of Attorney at Law and Certified Public Accountant or Licensed Public Accountant are excepted from continuing education requirements only if they do not engage in the practice of public accounting under their accounting licenses.

d. Retired licensees. Licensees who are retired and who do not in fact perform public accounting services to any degree whatever, although participating in the profits of a public accounting entity, are excepted from continuing education requirements.

2. Qualifying programs-credit hours granted.

a. Acceptable subject matter and programs. The following general subject matters are acceptable so long as they contribute to the professional competence of the individual practitioner.

- (1) Accounting and Auditing
- (2) Taxation
- (3) Management Services
- (4) Computer Science
- (5) Communication Arts
- (6) Mathematics, Statistics, Probability and Quantitative Applications in Business
- (7) Economics
- (8) Business Law
- (9) Functional Fields of Business
 - (a) Finance
 - (b) Production
 - (c) Marketing
 - (d) Personnel Relations
 - (e) Business Management and Organization

(10) Social Environmmnet of Business

(11) Specialized Areas of Industry; e.g., Film Industry, Real Estate, Farming, etc.

(12) Administrative Practice; e.g., Engagement Letters, Fee Structures, Personnel, etc.

Areas other than those listed above may be acceptable if the licensee can demonstrate that they contribute to his professional competence. The responsibility for substantiating that a particular program is acceptable and meets the requirements rests solely with the licensee.

b. Credit hours granted -- general. Continuing education credit will be given for whole hours only, with a minimum of 50 minutes constituting one hour. As an example, 100 minutes of continuous instruction would count for two hours, however, more than 50 minutes but less than 100 minutes of continuous instruction would count only for one hour. A one day program qualifying for 8 hours of credit is any program the duration of which is equivalent to a normal working day. Travel time cannot be claimed.

c. Credit for individual study programs. In determining the amount of credit to be allowed for specific correspondence and individual study programs (including taped study programs), the board will determine the equivalency of the program to a comparable seminar or a comparable course for credit in an accredited educational institution. Licensees claiming credit for such courses will be required to obtain evidence of satisfactory completion of the course from the program sponsor. Credit will be allowed in the renewal period in which course is completed.

d. Credit for service as lecturer, discussion leader, or speaker. Credit for one hour of continuing education will be awarded for each hour completed as an instructor or discussion leader to the extent that the particular activity contributes to the professional competence of the licensee as determined by the board. Credit as an instructor, discussion leader, or speaker will be allowed for any meeting or engagement provided that the session is one which would meet the continuing education requirements of those attending. The credit allowed an instructor, discussion leader, or a speaker will be on the basis of a maximum of two hours for actual subject preparation time for each hour of teaching. The maximum credit for such preparation and teaching will not exceed 50% of the renewal period requirement. Credit for licensees attending not as instructors, discussion leaders, or speakers is limited to the actual meeting time.

e. Credit for published articles, books, etc. Credit may be allowed for published articles and books provided they contribute to the professional competence of the licensee. The amount of credit so awarded will be determined by the board.

Credit for preparation of such publications may be given on a self-declaration basis up to 25% of the renewal period requirement. In exceptional circumstances a licensee may request additional credit by submitting the article(s) or book(s) to the board with an explanation of the circumstances which he feels justify a greater credit.

f. Credit for committee meetings. Participation in committee meetings of recognized professional societies, which are structured as educational programs, may qualify if they meet the appropriate requirements.

g. Credit for dinner and luncheon meetings, etc. Dinner, luncheon and breakfast meetings of recognized accounting organizations may qualify if they meet the appropriate requirements.

h. Credit for firm meetings, etc. Firm meetings for staff or management groups may qualify if they meet the appropriate requirements. Portions of such meetings devoted to administrative and firm matters cannot be included.

3. What is a qualified instructor? A qualified instructor or discussion leader is anyone whose background training, education or experience makes it appropriate for him to lead a discussion on the subject matter of the particular program.

4. Evidence of completion -- retention. Primary responsibility for documenting the requirements rests with the licensee and evidence to support fulfillment of those requirements must be retained for a period of four years after the completion of educational courses.

Satisfaction of the requirements under B-2, including the retention of attendance records and written outlines, may be accomplished as follows:

a. In the case of courses taken for scholastic credit in accredited universities and colleges (state, community, or private) or high school districts, evidence of satisfactory completion of the course will be sufficient.

b. In all other instances, the licensee must maintain an outline and evidence of attendance. In the case of non-credit courses taken in educational institutions, a signed statement of the hours of attendance must be obtained from the instructor.

5. Verification. The board will verify on a test basis, information submitted by licensees. If an application for license renewal is not approved the applicant will be so notified and he may be granted a period of time by the board in which to correct the deficiencies noted.

6. Reciprocity. An individual who holds a valid and

unrevoked certified public accountant or licensed public accountant certificate issued by any state or political subdivision of the United States or a comparable certificate or degree issued by any foreign country, and who receives a license to practice in this state under the appropriate provisions of the accountancy law, will be required to comply with the continuing education requirement on a pro rata basis when his license is next renewed and each succeeding three year period.

7. Reentry to public practice. A licensee reentering public practice from areas such as private industry, government or education or who otherwise has been excepted from the provisions of the continuing education requirement, shall notify the board upon reentry and will be required to comply with the continuing education requirement on a pro rata basis when his license is next renewed and each succeeding three year period thereafter.

8. License renewal. To renew an unexpired license, a certificate holder or registrant shall, before the time at which the license would otherwise expire, apply for renewal on a form prescribed by the board, pay the renewal fee prescribed and give evidence to the board that he has complied with the continuing education provisions.

E. All certified public accountant licensees holding a license on or before December 31, 1977, may use acceptable continuing education programs from May 31, 1977, to meet the required number of hours for the first reporting period. All licensed public accountant licensees having made application for license on or before July 1, 1980, may use acceptable continuing education programs from January 1, 1980, to meet the required number of hours for the first reporting period.

Chapter Seventeen: 4 MCAR SS 6.170-6.179

4 MCAR SS 6.170-6.179 Reserved for future use.

Chapter Eighteen: 4 MCAR SS 6.180-6.189

4 MCAR SS 6.180-6.189 Reserved for future use.

Chapter Nineteen: 4 MCAR SS 6.190-6.199

4 MCAR SS 6.190-6.199 Reserved for future use.

Chapter Twenty: Professional Corporations
4 MCAR SS 6.200-6.209

4 MCAR S 6.200 A corporation shall not include the words "Certified Public Accountant," "Licensed Public Accountant," or the initials CPA or LPA in its corporate name.

4 MCAR S 6.201 An application for license must be made on the form provided by the board and must be accompanied by a copy of the articles of incorporation and first annual report.

4 MCAR S 6.202 First annual report. The first annual report must be accompanied by a fee of \$100.00 payable to the Treasurer, State of Minnesota and shall include the following:

A. The name and address of each shareholder and each officer and director;

B. A statement under oath whether or not all shareholders, directors, officers, employees, and agents rendering professional service in this state on behalf of the corporation are licensed by this state or otherwise authorized to render such professional service;

C. Proposed by-laws; and

D. Proposed agreement for buy and sell arrangements among the shareholders except if the corporation has only one shareholder (see 4 MCAR S 6.205 for admittance of a second shareholder).

4 MCAR S 6.203 Each November the board will notify each current corporate licensee of the requirement of the annual report for the succeeding calendar year. However, it is the responsibility of each corporate licensee to file the annual report, apply for annual license renewal and pay the fee of \$25.00.

4 MCAR S 6.204 Failure to apply for license renewal, file an annual report and pay the annual license fee shall be deemed unprofessional conduct and may be cause for suspension or revocation of the certificate and license of the corporation and its officers, directors and stockholders licensed to practice in this state.

4 MCAR S 6.205 Before admittance of a second or additional stockholder to a corporation, the proposed written agreement binding stockholders to purchase any share offered for sale by a qualified stockholder must be submitted for the board's approval (see 4 MCAR S 6.202 B.).

4 MCAR SS 6.206-6.209 Reserved for future use.

Chapter Twenty One: Contested Cases

4 MCAR S 6.210 All contested cases before the board shall be conducted in accordance with Minnesota Statutes, chapter 15, and the contested case procedures of the State Office of Hearing Examiners.