PacificCPE

COURSE
92651A

Ethics and Professional Conduct for Washington CPAs 2026

Designed specifically for Washington State CPAs, this course covers the AICPA Code of Professional Conduct alongside Washington State Board of Accountancy rules and regulations. You'll explore key ethics topics including prohibited practices, conflicts of interest, loan restrictions, and non-CPA firm ownership. Real-world case studies and direct comparisons between AICPA standards and Washington State law help you understand where the rules align—and where they differ. A practical resource for meeting your Washington ethics CPE requirement while staying current on board rules and recent changes.

CREDIT HOURS 4 | FIELD OF STUDY ETHICS | EXAM QUESTIONS 20

Start Course ↓

Final Exam Copy ↓

Assignment

- Study the full course materials included here.
- Complete the review questions after each chapter.
- Answer 20 final exam questions.
- Final exam is scored immediately, 70% or better passes.
- Certificate of completion is available in your account.
- Failed exams can be retaken free of charge.

Course Objectives

- Recognize the rules of the Code of Professional Conduct.
- Identify certain Washington regulations and policies.

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TABLE OF CONTENTS

CHAPTER 01

The AICPA Code Of Professional Conduct 4

1.01 Introduction 4

1.02 1.100.005 Application Of The Conceptual Framework For Members In Public Practice And Ethical Conflicts 15

1.03 1.200.001 Independence Rule 25

1.04 1.300.010 Competence 33

1.05 1.510 Contingent Fees 36

1.06 1.800.001 Form Of Organization And Name Rule 39

Test Your Knowledge 41

CHAPTER 02

Ethics And Prohibited Practices 47

2.01 I. Current Changes 47

2.02 II. Washington State Board Of Accountancy 49

2.03 III. Board Rules 50

2.04 IV. Laws 94

2.05 V. Other Board Information 105

Test Your Knowledge 107

Final Exam Copy 116

Glossary 114

Index .....

Chapter 1: THE AICPA CODE OF PROFESSIONAL CONDUCT

Chapter Objective

After completing this chapter, you should be able to:

- Recognize the rules of the Code of Professional Conduct.

INTRODUCTION

The Code of Professional Conduct provides guidelines for accounting practitioners in the conduct of their professional affairs. A member of the AICPA must observe all the Rules of Conduct unless an exception applies. The need to observe the Rules of Conduct also extends to individuals who carry out tasks on behalf of an AICPA member. A member may be held responsible for a violation of the rules committed by fellow partners, shareholders, or any other person associated with him who is engaged in the practice of public accounting. The bylaws of the AICPA provide the basis for determining whether a member has violated the Rules of Conduct. If a member is found guilty of a violation, he or she may be admonished, suspended or expelled.

A member of the AICPA also must be aware of Interpretations of the AICPA Rules of Conduct. After public exposure, Interpretations of the AICPA Rules of Conduct are published by the Executive Committee of the Professional Ethics Division. Interpretations are not intended to limit the scope or application of the Rules of Conduct. A member of the AICPA who departs from the guidelines provided in the Interpretations has the burden of justifying such departure.

RULES

The following definitions are used in the Rules of the Code of Professional Conduct:

Professional Services - . Include all services requiring accountancy or related skills that are performed by a member for a client, an employer, or on a volunteer basis. These services include, but are not limited to accounting, audit and other attest services, tax, bookkeeping, management consulting, financial management, corporate governance, personal financial planning, business valuation, litigation support, educational, and those services for which standards are promulgated by bodies designated by Council.

Public practice - Consists of the performance of professional services for a client by a member or member's firm.

CODIFIED CODE OF PROFESSIONAL CONDUCT

The AICPA has codified the Code of Professional Conduct to be more logical and user friendly. The code, rules, interpretations and rulings are essentially the same but have been grouped into functional areas based on the member's area of practice plus a preface that is applicable to all members. (Note: throughout the AICPA Code of Professional Conduct you will see the term "Member." This term relates to you, the CPA, whether or not you are a member of the AICPA.) The three functional areas are:

Part 1: Members in Public Practice

Part 2: Members in Business

Part 3: Other Members (retired, unemployed, etc.)

The part number is followed by two sets of three digit numbers to identify the topic and, when applicable, the subtopic. For example, 1.100.001 relates to Part 1 (members in Public Practice); topic 100 Integrity and Objectivity; and subtopic 001 the Integrity and Objectivity rule.

By grouping all guidance for a particular type of member in one place, the CPA will save much time in researching a situation, as well as (hopefully) reach a more accurate conclusion. However, bear in mind that a member may be covered by more than one category. For example, one could work full time for an employer in industry and work part time during busy season preparing tax returns.

This chapter will focus on Part 1 of the Code of Professional Conduct: Members in Public Practice. Below is a listing of the topics covered in Part 1 followed by a discussion of each topic and selected corresponding interpretations, rulings, and other guidance by topic.

1.000 Conceptual Framework for Members in Public Practice

1.100 Integrity and Objectivity

1.200 Independence

1.300 General Standards

1.400 Acts Discreditable

1.500 Fees and Other Types of Remuneration

1.600 Advertising and Other Forms of Solicitation

1.700 Confidential Information

1.800 Form of Organization and Name

Throughout this course, we will attempt to use the actual AICPA code section references whenever possible. This will allow you to conduct further research on topics of interest to you. However, the source material is very voluminous and in many instances we have omitted entire sections of the

code. In other instances we have summarized the material. We believe this approach is both appropriate and beneficial . for the CPA seeking an overview or refresher course

MEMBERS IN PUBLIC PRACTICE

1.000 INTRODUCTION

.01 Part 1 of the Code of Professional Conduct (the code) applies to members in public practice. Accordingly, when the term member is used in part 1 of the code, the requirements apply only to members in public practice. When a member in public practice is also a member in business (for example, serves as a member of an entity's board of directors), the member should also consult part 2 of the code, which applies to a member in business.

.02 Government auditors within a government audit organization who audit federal, state, or local governments or component units thereof, that are structurally located within the government audit organization, are considered in public practice with respect to those entities provided the head of the government audit organization meets at least one of the following criteria:

a. Is directly elected by voters of the government entity with respect to which attest engagements are performed

b. Is appointed by a legislative body and is subject to removal by a legislative body

c. Is appointed by someone other than the legislative body, as long as the appointment is confirmed by the legislative body and removal is subject to oversight or approval by the legislative body

1.000.010 CONCEPTUAL FRAMEWORK FOR MEMBERS IN PUBLIC PRACTICE

Introduction

.01 Members may encounter various relationships or circumstances that create threats to the member's compliance with the rules. The rules and interpretations seek to address many situations; however, they cannot address all relationships or circumstances that may arise. Thus, in the absence of an interpretation that addresses a particular relationship or circumstance, a member should evaluate whether that relationship or circumstance would lead a reasonable and informed third party who is aware of the relevant information to conclude that there is a threat to the member's compliance with the rules that is not at an acceptable level. When making that evaluation, the member should apply the conceptual framework approach as outlined in this interpretation.

.02 The code specifies that in some circumstances no safeguards can reduce a threat to an acceptable level. For example, the code specifies that a member may not subordinate the member's professional judgment to others without violating the "Integrity and Objectivity Rule" [1.100.001]. A

member may not use the conceptual framework to overcome this prohibition or any other prohibition or requirement in the code.

.03 The "Conceptual Framework for Independence" interpretation [1.210.010] of the "Independence Rule" [1.200.001] provides authoritative guidance that members should use when making decisions on independence matters that are not explicitly addressed by the "Independence Rule" and its interpretations.

Definitions Used in Applying the Conceptual Framework

.04 Acceptable level. A level at which a reasonable and informed third party who is aware of the relevant information would be expected to conclude that a member's compliance with the rules is not compromised.

.05 Safeguards. Actions or other measures that may eliminate a threat or reduce a threat to an acceptable level.

.06 Threats. Relationships or circumstances that could compromise a member's compliance with the rules.

Conceptual Framework Approach

.07 Under the conceptual framework approach, members should identify threats to compliance with the rules and evaluate the significance of those threats. Members should evaluate identified threats both individually and in the aggregate because threats can have a cumulative effect on a member's compliance with the rules. Members should perform three main steps in applying the conceptual framework approach:

a. Identify threats. The relationships or circumstances that a member encounters in various engagements and work assignments will often create different threats to complying with the rules. When a member encounters a relationship or circumstance that is not specifically addressed by a rule or an interpretation, under this approach, the member should determine whether the relationship or circumstance creates one or more threats, such as those identified in paragraphs .10–.16 that follow. The existence of a threat does not mean that the member is in violation of the rules; however, the member should evaluate the significance of the threat.

b. Evaluate the significance of a threat. In evaluating the significance of an identified threat, the member should determine whether a threat is at an acceptable level. A threat is at an acceptable level when a reasonable and informed third party who is aware of the relevant information would be expected to conclude that the threat would not compromise the member's compliance with the rules. Members should consider both qualitative and quantitative factors when evaluating the significance of a threat, including the extent to which existing safeguards already reduce the threat to an

acceptable level. If the member evaluates the threat and concludes that a reasonable and informed third party who is aware of the relevant information would be expected to conclude that the threat does not compromise a member's compliance with the rules, the threat is at an acceptable level, and the member is not required to evaluate the threat any further under this conceptual framework approach.

c. Identify and apply safeguards. If, in evaluating the significance of an identified threat, the member concludes that the threat is not at an acceptable level, the member should apply safeguards to eliminate the threat or reduce it to an acceptable level. The member should apply judgment in determining the nature of the safeguards to be applied because the effectiveness of safeguards will vary, depending on the circumstances. When identifying appropriate safeguards to apply, one safeguard may eliminate or reduce multiple threats. In some cases, the member should apply multiple safeguards to eliminate or reduce one threat to an acceptable level. In other cases, an identified threat may be so significant that no safeguards will eliminate the threat or reduce it to an acceptable level, or the member will be unable to implement effective safeguards. Under such circumstances, providing the specific professional services would compromise the member's compliance with the rules, and the member should determine whether to decline or discontinue the professional services or resign from the engagement.

Threats

.08 Many threats fall into one or more of the following seven broad categories: adverse interest, advocacy, familiarity, management participation, self-interest, self-review, and undue influence.

.09 Examples of threats associated with a specific relationship or circumstance are identified in the interpretations of the code. Paragraphs .10–.16 of this section define and provide examples, which are not all inclusive, of each of these threat categories.

.10 Adverse interest threat. The threat that a member will not act with objectivity because the member's interests are opposed to the client's interests. Examples of adverse interest threats include the following:

a. The client has expressed an intention to commence litigation against the member.

b. A client or officer, director, or significant shareholder of the client participates in litigation against the firm.

c. A subrogee asserts a claim against the firm for recovery of insurance payments made to the client.

d. A class action lawsuit is filed against the client and its officers and directors and the firm and its professional accountants.

.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 a dispute with third parties.

b. A firm acts as an investment adviser for an officer or director of a client with the ability to affect decision-making, or 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 a 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 director of a client with the ability to affect decision-making, or an individual with a beneficial ownership interest (known through reasonable inquiry) that gives the individual significant influence over the client.

.13 Management participation threat. The threat that a member will take on the role of client management or otherwise assume management responsibilities, such may occur during an engagement to provide nonattest services.

.14 Self-interest threat. The threat that a member could benefit, financially or otherwise, from an interest in, or relationship with, a client or persons associated with the client. Examples of self-interest threats include the following:

a. The member has a financial interest in a client, and the outcome of a professional services engagement may affect the fair value of that financial interest.

b. The member's spouse enters into employment negotiations with the client.

c. A firm enters into a contingent fee arrangement for a tax refund claim that is not a predetermined fee.

d. Excessive reliance exists on revenue from a single client.

.15 Self-review threat. The threat that a member will not appropriately evaluate the results of a previous judgment made or service performed or supervised by the member or an individual in the member's firm and that the member will rely on that service in forming a judgment as part of another service. Examples of self-review threats include the following:

a. The member relies on the work product of the member's firm.

b. The member performs bookkeeping services for a client.

c. A partner in the member's office was associated with the client as an employee, an officer, a director, or a contractor.

.16 Undue influence threat. The threat that a member will subordinate his or her judgment to an individual associated with a client or any relevant third party due to that individual's reputation or expertise, aggressive or dominant personality, or attempts to coerce or exercise excessive influence over the member.

Examples of undue influence threats include the following:

a. The firm is threatened with dismissal from a client engagement.

b. The client indicates that it will not award additional engagements to the firm if the firm continues to disagree with the client on an accounting or tax matter.

c. An individual associated with a client or any relevant third party threatens to withdraw or terminate a professional service unless the member reaches certain judgments or conclusions.

Safeguards

.17 Safeguards may partially or completely eliminate a threat or diminish the potential influence of a threat. The nature and extent of the safeguards applied will depend on many factors. To be effective, safeguards should eliminate the threat or reduce it to an acceptable level.

.18 Safeguards that may eliminate a threat or reduce it to an acceptable level fall into three broad categories:

a. Safeguards created by the profession, legislation, or regulation.

b. Safeguards implemented by the client. It is not possible to rely solely on safeguards implemented by the client to eliminate or reduce significant threats to an acceptable level.

c. Safeguards implemented by the firm, including policies and procedures to implement professional and regulatory requirements.