

April 13, 2015

Ken Siong

Technical Director

International Ethics Standards Board for Accountants

International Federation of Accountants

529 Fifth Avenue, 6th Floor

New York, NY 10017

Dear Ken Siong,

The Korean Institute of Certified Public Accountants (KICPA) is pleased to comment on the Exposure Draft (ED) issued by the International Ethics Standards Board for Accountants (IESBA), regarding “Proposed Changes to Part C of the Code Addressing Presentation of Information and Pressure to Breach the Fundamental Principles.” KICPA is a strong advocate of IESBA for your relentless efforts to increase the level of ethical standards that professional accountants are expected to perform and to serve the public interest by developing high-quality professional ethical standards.

<General Comments>

1. We support the background behind and purpose for the proposed changes that underscoring the importance of making professional accountants in business (PAIBs) fulfill their ethical responsibilities is in line with protecting the public interest, taking into account the fundamental role of PAIBs in businesses that produce financial information, as a component of the financial reporting supply chain.
2. We also agree with that the direction of the proposed changes to the Code of Ethics for

Professional Accountants (the Code) is designed to faithfully deal with various ethical issues and circumstances on which PAIBs face.

3. However, parts of the proposed changes are deemed to contain a broad and unclarified meaning, some of which needs to be supplemented with more clarified interpretations.
  - For one, the existing Code requires PAIBs present the financial information in accordance with a relevant reporting framework, while the proposed ED requires in the paragraph 320.2 that PAIBs prepare or present information in a manner that is fair and honest.
  - The guidance itself stating “in a manner that is fair and honest,” is not sufficient enough, though. This isn’t, especially by mentioning the compliance with a relevant reporting framework as a component of “in a manner that is fair and honest,” without providing clarity on what “in a manner that is fair and honest” means. We believe the lack of clarity could be supplemented with the detailed description of “in a manner that is fair and honest,” such as the requirements’ correlation with being compliance with a relevant reporting framework, to prevent the requirements from containing excessive comprehensiveness.
  - The paragraph 320.3 involves illustrative examples of the misuse of discretion, but some of them lack clarity. For instance, selecting the best among alternative accounting methods permitted under the relevant reporting framework, accounting estimates, or judgments could be interpreted as the misuse of discretion. This calls for more clarity to the guidance.
4. We are for the proposed changes in that they are designed to stipulate ethical requirements for PAIBs in a more faithful manner.
  - However, listing excessively illustrative examples runs a risk that PAIBs who have a

comparatively lower understanding of the Code than practitioners would refer only to the stated illustrative examples and procedures listed, far from fully understanding and applying the principles of the Code.

- For one, the paragraph 320.3 addressing the misuse of discretion and the paragraph 370.4-6 on pressure provide excessively detailed examples and behaviors. We would like to recommend the proposed changes make sure that the principle-based Code would not be undermined by the application of the Code without due consideration to breach fundamental principles.

**<KICPA views to specific questions>**

Questions	KICPA Comments
<i>Proposed Revised Section 320</i>	
1. Is the enhanced guidance on applying the “fair and honest” principle in Section 320 helpful?	Please refer to the general comments above. The guidance shows the components of “fair and honest,” but seems to lack clarity in terms of its meaning and makes it difficult for readers to understand the requirements’ correlation with being compliance with a relevant reporting framework.
2. In particular, do respondents support the guidance in paragraph 320.3 addressing the issue of misuse of discretion in a manner that is intended to mislead? If not, please explain why. Are there any other considerations relating to this issue that should be addressed in Section 320?	The proposed guidance states that the responsibility of identifying whether the information is fair and honest, even when using the work of others, goes to PAIBs, remaining the scope of responsibility unclarified. Due considerations should be given to that the excessive obligation centers around PAIBs among those responsible for the employing

	organization's financial reporting. .
3. Paragraph 320.4 provides guidance as to what PAIBs are expected to do ethically in order to prepare or present fairly and honestly information that does not have to comply with a relevant reporting framework. Is this guidance sufficient? If not, what further guidance could Section 320 usefully provide?	We support the proposed guidance emphasizing the three important considerations of purpose, context and audience, when presenting information that does not have to comply with a relevant financial reporting framework.
4. Do respondents agree that where a PAIB relies on the work of others, the PAIB should be required to take reasonable steps to be satisfied that such work enables the PAIB to comply with the overarching principle in paragraph 320.2?	Please refer to the general comments above.
5. Do respondents agree with the guidance proposed in paragraphs 320.6 and 320.7 regarding disassociation with misleading information? Are there other actions that could be specified?	The proposed guidance shows improvement, given that the existing one has illustrative examples only involving resigning from the employing organization.
<i>Proposed Section 370</i>	
1. Do respondents agree with the overarching requirements in paragraphs 370.1 and 370.2?	We are for the overarching requirements that the pressure from others should not result in a breach of the fundamental principles, and vice versa for PAIBs not to exert pressure on others to breach the fundamental principles.
2. Are the illustrative examples of types of pressure that could result in a breach of the fundamental principles in paragraph 370.4	Please refer to the general comments above.

helpful?	
3. Is it sufficiently clear that Section 370 addresses pressure that could result in a breach of fundamental principles, as opposed to the routine pressures that exist in the workplace? In particular, does paragraph 370.5 provide sufficient guidance to assist the PAIB in making that distinction? If not, what other considerations should the PAIB take into account?	Please refer to the general comments above.
4. Do respondents find the guidance in paragraph 370.6 on responding to pressure that would result in a breach of the fundamental principles helpful? Are there other actions that should be considered?	No additional suggestions.
5. Are the references to other sections of Part C of the Code, in paragraph 370.9, helpful?	The references to other provisions are considered useful in increasing understandability

We hope our comments would be useful for the IESBA’s project that aims to improve the provision concerning PAIBs. Please feel free to contact [global@kicpa.or.kr](mailto:global@kicpa.or.kr) for further inquiries.

Thank you.