



**The Japanese Institute of  
Certified Public Accountants**  
4-4-1 Kudan-Minami, Chiyoda-ku, Tokyo 102-8264, Japan  
Phone: 81-3-3515-1130 Fax: 81-3-5226-3355  
Email: international@sec.jicpa.or.jp

July 25, 2017

Mr. Ken Siong  
Technical Director  
International Ethics Standards Board for Accountants  
International Federation of Accountants  
529 Fifth Avenue, 6th Floor,  
New York, NY 10017  
USA

Dear Mr. Siong:

**Re: JICPA comments on the IESBA Exposure Draft, *Proposed Application Material Relating to Professional Skepticism and Professional Judgment***

The Japanese Institute of Certified Public Accountants (JICPA) appreciates this opportunity to comment on the International Ethics Standards Board for Accountants (IESBA) Exposure Draft, *Proposed Application Material Relating to Professional Skepticism and Professional Judgment*.

Our responses to the specific questions raised by the IESBA are as follows:

**I. Request for Specific Comments**

*Proposed Application Material Relating to Professional Skepticism (paragraph 120.13 A1)*

1. Do respondents agree that the proposed application material enhances the understandability of the conceptual framework in Section 120 of the proposed restructured Code?
---

(Comment)

We agree that the proposed application material enhances the understandability of the conceptual framework.

Regarding the project ahead however, in which the applicability is to be addressed with regard

to the concept of professional skepticism to professional accountants other than those who perform audit and other assurance engagements, we request that IESBA proceeds with the deliberate consideration, seeking comments from many professional accountants and stakeholders, since members of JICPA have expressed the following concerns:

Concerning the issue of extending the applicability of professional skepticism beyond the audit and assurance context, which is described in the appendix to this Exposure Draft, the majority of the members of JICPA ethics working group believe that professional skepticism should be exercised only in the context of audit and other assurance engagements. This is because it is necessary to obtain sufficient appropriate evidence and make a critical assessment of evidence by exercising professional skepticism only to conduct audit and other assurance, and professional accountants who conduct audit and other assurance are able to do so since only auditors and other assurance practitioners are required to maintain independence and obtain sufficient appropriate evidence for expressing opinions or conclusions. Besides, the level of professional skepticism required in audit and other assurance engagements should be very high, however, there is a concern that the extension could give a misleading impression that the level of professional skepticism required in the context of audit and other assurance engagements is lower than it actually is and thus this could cause the dilution of the meaning of professional skepticism if the concept of professional skepticism extends to all professional accountants. This is because professional accountants other than the ones who conduct audit and other assurance are required to perform duties within the scope of their specific engagement, designated role and the related authority requested by their client or assigned by their employing organization and, given that, it would be extremely difficult for them to obtain sufficient appropriate evidence and making a critical assessment outside the scope, the role and the authority in many cases. On the other hand, there is a minority opinion that a certain level, although not so high as expected in the context of the audit and other assurance engagements, of professional skepticism is necessary even in the engagements other than audit and other assurance.

We are of the opinion that the exercise of professional skepticism should be limited to audit and other assurance engagements. However, if considering the extension of the application in the long-term project hereafter, at least deliberate consideration and in-depth discussions should be made on whether the application of professional skepticism is to be proportionate depending on the scope, their respective positions, roles, authorities and other factors as to whether it is appropriate to require professional accountants engaged in services other than audit and other assurance engagements (non-auditors and PAIBs) to exercise professional skepticism. In addition to this, the relation of professional skepticism with due care should be

clarified.

2. Do the examples in the proposed application material clearly describe how compliance with the fundamental principles of integrity, objectivity, and professional competence and due care support the exercise of professional skepticism in the context of an audit of financial statements? If not, why not?

(Comment)

We propose the following in light of the need for clarity:

In the beginning of 120.13 A1, a reference is made to all examples therein for indicating that they are in connection with financial statement audits. Such a reference should, however, also be contained in each explanatory paragraph of the fundamental principles (integrity, objectivity, and professional competence and due care). By that, even when search results are limited to each individual explanatory paragraph after the IESBA Code has become an electronic version, it will become more obvious that these examples are associated with financial statement audits, leading to avoidance of misunderstanding that these examples are also applicable to engagements other than financial statement audits.

*Proposed Application Material Relating to Professional Judgment (paragraph 120.5 A1)*

3. Do respondents agree that the proposed application material enhances the understandability of the conceptual framework in Section 120 of the proposed restructured Code?

(Comment)

We agree that the proposed application material enhances the understandability of the conceptual framework.

4. Do respondents agree that the proposed application material appropriately emphasizes the importance of professional accountants obtaining a sufficient understanding of the facts and circumstances known to them when exercising professional judgment in applying the conceptual framework? If not, why not?

(Comment)

We agree that the proposed application material appropriately emphasizes the importance of professional accountants obtaining a sufficient understanding of the

facts and circumstances known to them when exercising professional judgment in applying the conceptual framework.

## II. Request for General Comments

(a) Small and Medium Practices (SMPs) – The IESBA invites comments regarding any aspect of the proposals from SMPs.

(Comment)

We do not have any specific comments.

(b) Regulators and Audit Oversight Bodies – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.

(Comment)

Not applicable.

(c) Developing Nations – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.

(Comment)

Not applicable.

(d) Translations – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.

(Comment)

English is not the official language in Japan, thus, it is inevitable to translate the Code from English to Japanese in an understandable manner. For this reason, we pay close attention to the wording used in the Code in respect of whether it is translatable and comprehensible when translated. We therefore request the IESBA to avoid lengthy sentences and to use concise and easily understandable wording.

We hope the comments provided above will contribute to the robust discussions at the IESBA.

Sincerely yours,

Sayaka Shimura

Executive Board Member - Ethics Standards

The Japanese Institute of Certified Public Accountants