



**The Japanese Institute of
Certified Public Accountants**

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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 Revisions to the Code Pertaining to the Offering and Accepting of Inducements*

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 Revisions to the Code Pertaining to the Offering and Accepting of Inducements*

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

I. Request for Specific Comments

Proposed Section 250

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| <p>1. Do respondents support the proposals in Section 250? In particular, do respondents support the proposed guidance to determine whether there is an intent to improperly influence behavior, and how it is articulated in the proposals?</p> |
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(Comment)

- As what the proposed section 250 covers should be limited to the offering or accepting of inducements in the course of carrying out professional activities within the employing

organization, we are of the opinion that it should be explicitly articulated in the proposed section. In order to make it clarified, referring to paragraph 360.1 in section 360 (Responding to Non-Compliance with Laws and Regulations) in the extant Code, adding “in the course of carrying out professional activities” to paragraph 250.6 A1 is to be considered, for example.

360.1

A professional accountant in business may encounter or be made aware of noncompliance or suspected non-compliance with laws and regulations in the course of carrying out professional activities. (The rest is omitted)

Proposed amendment to Section 250

250.6 A1

In the course of carrying out professional activities, the offering or accepting of inducements that is not prohibited by laws and regulations might still create threats to compliance with the fundamental principles.

- In paragraph 250.13 A1, “the nature or closeness of the relationship between a professional accountant and the counterparty” is set out as one of the relevant factors to consider in determining whether there is actual or perceived intent to improperly influence the behavior of the professional accountant or the counterparty when an inducement is offered by or to an immediate or close family member of a PAIB. This factor should be added to paragraph 250.9 A1, because it is also relevant in determining whether there is such intent when an inducement is offered by or to a PAIB.

Proposed Section 340

2. Do respondents agree that the proposed provisions relating to inducements for PAPPs should be aligned with the enhanced provisions for PAIBs in proposed Section 250? If so, do respondents agree that the proposals in Section 340 achieve this objective?

(Comment)

- As it is specified in paragraph 38 in the Explanatory Memorandum that the proposed section 340 applies not only to offering and accepting of inducements between existing clients and PAPPs but also to the ones between potential clients and PAPPs¹, it also should be articulated in the

¹ It is specified in paragraph 38 in the Explanatory Memorandum that, when a PAPP offers or accepts an inducement, the counterparty would generally be a client, which is intended to be an existing or a potential client .

proposed section. For example, “between existing or potential clients and professional accountants” should be added to paragraph 340.6 A1.

Proposed amendment to Section 340

340.6 A1

The offering or accepting of inducements between existing or potential clients and professional accountants that is not prohibited by laws and regulations might still create threats to compliance with the fundamental principles.

- In paragraph 340.13 A1, “the nature or closeness of the relationship between the accountant and the client (existing or potential clients)” is set out as one of the relevant factors to consider in determining whether there is actual or perceived intent to improperly influence the behavior of the professional accountant or the client when an inducement is offered by or to an immediate or close family member of the PAPP. This factor should be added to paragraph 340.9 A1, because it is also relevant in determining whether there is such intent when an inducement is offered by or to a PAPP.

Proposed Conforming Amendments to Independence Provisions

3. Do respondents support the restructuring changes and proposed conforming amendments in proposed Sections 420 and 906?

(Comment)

We support the restructuring changes and proposed conforming amendments.

4. Do respondents believe the IESBA should consider a project in the future to achieve further alignment of Sections 402 and 906 with proposed Section 340? If so, please explain why.

(Comment)

We do not believe that the IESBA should consider a project in the future to achieve further alignment of Sections 420 and 906 with proposed Section 340.

II. Request for General Comments

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

For example, the wording used in the example of intimidation threats in paragraphs 250.11 A1 (c) and 340.11 A1 (c) does not seem to be plain due mainly to the multiple usage of the passive voice; paragraphs 250.11 A4 and 340.11 A4 are expressed in a long sentence. It is, therefore, desirable to change them to a more understandable and translatable style based on

the conventions for the Code in the Structure of the Code project, primarily by usage of the active voice and division into shorter sentences as the “Drafting Guideline” mentions “Keep it Short” and “Active Voice instead of Passive Voice”.

As for the former, for example, in order to clarify who perceives the acceptance of hospitality to be inappropriate, the sentence in question should be considered to change to “A professional accountant accepts hospitality that the accountant would perceive to be inappropriate if it is publicly disclosed.”

Besides, not “regularly” but “frequently” should be used to articulate comparative high frequency in “regularly takes a customer or supplier (or client) to sporting events” presented as an example of familiarity threats in 250.11 A1 (b) and 340.11 A1 (b). It is because what the example should illustrate is to take a customer or supplier to sporting events above a certain level of frequency and because merely “regularly” includes low frequency (for example, once a year or every six months).

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