



**The Japanese Institute of
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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 Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice*

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 Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice*.

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

I. Request for Specific Comments

1. Do respondents agree with:
- (a) The proposed applicability paragraphs; and
 - (b) The proposed location of those paragraphs in Sections 120 and 300 of the proposed restructured Code.
- If not, why not?

(Comment)

- (a) We do not agree with the examples as stipulated in paragraphs 120.4 A1 and 300.5 A1.

Both paragraphs of 120.4 A1 and 300.5 A1 provide that “for example, where a professional accountant in public practice is pressured by an engagement partner to underreport chargeable hours for a client engagement in order to artificially enhance engagement profitability which might impact the partner’s remuneration, the requirements and application material set out in Section 270 would be relevant”.

However, we are of the view that the example of non-compliance with the fundamental principles where an engagement partner who is also a professional accountant exerts pressure to underreport chargeable hours is not appropriate as an example to be set out in the Code of Ethics since such a threat is very difficult to address.

Accordingly, we are of the view that an example to be provided in paragraphs 120.4 A1 and 300.5 A1 should be more appropriate by providing an example where a professional accountant is capable of addressing the threat even though such professional accountant may be placed in a situation of possibly compromising compliance with the fundamental principles. For example, among three specific areas (conflicts of interest, pressure, and inducements) which the IESBA focused on, we believe that the following example concerned with conflicts of interest is appropriate since it can demonstrate how to address the threat.

“For example, where the firm considers relocating its office and one of the proposed properties for the relocation is owned by a close family member of a senior partner or an executive partner of the firm, the requirements and application material set out in Section 210 would be relevant. In this circumstance, after evaluating the level of the threat created by the conflict of interest, the threat may be eliminated or safeguards may be applied. For example, in order to ensure that the relevant transaction is conducted at arm’s length, actions to be taken may include establishing policies and procedures prescribing selection criteria, obtaining quotes from multiple parties, excluding from consideration any property owned by a close family member of a senior partner or an executive partner of the firm, or removing the involvement of such partner in determining a new office property”.

(b) We believe the proposed location of those paragraphs is appropriate.

II. Request for General Comments

<p><i>Small and Medium Practices (SMPs)</i> – The IESBA invites comments regarding any aspect of the proposals from SMPs.</p>

(Comment)

We do not have any specific comments.

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.

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.

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