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May 24, 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, *Improving the Structure of the Code of Ethics for Professional Accountants - Phase 2 With Certain Proposed Conforming Amendments Arising from the Safeguards Project*

The Japanese Institute of Certified Public Accountants (JICPA) appreciates this opportunity to comment on the International Ethics Standards Board for Accountants (IESBA) Exposure Draft, *Improving the Structure of the Code of Ethics for Professional Accountants - Phase 2 With Certain Proposed Conforming Amendments Arising from the Safeguards Project*.

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

I. Request for Specific Comments

Structure of the Code Phase 2

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| <p>1. Do you believe that the proposals in this ED have resulted in any unintended changes in meaning of:</p> <ul style="list-style-type: none">· The provisions for Part C of the Extant Code, as revised in the close-off document for Part C Phase 1 (see Sections 200-270 in Chapter 1)?· The NOCLAR provisions (see Sections 260 and 360 in Chapter 2)? |
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- The revised provisions regarding long association (see Sections 540 and 940 in Chapter 3)?
 - The provisions addressing restricted use reports in the extant Code (see Section 800 in Chapter 4)?
 - The provisions relating to independence for other assurance engagements (Part 4B in Chapter 5)?
- If so, please explain why and suggest alternative wording.

(Comment)

We believe that the proposals in this ED have resulted in unintended changes in meaning of the provisions for Part C of the Extant Code, as revised in the close-off document for Part C Phase 1 as follows:

- In paragraph 200.1 in this ED, it is prescribed that, “This Part to be alert for such facts and circumstances.” However, in the close-off document, it is prescribed that “This part to be alert for such circumstances and relationships.” Since this project is predicated on the assumption that the meaning of any provision is not to be altered, we propose to consider changing it back to the wording of the close-off document.
- In paragraph 200.1, it is prescribed that, “Therefore, professional accountants in business are required to be alert for” However, in the close-off document, it is prescribed that “Therefore, the professional accountant is encouraged to be alert for” Since this project is predicated on the assumption that the meaning of any provision is not to be altered, we propose to consider changing it back to the wording of the close-off document.

2. Do you believe that the proposals are consistent with the key elements of the restructuring as described in Section III of this Explanatory Memorandum?

(Comment)

We do not believe that the proposals are consistent with the key elements of the restructuring in the following points:

- 1) In order to improve usability of the Code, the numbering should be more understandable, straightforward and consistent with the rule for grouping which should be easy to search. This exposure draft adopts the numbering system with respect to numbering paragraphs of “application material” where the grouping based on theme is numbered before the letter “A” and an index number is placed after the letter “A” for each detailed provision like XX.1 A1, XX.2 A1, XX.2 A2 and XX.3 A1. However, it seems that the grouping rules and numbering system are not always unified and consistent.

For example, in the paragraphs “Other Considerations,” there is an instance where different themes are bundled in the same group (e.g. 220.14 A1 and 220.14 A2) under 220.14 while in another instance different themes are grouped separately (e.g. 210.9 A1 and 210.10 A1). We believe that a simple sequential numbering system applied in the extant Code is more straightforward and easier to search.

- 2) Paragraph 220.4 A1 is followed by paragraph 220.5 A2. We believe this is a mistake for 220.5 A1 meaning 220.5A2 should be 220.5A1 and therefore, needs a correction.
- 3) Paragraphs 900.7 and 900.8 of Part 4B which prescribes independence for assurance engagements other than audit engagements are a rearrangement of the provisions set forth in paragraphs 291.2 and 291.12 of the Extant Code without altering their contents. These paragraphs 900.7 and 900.8 have similar wordings with some overlapping in part. Therefore, we propose to combine the contents of these paragraphs 900.7 and 900.8 into paragraph 900.7 and delete paragraph 900.8 as follows:

[Exposure Draft]

900.7 Assurance engagements are designed to enhance intended users’ degree of confidence about the outcome of the evaluation or measurement of a subject matter against criteria. The *International Framework for Assurance Engagements* (the Assurance Framework) describes the elements and objectives of an assurance engagement and identifies engagements to which ISAEs apply. For a description of the elements and objectives of an assurance engagement, refer to the Assurance Framework.

900.8 In an assurance engagement, the professional accountant expresses a conclusion designed to enhance the degree of confidence of the intended users (other than the responsible party) about the outcome of the evaluation or measurement of a subject matter against criteria. For further explanation, see the Assurance Framework.

[Proposed Revision]

900.7 Assurance engagements are designed to enhance intended users’ degree of confidence about the outcome of the evaluation or measurement of a subject matter against criteria. The *International Framework for Assurance Engagements* (the Assurance Framework) describes the elements and objectives of an assurance engagement and identifies engagements to which ISAEs apply. In an assurance engagement, the professional accountant expresses a conclusion designed to enhance the degree of confidence of the intended users (other than the responsible party) about the outcome of the evaluation or measurement of a subject matter against criteria. For further explanation, see the

Assurance Framework.

Conforming Amendments Arising from the Safeguards Project

3. Respondents are asked for any comments on the conforming amendments arising from the Safeguards project. **Comments on those conforming amendments are requested by April 25, 2017 as part of a response to Safeguards ED-2.**

(Comment)

Concerning the conforming amendments arising from the Safeguards project, please refer to the comments submitted in April 2017 (JICPA comments on the IESBA Exposure Draft, *Proposed Revisions Pertaining to Safeguards in the Code - Phase 2 and Related Conforming Amendments*).

Effective Date

4. Do you agree with the proposed effective dates for the restructured Code? If not, please explain why not.

(Comment)

We agree with the proposed effective dates.

II. Request for General Comments

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

(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