

13 April 2015

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International Ethics Standards Board for Accountants
529 Fifth Avenue, 6th Floor
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Dear Sirs,

RESPONSE TO THE INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (IESBA) EXPOSURE DRAFT (ED) – PROPOSED CHANGES TO PART C OF THE CODE ADDRESSING PRESENTATION OF INFORMATION AND PRESSURE TO BREACH THE FUNDAMENTAL PRINCIPLES

In preparation of this comment letter, the Institute of Singapore Chartered Accountants (ISCA) has sought views from its members through a one-month public consultation and discussed the ED with members of the ISCA Ethics Committee as well as members of the ISCA CFO Committee.

Generally, we agree with all the suggestions in the ED and do not have significant comments or additional insights, except for the following specific questions:

Proposed Revised Section 320 - *Presentation of Information*

Question 2: 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?

We note that the IESBA has elaborated on the first bullet point of paragraph 320.2 “*Preparing or presenting information in a manner that is intended neither to mislead nor to influence contractual or regulatory outcomes inappropriately*” with examples in paragraph 320.3. We would also recommend that the IESBA elaborate on the other two bullet points in paragraph 320.2 on “omission of information” and “presentation of information in accordance with a relevant reporting framework” with examples to guide application. For

instance, professional accountants in business (PAIBs) may face pressure from their supervisors to omit disclosure of information that is not favourable to their employing organisations, although disclosure of such information is necessary to enhance understanding of the transactions undertaken by the organisation. The pressure faced by the PAIBs would be intensified in cases where the disclosure is not mandated by the relevant reporting framework. The PAIBs would probably look to the Code to find guidance to address their dilemma. Hence, it would be helpful for the IESBA to provide application guidance for such situations.

We also think that for the first bullet point of paragraph 320.3, “*over- or under-accruing warranty expenses*” may not be the most appropriate example to illustrate the use of “*estimates*” to mislead. The example should be one which is commonly seen in businesses so that most professional accountants can relate to. Warranty expense may not be very common in many industries. As an alternative, we would like to suggest the use of “*impairment of trade receivables*” as an example instead, since most, if not all, companies would encounter challenges in the collection of trade receivables at some point of their dealings with customers.

Furthermore, we note that the first three bullet points of paragraph 320.3 stated the misuse of discretion to manipulate “*income*”. The term “*income*” is synonymous with “*profits*”. However, discretion may also be misused to manipulate the losses of companies. Hence, we suggest the use of “*profit or loss*” or “*results*” to replace “*income*” to enhance the clarity of the illustrations.

Question 4: Do respondents agree that where a PAIB relies on the work of others, the PAIB should be agreed to take reasonable steps to be satisfied that such work enables the PAIB to comply with the overarching principle in paragraph 320.2?

While we agree with the above, we would like to suggest that the IESBA provides examples of what would constitute “*reasonable steps*”, to give more guidance to professional accountants.

On the same note, the IESBA should also provide more clarity as to who should be included under the term “*others*” in paragraph 320.5 which mentions that the professional accountant “*relies on the work of others*”. This would help to avoid the misconception that “*others*” refer to only external parties such as external auditors or an auditor’s expert, when it should also encompass internal accounting staff.

Proposed Section 370 - Pressure to Breach the Fundamental Principles

Question 1: Do respondents agree with the overarching requirements in paragraphs 370.1 and 370.2?

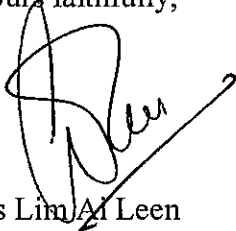
We would like to suggest that paragraph 370.1 includes “*family members*” as an example of pressure from external individuals for the PAIB to breach the fundamental principles, given that “*family members*” have been mentioned in other Sections of Part C of the Code (such as paragraphs 300.12, 310.2, 310.11 and 340.1) as potential sources of conflicts that may create threats to the fundamental ethical principles of the Code.

Question 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 would be considered?

To facilitate application, the IESBA should consider providing guidance on the first bullet point of paragraph 370.6 on “*Engage in constructive challenge with the individual exerting the pressure*” to explain how the PAIB may engage the individual and also under what circumstances this should be done.

Should you require any further clarification, please feel free to contact Mr Kang Wai Geat, Assistant Director, Technical Standards Development and Advisory, or Mr Ang Soon Lii, Manager, Technical Standards Development and Advisory, at ISCA via email at waigeat.kang@isca.org.sg or soonlii.ang@isca.org.sg respectively.

Yours faithfully,



Ms Lim Ai Leen
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