

Structure of the Code—Extract from Mapping Table for Post-Consultation Paper Draft Restructured Code

2014 Code of Ethics		Draft Restructured Code		Comments
SECTION 240 Fees and Other Types of Remuneration				
240.1	When entering into negotiations regarding professional services, a professional accountant in public practice may quote whatever fee is deemed appropriate. The fact that one professional accountant in public practice may quote a fee lower than another is not in itself unethical. Nevertheless, there may be threats to compliance with the fundamental principles arising from the level of fees quoted. For example, a self-interest threat to professional competence and due care is created if the fee quoted is so low that it may be difficult to perform the engagement in accordance with applicable technical and professional standards for that price.	330.3 A1	When entering into negotiations regarding professional services, a professional accountant may quote whatever fee is considered appropriate. The fact that one professional accountant may quote a fee lower than another is not in itself unethical. Nevertheless, there may be threats to compliance with the fundamental principles arising from the level of fees quoted. Fee quotations may create a threat to professional competence and due care if the fee quoted is so low that it may be difficult to perform the engagement in accordance with applicable technical and professional standards for that price.	
240.2	The existence and significance of any threats created will depend on factors such as the level of fee quoted and the services to which it applies. The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:	R330.3	When a professional accountant is pressured to quote a level of fees that impacts the ability of the professional accountant to perform professional services in accordance with professional standards, the professional accountant shall evaluate the significance of any threat so created and apply safeguards when necessary to eliminate the threat or reduce it to an acceptable level.	

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	<ul style="list-style-type: none"> • Making the client aware of the terms of the engagement and, in particular, the basis on which fees are charged and which services are covered by the quoted fee; or • Assigning appropriate time and qualified staff to the task. 	330.3 A2	Examples of safeguards that may be available to address any such threat include: <ul style="list-style-type: none"> • Making the client aware of the terms of the engagement and, in particular, the basis on which fees are charged and which professional services are covered by the quoted fee; or • Assigning appropriate time and qualified staff to the task. 	
240.3	Contingent fees are widely used for certain types of non-assurance engagements. They may, however, create threats to compliance with the fundamental principles in certain circumstances. They may create a self-interest threat to objectivity. The existence and significance of such threats will depend on factors including: <ul style="list-style-type: none"> • The nature of the engagement. • The range of possible fee amounts. • The basis for determining the fee. • Whether the outcome or result of the transaction is to be reviewed by an independent third party. 	330.4 A1	Contingent fees are widely used for certain types of non-assurance engagements. However, contingent fees may create threats to compliance with the fundamental principles, particularly a self-interest threat to objectivity, in certain circumstances. The existence and significance of such threats will depend on factors including: <ul style="list-style-type: none"> • The nature of the engagement. • The range of possible fee amounts. • The basis for determining the fee. • Whether the outcome or result of the transaction is to be reviewed by an independent third party. 	
240.4	The significance of any such threats shall be evaluated and safeguards applied when necessary to eliminate or reduce them to an acceptable level. Examples of such safeguards include: <ul style="list-style-type: none"> • An advance written agreement with the client as to the basis of remuneration; 	R330.4	When a professional accountant performs a non-assurance service on the basis of a contingent fee arrangement, the professional accountant shall evaluate the significance of any threat so created and apply safeguards when necessary to eliminate the threat or reduce it to an acceptable level.	

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	<ul style="list-style-type: none"> • Disclosure to intended users of the work performed by the professional accountant in public practice and the basis of remuneration; • Quality control policies and procedures; or • Review by an independent third party of the work performed by the professional accountant in public practice. 	330.4 A2	Examples of safeguards that may be available to address any such threat include: <ul style="list-style-type: none"> • An advance written agreement with the client as to the basis of remuneration; • Disclosure to intended users of the work performed by the professional accountant and the basis of remuneration; • Quality control policies and procedures; or • Review by an independent third party of the work performed by the professional accountant. 	
240.5	In certain circumstances, a professional accountant in public practice may receive a referral fee or commission relating to a client. For example, where the professional accountant in public practice does not provide the specific service required, a fee may be received for referring a continuing client to another professional accountant in public practice or other expert. A professional accountant in public practice may receive a commission from a third party (for example, a software vendor) in connection with the sale of goods or services to a client. Accepting such a referral fee or commission creates a self-interest threat to objectivity and professional competence and due care.	330.5 A1	In certain circumstances, a professional accountant may receive a referral fee or commission relating to a client. For example, where the professional accountant does not provide the specific professional service required, a fee may be received for referring a continuing client to another professional accountant or other expert. A professional accountant may receive a commission from a third party (for example, a software vendor) in connection with the sale of goods or services to a client. Accepting such a referral fee or commission creates a self-interest threat to objectivity and professional competence and due care.	
240.6	A professional accountant in public practice may also pay a referral fee to obtain a client, for example,	R330.5	A professional accountant shall evaluate the significance of any threat created and apply	

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	where the client continues as a client of another professional accountant in public practice but requires specialist services not offered by the existing accountant. The payment of such a referral fee also creates a self-interest threat to objectivity and professional competence and due care.		safeguards when necessary to eliminate the threat or reduce it to an acceptable level when: (a) The professional accountant receives a referral fee or commission in relation to goods or services provided to a client by a third party, unless such referral fee or commission is in relation to the purchase or sale of all or part of another firm; or (b) The professional accountant pays a referral fee to obtain a client.	
		330.5 A2	A professional accountant may also pay a referral fee to obtain a client, for example, where the client continues as a client of another professional accountant but requires specialist services not offered by the existing accountant. The payment of such a referral fee also creates a self-interest threat to objectivity and professional competence and due care.	
240.7	The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include: <ul style="list-style-type: none"> • Disclosing to the client any arrangements to pay a referral fee to another professional accountant for the work referred; • Disclosing to the client any arrangements to receive a referral fee for referring the client to 	R330.5	A professional accountant shall evaluate the significance of any threat created and apply safeguards when necessary to eliminate the threat or reduce it to an acceptable level when: (a) The professional accountant receives a referral fee or commission in relation to goods or services provided to a client by a third party, unless such referral fee or commission is in relation to the purchase or sale of all or part of another firm; or	

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	<p>another professional accountant in public practice; or</p> <ul style="list-style-type: none"> Obtaining advance agreement from the client for commission arrangements in connection with the sale by a third party of goods or services to the client. 		<p>(b) The professional accountant pays a referral fee to obtain a client.</p>	
		330.5 A3	<p>Examples of safeguards that may be available to address a threat created by the receipt or payment of a referral fee or commission include:</p> <ul style="list-style-type: none"> Disclosing to the client any arrangements to pay a referral fee to another professional accountant for the work referred; Disclosing to the client any arrangements to receive a referral fee for referring the client to another professional accountant; or Obtaining advance agreement from the client for commission arrangements in connection with the sale by a third party of goods or services to the client. 	
240.8	<p>A professional accountant in public practice may purchase all or part of another firm on the basis that payments will be made to individuals formerly owning the firm or to their heirs or estates. Such payments are not regarded as commissions or referral fees for the purpose of paragraphs 240.5-240.7 above.</p>	330.5 A4	<p>A professional accountant may purchase all or part of another firm on the basis that payments will be made to individuals formerly owning the firm or to their heirs or estates. Such payments are not regarded as referral fees or commissions for purpose of Paragraph R330.5, including its related application material above.</p>	