

## Revision of Part C, Phase 2—Proposed Sections 420 and 906 (Mark-up from March 2017)

### PART 4A – INDEPENDENCE FOR AUDITS AND REVIEWS

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#### Section 420

#### Gifts and Hospitality

##### Introduction

- 420.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.
- 420.2 Accepting gifts and hospitality from an audit client might create self-interest, familiarity or intimidation, ~~familiarity or other~~ threats to compliance with the fundamental principles and threats to independence.
- 420.3 Section 420 sets out specific ~~a~~ requirements relevant to applying the conceptual framework to ~~acceptance~~ accepting of gifts and hospitality from an audit client.

##### Requirement and Application Material

- R420.4** In addition to complying with the requirements relating to the offering or accepting of inducements set out in Section 340, a firm, network firm or audit team member shall not accept gifts and hospitality from an audit client, unless the value is trivial and inconsequential.

##### Other Considerations

- ~~420.5 A1 If a firm, a network firm or an audit team member offers or accepts an inducement, including accepting gifts and hospitality that are trivial and inconsequential, actual or perceived threats to compliance with the fundamental principles might be created. The requirements and application material in Section 340 are also relevant.~~

## Part 4B – INDEPENDENCE FOR OTHER ASSURANCE ENGAGEMENTS

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### Section 906

#### Gifts and Hospitality

##### Introduction

- 906.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.
- 906.2 Accepting gifts and hospitality from an assurance client might create self-interest, familiarity or intimidation, familiarity or other threats to compliance with the fundamental principles and threats to independence.
- 906.3 Section 906 sets out specific-a requirements relevant to applying the conceptual framework to acceptance of accepting gifts and hospitality from an assurance client.

##### Requirements and Application Material

- R906.4** In addition to complying with the requirements relating to the offering or accepting of inducements set out in Section 340, a firm or an assurance team member shall not accept gifts and hospitality from an assurance client, unless the value is trivial and inconsequential.

##### Other Considerations

- 906.5 A1 If a firm or an assurance team member offers or accepts an inducement, including accepting gifts and hospitality that are trivial and inconsequential, actual or perceived threats to compliance with the fundamental principles might be created. The requirements and application material in Section 340 are also relevant.