

## Proposed Revisions to Applicability ED [Mark-up from ED]

### Part 1 – COMPLYING WITH THE CODE, FUNDAMENTAL PRINCIPLES AND THE CONCEPTUAL FRAMEWORK

#### Section 120

#### The Conceptual Framework

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R120.4 ~~When facing an ethical issue, a~~ professional accountant shall consider the facts and circumstances, including any professional activities, interests and relationships that might create threats to compliance with the fundamental principles, and the context within which the issue has occurred in which they apply and comply with the relevant requirements of the Code. Where an individual who is a professional accountant in public practice is performing professional activities ~~pursuant to the accountant's employment or ownership relationship with the firm other than for clients of the accountant's firm, and~~ there ~~might be~~ are requirements and application material in Part 2 that are ~~also applicable to those circumstances. If so,~~ the ~~professional accountant in public practice~~ shall comply with ~~the~~ those relevant provisions.

120.4 A1 A professional accountant may perform professional activities other than for clients of the accountant's firm, for example, within the firm or for other entities. Situations in which the provisions in Part 2 might apply under those circumstances include, for example:

- Facing pressure by more senior members of the accountant's firm to breach the fundamental principles, such as pressure to manipulate performance indicators from superiors of the firm who might benefit from participation in compensation or incentive arrangements.
- Facing a conflict of interest when performing a professional activity within the firm, such as being responsible for selecting a vendor for the firm when an immediate family member of the accountant might benefit financially from the contract.
- Being offered an inducement that creates threats to compliance with the fundamental principles, such as being regularly offered complimentary tickets to attend sporting events by a supplier of the firm.
- Preparing or presenting information for internal reporting purposes, such as preparing financial information in relation to the profitability of the accountant's client service division.

~~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.~~

## PART 3 – PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE

### Section 300

#### Applying the Conceptual Framework – Professional Accountants in Public Practice

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R300.5 ~~When facing an ethical issue, a~~ professional accountant shall consider the facts and circumstances, including any professional activities, interests and relationships that might create threats to compliance with the fundamental principles, and the context within which the issue has occurred in which they apply and comply with the relevant requirements of the Code. Where an individual who is a professional accountant in public practice is performing professional activities ~~pursuant to the accountant's employment or ownership relationship with the firm other than for clients of the accountant's firm, and there might be~~ are requirements and application material in Part 2 that are ~~also applicable to those circumstances. If so, the professional accountant in public practice~~ shall comply with ~~the~~ those relevant provisions.

300.5 A1 A professional accountant may perform professional activities other than for clients of the accountant's firm, for example, within the firm or for other entities. Situations in which the provisions in Part 2 might apply under those circumstances include, for example:

- Facing pressure by more senior members of the accountant's firm to breach the fundamental principles, such as pressure to manipulate performance indicators from superiors of the firm who might benefit from participation in compensation or incentive arrangements.
- Facing a conflict of interest when performing a professional activity within the firm, such as being responsible for selecting a vendor for the firm when an immediate family member of the accountant might benefit financially from the contract.
- Being offered an inducement that creates threats to compliance with the fundamental principles, such as being regularly offered complimentary tickets to attend sporting events by a supplier of the firm.
- Preparing or presenting information for internal reporting purposes, such as preparing financial information in relation to the profitability of the accountant's client service division.

~~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.~~