

July 25, 2017

International Ethics Standards Board for Accountants

International Federation of Accountants

529 Fifth Avenue, 6th Floor

New York, NY 10017

Dear Sir or Madam,

The Korean Institute of Certified Public Accountants (KICPA) is pleased to comment on the Exposure Draft (ED) issued by the International Ethics Standards Board for Accountants (IESBA), regarding “Proposed Application Material Relating to: (a) Professional Skepticism – Linkage with the Fundamental Principles; and (b) Professional Judgment – Emphasis on Understanding Facts and Circumstances.” KICPA is a strong advocate of IESBA for your relentless efforts to increase the level of ethical standards that professional accountants are expected to perform and to serve the public interest by developing high-quality professional ethical standards.

<KICPA Comments >

Proposed Application Material Relating to Professional Skepticism (paragraph 120. 13 A1)

Q1. Do respondents agree that the proposed application material enhances the understandability of the conceptual framework in Section 120 of the proposed restructured Code?

Adding the proposed application material relating to professional skepticism to the fundamental framework section makes sure that compliance with the fundamental principles in the Code supports the exercise of professional skepticism. Clarifying the relationship between compliance with the fundamental principles and professional skepticism would be believed to increase the understandability of the fundamental principles.

Q2. Do the examples in the proposed application material clearly describe how compliance with the fundamental principles of integrity, objectivity, and professional competence and due care support the exercise of professional skepticism in the context of an audit of financial statements? If not, why not?

Yes. We believe the examples sufficiently confirm that compliance with the fundamental principles supports the exercise of professional skepticism in the context of an audit of financial statements.

Proposed Application Material Relating to Professional Judgment (paragraph 120. 5 A1)

Q3. Do respondents agree that the proposed application material enhances the understandability of the conceptual framework in Section 120 of the proposed restructured Code?

The proposed application material describes that it is important for professional accountants to obtain a sufficient understanding of known facts and circumstances to identify, evaluate and address threats to compliance with the fundamental principles when exercising professional judgment. In other words, the material emphasizes the necessity of reviewing professional accountants' known facts and circumstances from various perspectives, when exercising judgments according to the conceptual framework, which would end up with increasing the understandability of the framework.

Q4. Do respondents agree that the proposed application material appropriately emphasizes the importance of professional accountants obtaining a sufficient understanding of the facts and circumstances known to them when exercising professional judgment in applying the conceptual framework? If not, why not?

The material provides a description of emphasizing the need for a sufficient understanding of known facts and circumstances, and offers examples professional accountants need to take into account in order to emphasize the need.

We hope our comments would be useful for IESBA's project that aims to improve the structure of the Code. Please feel free to contact global@kicpa.or.kr for further inquiries.

Thank you.