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Senior Technical Manager  
International Ethics Standards Board for Accountants  
International Federation of Accountants  
545 Fifth Avenue, 14th Floor  
New York, New York 10017 USA

**Comments on July 2008 Exposure Draft: Code of Ethics for Professional Accountants**

Dear Members of the International Ethics Standards Board for Accountants:

The Japanese Institute of Certified Public Accountants appreciates this opportunity to comment on the “July 2008 Exposure Draft: Code of Ethics for Professional Accountants” (the “July 2008 Exposure Draft”).

Our comments in relation to the questions that the IESBA has raised are as follows:

**Question 1**

**The IESBA is of the view that identifying a requirement by the use of the word “shall” clarifies the Code and appropriately brings the language in line with that adopted by the IAASB. Do you agree? If you do not agree please provide an explanation.**

Although it is difficult to express the difference between “shall” and “should” in Japanese, we understand that identifying a requirement by the use of the word “shall” would clarify the requirements of the Code.

**Question 2**

**The IESBA is of the view that separately presenting the objective to be achieved, the requirements designed to achieve that objective, and the application guidance as in the**

**ISAs would not further improve the clarity of the Code. Do you agree? If you do not agree, please provide an explanation and an example of the separate presentation that you recommend.**

We agree. The structure of the Code is very different from the structure of the ISAs, so presenting the objective to be achieved, the requirements designed to achieve that objective, and the application material, as in the ISAs, would not improve the clarity of the Code.

**Question 3**

**The IESBA is of the view that in exceptional and unforeseen circumstances that are outside the control of the professional accountant, the firm or employing organization, and the client, the application of a specific requirement in the Code may result in an outcome that a reasonable and informed third party would not regard as being in the interest of the users of the output of the accountant's professional services. Therefore, the Board is proposing that the Code include a provision that would permit a professional accountant, in such circumstances, to depart temporarily from that specific requirement. This would not be the same as provisions in the Code that address situations in which a professional accountant has inadvertently violated a provision of the Code. The departure would only be acceptable if all of the conditions set out in paragraph 100.11 are met.**

**Question 3 (a)**

**Do you agree that the Code should contain a provision that permits any exception to compliance with a requirement set out in the Code? If you do not agree, please provide an explanation.**

We agree. Paragraph 100.4 of the exposure draft states that compliance is required unless prohibited by law or regulation, or an exception is permitted by the Code. However, there may be exceptional circumstances where compliance is impossible, and those circumstances are not deemed to compromise compliance with the fundamental principles. Moreover, it is impossible to anticipate all such circumstances. Given that such exceptional circumstances could happen, a provision that permits departure from compliance should be contained in the Code to allow a response in such cases.

**Question 3 (b)**

**If you believe that the Code should contain a provision that permits an exception to compliance, are the conditions under which the exception would apply appropriate? Should there be additional or fewer conditions and, if so, what are they?**

Generally we agree with the conditions under which the exception would apply. However, we have a comment regarding the provision that the nature of the departure and the reasons for

the departure are appropriately disclosed to the users of the output of the professional services set out in paragraph 100.11 as one of the conditions of an acceptable departure. In the case of a financial statement audit, the way of disclosure to the users is disclosure in an audit report. However, when there is an adequate reason for a departure, we believe that the disclosure in an audit report may create a misunderstanding and an unintended negative effect. Therefore, we propose that the disclosure be made only about the services that are able to appropriately be disclosed to the users of the output of the professional services.

**Question 3 (c)**

**If you believe that the Code should not contain a provision that permits an exception, please explain how you would deal with the types of exceptional and unforeseen situations that may be covered by paragraph 100.11.**

Not applicable

**Question 3 (d)**

**Are there any other circumstances where you believe a departure from a requirement in the Code would be acceptable? For example, should an event that is within the control of one of the relevant parties qualify for an exception? If so, please provide an explanation and specific examples of the circumstances where you believe a departure would be acceptable.**

We believe that there are events that are within the control of one of the relevant parties that should qualify for an exception. For example, when a company to which the firm provides a non-assurance service that it is prohibited to provide to audit clients is acquired by an audit client and the company can't find a firm to provide that service within a reasonable time period, we believe that a departure is acceptable until the issue is resolved, subject to the firm applying safeguards.

**Question 4**

**The IESBA is of the view that the proposed modification to focus the application of the conceptual framework throughout the Code, and the related documentation requirements in Sections 290 and 291, on threats that are not at an acceptable level will result in a more efficient and effective application of the framework approach. Do you agree? If you do not agree, please provide an explanation.**

We agree. We believe that the proposed modification to focus the application of the conceptual framework throughout the Code, and the related documentation requirements in Sections 290 and 291, on threats that are not at an acceptable level will result in a more efficient and effective application of the framework approach.

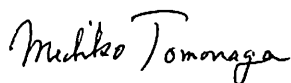
**Question 5**

**The IESBA is of the view that the selected point-in-time effective date with the proposed transitional provisions will provide the appropriate balance between firms and member bodies having sufficient time to implement the new standards and effecting change as soon as possible. Do you agree? If you do not agree, please provide an explanation of how you would revise the effective date or transitional provisions to achieve that balance.**

Generally we agree that the proposed transitional provisions are appropriate, except for fees - relative size. In order to create the necessary conditions for audit firms to properly apply this Code, we believe that transitional provisions should be introduced for fees - relative size. Specifically, as a minimum, "fresh start" treatment at the time of the effective date (currently expected to be December 15, 2010) should be introduced. That is, safeguards shall be applied when the relative size represents more than 15% for two consecutive years after the effective date.

We would be pleased to discuss any of these points in more details.

Yours sincerely,



Michiko Tomonaga

Deputy President

The Japanese Institute Certified Public Accountants