

Proposed Text: Clarification to the Enhanced Conceptual Framework

[Mark-up From [Agreed-in-Principle Text](#)]

Note to Meeting Participants

The proposals include revisions to clarify the enhanced conceptual framework set out in the proposed restructured Code.¹

Part 1 – Complying with the Code, Fundamental Principles and the Conceptual Framework

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Section 120

The Conceptual Framework

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Requirements and Application Material

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R120.5 When applying the conceptual framework, the professional accountant shall:

- (a) Exercise professional judgment having obtained a clear understanding of the relevant facts and circumstances known to the accountant;
- (b) Remain alert for new information and to changes in facts and circumstances; and
- (c) Use the reasonable and informed third party test as described in paragraph 120.6 A1.

Exercise of Professional Judgment

120.5 A1 The exercise of professional judgment involves a consideration of a range of matters including, for example, the nature of the professional activity being undertaken and the complexity or subjectivity of the particular matter. In all cases, it is important that the professional accountant obtains a clear understanding of the relevant facts and circumstances when exercising professional judgment. That might involve a consideration of whether:

- The information is inconsistent with other relevant information and whether additional information is needed to draw an informed conclusion.
- Other conclusions could be drawn from the information being considered.
- The accountant's own preconception or bias might be affecting the accountant's judgment.
- The accountant's own expertise and experience are sufficient, or whether others with a particular expertise or experience might need to be involved.

¹ In January 2017, the IESBA announced the completion of the major first phase of its strategic project to restructure its Code of Ethics for Professional Accountants™ (the Code). For information, IESBA Staff has prepared a compilation of the proposed restructured Code that combines the [agreed-in-principle texts](#) for Phase 1 of the Structure and Safeguards projects and the proposed texts relating to the January 2017 Exposure Drafts (i.e., [Structure ED-2](#), [Safeguards ED-2](#), and [Applicability ED](#)).