

Proposed Text: Clarification to the Enhanced Conceptual Framework (Mark-up)

The proposals are shown in gray text and include revisions to clarify the enhanced conceptual framework set out in the proposed restructured Code.¹ This mark-up illustrates revisions made since the March 15, 2017 IESBA meeting draft.

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

Section 120

The Conceptual Framework

Requirements and Application Material

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

- (a) Exercise professional judgment;
- (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 Professional judgment involves the application of training, knowledge and experience taking into account the nature and scope of the professional activity being undertaken. It is important that the professional accountant obtains a sufficient understanding of the facts and circumstances known to the accountant to identify, evaluate and address threats to compliance with the fundamental principles. Those facts and circumstances which might include, amongst other matters, a consideration of whether:

- There is an inconsistency between the known facts and circumstances and the accountant's expectations.
- The information is sufficient provides a reasonable basis on which to reach a conclusion.
- Other reasonable 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 there is a need to consult with others with relevant expertise or experience.

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](#)).