

Know Your Ethics

Ethical Issues in Question-Answer Form

Q. What are the safeguards available to a Professional Accountant in Public Practice in respect of Custody of Client Assets?

- A. A professional accountant in public practice entrusted with money (or other assets) belonging to others should:
- Keep such assets separately from personal or firm assets;
 - Use such assets only for the purpose for which they are intended;
 - At all times, be ready to account for those assets, and any income, dividends or gains generated, to any persons entitled to such accounting;
 - Comply with all relevant laws and regulations relevant to the holding of and accounting for such assets.

Q. What is the Conceptual Framework to Independence?

- A. It is to be applied to specific circumstances and relationships. Para 100.5 to 100.8 and 100.9 to 100.14 respectively under the heading conceptual framework, threats and safeguards contained in pages 3 to 6 of Code of Ethics, 2009 deal with various examples about the threats to independence that may be created by specific circumstances and relationships and also provides how professional judgment is used to determine the appropriate safeguards to eliminate threats to independence or to reduce them to an acceptable level depending on the characteristic of the individual assurance engagement.

Q. What is Engagement Period?

- A. The period of the engagement starts when the assurance team begins to perform assurance services and ends when the assurance report is issued, except when the assurance engagement is of a recurring nature.

Q. What is the meaning of Direct Financial Interest?

- A. Direct Financial Interest means
- Owned directly by and under the control of an individual or entity (including those managed on a discretionary basis by others); or
 - Beneficially owned through a collective investment vehicle, estate, trust or other

intermediary over which the individual or entity has control.

Q. What is the meaning of Indirect Financial Interest?

- A. Indirect Financial Interest means a financial interest beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has no control.

Q. What are the examples of Close Business Relationships giving rise to conflict of interest?

- A. Examples of Close business Relationships giving rise to conflict of interest are
- Material financial interest in Joint venture
 - Arrangements to combine one or more services or products of the firm with one or more services or products of the assurance client and to market the package with reference to both parties.
 - Business relationships involving an interest held by the firm, a network firm or a member of the assurance team or their relative(s) in a closely held entity when the audit client or a director or officer of the audit client, or any group thereof, also has an interest in that entity,
 - The purchase of goods and services from an assurance client by the firm (or from a financial statement audit client by a network firm) or a member of the assurance team, etc.

Q. When conflict of interest arises, what are the options available to a firm/Network firm when the firm/ network firm has a direct financial interest/Indirect financial interest in a Financial Statement Audit Client or a client that is not a Financial Statement Audit client?

- A. When conflict of interest arises, the options available to a firm/Network firm when the firm/ Network firm has a direct financial interest/ Indirect financial interest in a Financial Statement Audit Client/ or a client that is not a Financial Statement Audit client are:
- Dispose off the interest
 - Dispose off a sufficient amount of the interest so that the remaining interest is no longer material; or

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(c) Withdraw from the audit.

Q. Whether a loan, or a guarantee of a loan to the professional accountant/any partner of the firm/firm from an assurance client, or deposits made by, or brokerage accounts of a firm or a member of the assurance team with an assurance client, creates any threats to Independence?

- A. A loan, or a guarantee of a loan to the professional accountant/any partner of the firm/firm from an assurance client or deposits made by, or brokerage accounts of a firm or a member of the assurance team with an assurance client creates threats to Independence unless;
- Made within the terms of statutory provisions and guidelines/ guidance notes issued by the Council
 - When assurance client that is a bank or a similar institution, provided the loan, or guarantee/ deposit or brokerage account is made under normal procedures, terms and requirements.

Q. What is Financial Statement Audit Client?

- A. Financial Statement Audit client means an entity in respect of which a firm conducts a financial statement audit engagement. When the client is a listed entity, financial statement audit client will include its related entities, wherever applicable.

Q. What are the safeguards available when the same senior personnel have been engaged over a long period of time by an Assurance Client in an Assurance Engagement?

- A. The following safeguards are available, using the same senior personnel on an assurance engagement over a long period of time:
- Rotating the senior personnel off the assurance team;
 - Involving an additional professional accountant who was not a member of the assurance team to review the work done by the senior personnel or otherwise advise as necessary; or
 - Independent internal quality reviews, etc. ■



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