AICPA Codification Task Force

Drafting Guide

Drafting Guidelines for Integrating the Conceptual Framework / Drafting
Conventions and Style Guidance – As of September 19, 2012

PART I – INCORPORATING CONCEPTUAL FRAMEWORK LANGUAGE INTO PROVISIONS

1. Where appropriate, recast provisions using the conceptual framework approach. When integrating conceptual framework language:
    a. The overarching goals are to enhance understanding, clarity, and readability of the provision. If recasting a provision using conceptual framework language does not achieve these goals, reconsider using conceptual framework language for that particular provision.
    b. Do not apply the guidelines too rigidly, for example, avoid reconfiguring a provision to achieve exact application, i.e., in some instances it may make sense to apply the guidelines in a different order to achieve a better flow.
        i. Drafting guidelines:
            1. Describe the interest, relationship, or other situation that may (or does) create a threat (or threats) to compliance with a rule (or rules) in the Code. Identify the threat(s).
            2. <u>If applicable</u>, provide factors the member should consider in evaluating the significance of the threat.   Note: This is consistent with *Conceptual Framework for AICPA Independence Standards*, par. 5(a) - identify and evaluate threat(s). Example in IESBA Code: 290.102.
            3. <u>If applicable</u>, indicate whether a particular type of interest, relationship, or other situation creates a threat that is so significant that no safeguards could reduce the threat(s) to an acceptable level (i.e. the interest, relationship or other situation is prohibited). If an exception applies, indicate. Note: This is consistent with *Conceptual Framework for AICPA Independence Standards*, par. 5(c) – safeguards insufficient to mitigate threat(s). Example in IESBA Code: 290.104. If applicable, describe any exception(s) and any required safeguards. Example in IESBA Code: 290.112.
                a. Standard phrase used in the Independence topic when no safeguards can be applied is:
                    i. "...threats to compliance with the Independence rule would not be at an acceptable level and could not be reduced to an acceptable level by the application of *safeguards* and *independence* would be impaired."
                    ii. Not necessary to use the complete phrase if the interpretation does not mention threats and safeguards.
                    iii. Not necessary to use the complete phrase is the sentence requires the implementation of safeguards.
                    iv. Incorporate the standard phrase into non-independence topics where appropriate.
            4. <u>If applicable</u>, describe whether threats caused by certain types of interests, relationships, or other situations may be eliminated or reduced to an acceptable level with the application of safeguards. If applicable, provide a list of appropriate safeguards that may be applied to reduce or eliminate threat(s) to compliance with rule. Specify whether specific safeguards are required or provided for the member's consideration and possible use. Note: This is consistent

with *Conceptual Framework for AICPA Independence Standards*, par. 5(b) – application of safeguards. Example in IESBA Code: 290.113.

5. <u>If applicable</u>, provide examples to illustrate application of the rule. See example in IESBA Code: 290.163.
6. Refer to other rules in the Code, as needed.
7. Use "safeguards are applied" if the member doesn't have to apply all the safeguards.
8. Use "safeguards are met" if the member has to apply all the safeguards.
9. Apply Drafting Conventions and Style Guidance (see Part II of this document).
10. Check draft for compliance with AICPA editorial guidelines (see separate document) and edit accordingly.

2. Where it would not be appropriate, or the use of conceptual framework language makes a provision less clear, do not recast the provision using conceptual framework language. Apply the drafting conventions and style guidance only (see Part II).

PART II – DRAFTING CONVENTIONS AND STYLE GUIDANCE

1. **Drafting Conventions: Use of the Terms "Should Consider," "Consider," "Evaluate," or "Determine"**

   a. Under the Code, if a provision provides that a procedure or action is one that the member "should consider," consideration of the procedure or action is presumptively required. Whether the member performs the procedure or action is based upon the outcome of the member's consideration and the member's professional judgment. Code provisions that (i) provide "good advice" to members or (ii) refer the member to another ethics standard that may provide additional guidance are considered to be presumptively required and therefore, use of "should consider" is appropriate. For example, the "member should consider his or her continuing relationship with the employer..," or the "member should consider the applicability of Rule 102…"

   b. Alternatives to "should consider" include "should evaluate" or "should determine," but use only when it makes sense in the context of the requirement (and does not change the substance of the member's obligation).

   c. Apply the following guidelines in considering the appropriate use of *consider*, *evaluate,* or *determine:*

      i. Use "consider" when the member is required to think about several matters;

      ii. Use "evaluate" when the member has to assess and weigh the significance of a matter; and

      iii. Use "determine" when the member has to conclude and make a decision.

   d. Use the phrase "independence would be impaired" whenever feasible. (Task Force decision 10.14.10)

   e. Avoid using legalistic terms (e.g. including but not limited to) whenever possible. (Task Force decision 10.14.10)

   f. Content in ethics rulings may be used as examples in interpretations, where appropriate. (Task Force decision 10.14.10)

2. Insert the appropriate period of the independence impairment (i.e., during the period of the professional engagement and during the period covered by the financial statements) when:

a. The provision concludes that threats to compliance with the Independence rule would not be at an acceptable level and could not be reduced to an acceptable level by the application of *safeguards* and *independence* would be impaired; and

b. The provision concludes, in general, that threats to compliance with the independence rule exists. (Task Force decision 9.13.12)

If both a. and b. appear in the interpretation, unless it is necessary to repeat, it should be added to the provision that appears first.

3. If the period of the independence impairment (i.e., during the period of the professional engagement and during the period covered by the financial statements) already appears before a provision that provides that independence could be safeguarded, don't repeat the period. (Task Force decision 9.13.12)

2. **Style Guidance:**
   a. Draft standards in "active voice." (i.e., the subject is doing the action). For example, a standard should say "the member should apply safeguards" rather than, "safeguards should be applied by the member."
   b. Do not use present tense in a standard with regard to member actions or procedures that the member performs. For example, the standard should say, "The member should….", rather than, "The member does…" Present tense may be used for statements of fact not related to member actions.
   c. Requirements should apply to the member and not to others such as client/management since AICPA only has jurisdiction over the member. For example, refrain from statements such as, "The client must…"
   d. Refrain from use of qualifiers in requirements such as "generally", "ordinarily", "normally" and "usually" as these create ambiguity in the requirement.
   e. Keep footnotes to a minimum (i.e., reserve for cross-references to other standards).
   f. Use the term attest client when the guidance is intended to cover such clients.
   g. When a Rule or Interpretation is mentioned, hyperlink the name of the Rule or Interpretation to the location in the Code. When the related Rule or Interpretation applies to multiple parts in the Code, hyperlink the citation that follows the name of the Rule or Interpretation.