



Professional Ethics Division

# Exposure draft: Accounting Standards Implementation Services

September 20, 2021

Comments are requested by December 20, 2021

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Standards-setting



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# Invitation to comment

September 20, 2021

If you're an AICPA member or someone interested in the ethics of auditing and accounting, we want to hear your thoughts on this ethics exposure draft.

This exposure draft is an explanation of the proposed revisions to the AICPA Code of Professional Conduct and the full text of the guidance being considered.

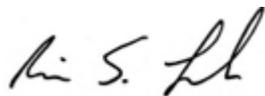
After the exposure period concludes and PEEC has evaluated the comments, PEEC may decide to publish the new interpretation.

Your comments are an important part of the standard-setting process; please take this opportunity to comment. Responses must be received at the AICPA by December 20, 2021. All written replies to this exposure draft will become part of the public record of the AICPA and will be available at [www.aicpa.org/peecprojects](http://www.aicpa.org/peecprojects). PEEC will consider comments at its subsequent meetings.

Please email comments to [Ethics-ExposureDraft@aicpa.com](mailto:Ethics-ExposureDraft@aicpa.com).

You can also submit comments through our online form at [aicpa.org/ethicscomments](http://aicpa.org/ethicscomments).

Sincerely,



Brian S. Lynch, Chair  
Professional Ethics Executive Committee



Toni Lee-Andrews, Director, CPA, PFS, CGMA  
Professional Ethics Division

# Explanation of the new interpretation

The Professional Ethics Executive Committee (PEEC) is exposing for comment a new independence interpretation. If adopted as final, the interpretation will be in ET section 1.295.113 of the AICPA Code of Professional Conduct (the code) and will be applicable to members in public practice.

## Purpose

1. Given the increased complexity of accounting standards, PEEC is exposing a new interpretation that provides guidance on how independence could be affected when a member assists an attest client with implementing new or existing accounting standards.

## Overview

2. Prior to developing the new interpretation, the AICPA Professional Ethics Division worked to elevate awareness of this issue. AICPA staff and members of PEEC discussed the issue on several platforms including a special video [episode](#) of Ethically Speaking, a [report](#) issued by the Center for Plain English Accounting, a [post](#) on AICPA Insights, and in a session at ENGAGE 2021.
3. These discussions highlighted the importance of using the “[Conceptual Framework for Independence](#)” (ET sec. 1.210.010) along with the existing interpretations under the “[Nonattest Services](#)” subtopic (ET sec. 1.295), such as the “[General Requirements for Performing Nonattest Services](#)” interpretation (ET sec. 1.295.040) and the “[Management Responsibilities](#)” interpretation (ET sec. 1.295.030) to guide members in determining whether their assistance in this area would impair independence.
4. Though specific guidance does exist to assist practitioners in this area, PEEC believes a new interpretation that combines key elements from extant nonattest services guidance (for example, advisory, information systems services, and internal audit) will further foster understanding and, therefore, compliance with independence requirements.

## Key elements

5. The key elements to keep in mind when providing these nonattest services are as follows:
  - a. Do not perform any management responsibilities.
  - b. Ensure that the individual at the attest client who is overseeing your service is not only able to oversee the service but is also capable of making all significant judgments and decisions. This individual needs to be able to evaluate and accept responsibly for the results of your service.

## Effective date

6. PEEC recommends that the interpretation be effective 90 days after it appears in the *Journal*

*of Accountancy.*

#### Request for comments

7. PEEC welcomes comments on all aspects of the proposed new interpretation.
8. In addition, PEEC is seeking feedback on the effective date. Do you agree with the need for a delayed effective date? Why or why not?

# Text of new interpretation

## “Accounting Standards Implementation Services”

### 1.295.113 Accounting Standards Implementation Services

.01 When a member assists an *attest client* with planning and executing the implementation of an accounting standard, self-review or management participation *threats* to compliance with the “Independence Rule” [1.200.001] may exist.

.02 If a member applies the “General Requirements for Performing Nonattest Services” interpretation [1.295.040] of the “Independence Rule,” *threats* would be at an *acceptable level* and *independence* would not be *impaired*. For example, a member may

- a. develop and provide training to *attest client* personnel on the effects of the standard.
- b. research, provide advice, make recommendations, and assist management in identifying *financial statement* account balances, contracts, and transactions to be assessed under the standard.
- c. assist the *attest client* with summarizing the *attest client’s* analysis and policies related to the accounting position under the standard.
- d. provide observations and recommendations on management’s overall project plan timeline to adopt the accounting standard.
- e. assist management in drafting implementation strategies or methods used to implement the accounting standard.
- f. assist the *attest client* in developing or implementing templates including those related to specific calculations under the standard that meet the discrete tool exception in paragraph .03a of the “Information Systems Services” interpretation [1.295.145] under the “Independence Rule.”
- g. propose standard journal entries or adjustments to existing journal entries necessary for adoption of the standard, subject to *attest client* approval in accordance with paragraph .02e of the “Bookkeeping, Payroll, and Other Disbursements” interpretation [ET sec. 1.295.120].
- h. provide recommendations related to application of the standard, including those related to possible revisions to existing policies and procedures and improvements to existing internal controls.
- i. provide recommendations related to existing or new information technology systems

as a result of the accounting standard.

.03 However, *threats* to compliance with the “*Independence Rule*” [1.200.001] 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*, if, for example, a member

- a. leads any implementation team at the *attest client*.
- b. makes decisions on how to implement the accounting standard.
- c. sets any policy or procedures related to the accounting standard.
- d. designs new or redesigns existing internal controls over financial reporting.
- e. designs new or redesigns existing financial information systems.

# Acknowledgments

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