

May14, 2015

Lisa A. Snyder
Director of the Professional Ethics Division
AICPA
1211 Avenue of the Americas
New York, NY 10036

By email: lsnyder@aicpa.org

**Re: Exposure Draft: Firm Mergers and Acquisitions, Proposed Interpretation of the
AICPA Professional Ethics Division**

Dear Ms. Snyder:

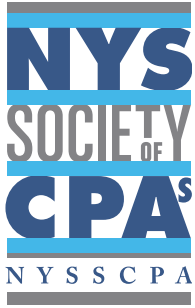
The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 28,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above captioned exposure draft.

The NYSSCPA's Professional Ethics Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with us, please contact Jack M. Carr, Chair of the Professional Ethics Committee at (585) 272-9870, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

Scott M. Adair
President

Attachment



**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

COMMENTS ON

**EXPOSURE DRAFT: FIRM MERGERS AND ACQUISITIONS, PROPOSED
INTERPRETATION OF THE AICPA PROFESSIONAL ETHICS DIVISION**

May 14, 2015

Principal Drafters

**Elliot L. Hendler
Renee Rampulla**

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New York State Society of Certified Public Accountants

Comments on

Exposure Draft: Firm Mergers and Acquisitions, Proposed Interpretation of the AICPA Professional Ethics Division

General Comments

The New York State Society of Certified Public Accountants (NYSSCPA) appreciates the opportunity to provide commentary on the Professional Ethics Executive Committee's (PEEC) new proposed interpretation: *Firm Mergers and Acquisitions*, in the American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct.

The NYSSCPA commends the PEEC in its efforts to provide guidance to members in situations in which independence with respect to an attest client may become impaired as a result of a firm merger or acquisition.

Specific Comments

In response to the specific questions posed by the PEEC in the exposure draft we have provided the following responses and suggestions for consideration:

Question 1. The PEEC is proposing that in situations where the acquiring firm provided prohibited nonattest services to an attest client of the acquired firm during the period of the professional engagement or the period covered by the financial statements, the threats created would be so significant that they could not be reduced to an acceptable level and, therefore, independence would be impaired. Do you agree with this conclusion or would an evaluation of threats and application of safeguards be a more appropriate approach, similar to the guidance for instances where the acquired firm performed prohibited nonattest services to an attest client of the acquiring firm?

We agree with the PEEC's conclusion that the threats to independence would be significant enough that independence would be impaired in situations in which an acquiring firm provided prohibited nonattest services to an attest client of the acquired firm during the period of the professional engagement or the period covered by the financial statements.

Question 2. Paragraph .07b of the proposal requires an evaluation of the threats to be performed on the basis of the attribution of the results of the nonattest services to the acquiring firm (that is, whether the acquiring firm will assume responsibility for such services) when prohibited nonattest services were provided by the acquired firm to an attest client of the acquiring firm. Is this guidance sufficiently clear?

We agree that the guidance in paragraph .07b is sufficiently clear regarding an evaluation of the threats to be performed on the basis of the attribution of the results of the nonattest services to the acquiring firm.

Question 3. Is the effective date for the proposal appropriate or is a transition period necessary? If a transition period is necessary, please explain why and indicate what time period would be sufficient.

We believe that a limited transition period of three to no more than six months is necessary, with early adoption permitted. This will allow firms time to become familiar with the interpretation and its applicability to actual or contemplated mergers.

In addition, we request that the PEEC consider the following specific suggestions relating to the new proposed interpretation:

- 1.220.040.11 – We suggest that the substance of the discussion between the responsible individual within the firm and those charged with governance require documentation.
- 1.220.040.12 - We suggest that the PEEC consider providing illustrative examples of the following:
 - Other interests in and relationships with an attest client
 - Pre-merger actions