

In this KLiP, we will cover:

5. Fees and Other Types of Remuneration

The level and nature of fee and other remuneration arrangements might create a self-interest threat to compliance with one or more of the fundamental principles. Professional accountants are required to comply with the fundamental principles and apply the conceptual framework to identify, evaluate and address threats.

The level of fees quoted might impact a professional accountant's ability to perform professional services in accordance with professional standards.

A professional accountant might quote whatever fee is considered appropriate. Quoting a fee lower than another accountant is not in itself unethical. However, the level of fees quoted will create a self-interest threat to compliance with the principle of professional competence and due care, if the fee quoted is so low that it might be difficult to perform the engagement in accordance with applicable technical and professional standards.

Factors that are relevant in evaluating the level of such a threat include:

- Whether the client is aware of the terms of the engagement and, in particular, the basis on which fees are charged and which professional services the quoted fee covers.
- Whether the level of the fee is set by an independent third party such as a regulatory body.

Contingent Fees

The professional accountant may collect contingent fees for certain types of non-assurance services. However, in such circumstances contingent fees might create threat, particularly, self-interest threat to compliance with the principle of objectivity.

What are the consequences of receiving referral fees or commissions?

A self-interest threat to compliance with the principles of objectivity and professional competence and due care is created if a professional accountant pays or receives a referral fee or receives a commission relating to a client.

For example:

- A fee paid to another professional accountant for the purpose of obtaining new client work, when the client continues as a client in the existing firm but requires specialist services not offered by the accountant.
- A commission received from a third party like a software vendor in connection with the sale of goods or services to a client.

Examples of safeguards to address such threats:

- Obtaining an advance agreement from the client for commission arrangements in connection with the sale of goods or services by another party to the client.
- Disclosing to clients any referral fees or commission arrangements paid to, or received from, another professional accountant or third party for recommending services or products.

With this we come to the end of the 5th topic – Fees and Other Types of Remuneration

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