

# Agenda Item G-3

## Section 320

### ~~Preparation and Reporting~~ Presentation of Information

#### Section 320

#### Presentation of Information

320.1 Professional accountants in business are ~~often~~ involved in the preparation and ~~reporting~~ presentation of information ~~that may be either made public or used by others to stakeholders both inside or and outside the employing organization. Such information may stakeholders include financial or management information, for example, forecasts and budgets, financial statements, management's discussion and analysis, and the management letter of representation provided to the auditors during the audit of the entity's financial statements. A professional accountant in business shall prepare or present such information fairly, honestly and in accordance with relevant professional standards so that the information will be understood in its context, those charged with governance, investors, regulators, lenders, and other creditors.~~

~~This information may assist stakeholders in understanding and evaluating aspects of the organization's state of affairs and in making decisions concerning the organization. This includes financial and non-financial information that may be made public or used for internal purposes.~~

~~Examples include:~~

- ~~• Operating and performance reports~~
- ~~• Decision support analyses~~
- ~~• Budgets and forecasts~~
- ~~• Information provided to the internal and external auditors~~
- ~~• Risk analyses~~
- ~~• General and special purpose financial statements~~
- ~~• Tax returns~~
- ~~• Reports filed with regulators and for legal compliance purposes~~

320.2 A professional accountant in business ~~who has responsibility for the preparation or approval of the general purpose financial statements of an employing organization shall be satisfied that those financial statements are presented in accordance with the applicable financial reporting standards.~~

320.3 A professional accountant in business shall take reasonable steps to ~~shall record, maintain, prepare or present~~ information for which the professional accountant ~~in business~~ is responsible in a manner that ~~is complete, fair and honest. In doing so the professional accountant shall have~~

Style Definition: List Paragraph

Formatted: Font: 12 pt, Kern at 4 pt

Formatted: Font: 12 pt, Kern at 4 pt

Formatted: Font: 12 pt, Kern at 4 pt

Formatted: Centered, None, Indent: Left: 0", Hanging: 0.38", Line spacing: Exactly 12 pt, Don't keep with next, Don't keep lines together, Tab stops: 3.15", Centered + 6.3", Right

Formatted: Not Expanded by / Condensed by

Formatted: Not Expanded by / Condensed by

Formatted: Adjust space between Latin and Asian text, Adjust space between Asian text and numbers

Formatted: Not Expanded by / Condensed by

Formatted: Font: Helvetica, 10.5 pt, Italic, Font color: Black, Not Expanded by / Condensed by

Formatted: Not Expanded by / Condensed by

Formatted: Kern at 4 pt

Proposed changes to Section 320- Presentation of Information

IESBA CAG Meeting (March 2014)

regard to the purpose for which the information is to be used, the context in which it is provided and the audience to whom it is addressed. In particular a professional accountant shall:

Describes clearly the true nature of business transactions, assets, or liabilities;

- ClassifiesClassify and recordsrecord information in a timely and proper manner; and
- RepresentsRepresent the facts accurately and completely in all material respects; and

320.4 Threats to compliance with the fundamental principles, for example, self-interest or intimidation threats to integrity, objectivity or professional competence and due care, are created where a professional accountant in business is pressured (either externally or by the possibility of personal gain) to prepare or report information in a misleading way or to become associated with misleading information through the actions of others.

320.5 The significance of such threats will depend on factors such as the source of the pressure and the corporate culture within the employing organization. The professional accountant in business shall be alert to the principle of integrity, which imposes an obligation on all professional accountants to be straightforward and honest in all professional and business relationships. Where the threats arise from compensation and incentive arrangements, the guidance in section 340 is relevant.

320.6 The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Such safeguards include consultation with superiors within the employing organization, the audit committee or those charged with governance of the organization, or with a relevant professional body.

- Describe clearly the true nature of business transactions or activities.

Consistent with the Fundamental Principle of objectivity the professional accountant shall record, maintain, prepare or present such information without personal bias.

320.3 In cases where the professional accountant in business relies on the work of others the professional accountant shall take reasonable steps to be satisfied that such work enables the professional accountant to fulfill the obligations set out in 320.2.

320.4 A professional accountant in business who is responsible for the preparation or approval of information in accordance with an applicable reporting framework shall be satisfied that the information is presented in accordance with such reporting framework.

320.5 In other situations, including preparing or presenting pro-forma reports, non-standard measures (for example "non-GAAP" supplementary measures), or forward-looking information such as budgets and forecasts, the professional accountant in business shall disclose such relevant information as is necessary to enable those who may rely on such information to form their own judgments. Such relevant information includes, if appropriate, any estimates, approximations and assumptions.

320.6 Consistent with the fundamental principle of integrity the professional accountant in business shall not prepare or present information in a manner that is intended to:

- mislead; or

**Formatted:** Normal, Centered, Indent: Left: 0", Hanging: 0.38", Line spacing: Exactly 12 pt, Tab stops: 3.15", Centered + 6.3", Right

**Formatted:** Font: 8 pt, Italic, Kern at 4 pt

**Formatted:** Kern at 4 pt

**Formatted:** List Paragraph, Indent: Left: 0.5", Hanging: 0.38", Line spacing: single, Bulleted + Level: 1 + Aligned at: 1.01" + Indent at: 1.26", Tab stops: Not at 1.14"

- inappropriately influence decisions, or contractual or regulatory outcomes, that depend on the reported information.

**Formatted:** Normal, Centered, Indent: Left: 0", Hanging: 0.38", Line spacing: Exactly 12 pt, Tab stops: 3.15", Centered + 6.3", Right

**Formatted:** Font: 8 pt, Italic, Kern at 4 pt

### Dissociation from Misleading Information

320.7 ~~Where it is not possible to reduce the threat to an acceptable level, a~~ professional accountant in business shall refuse to be or ~~to~~ remain associated with information the professional accountant determines is misleading. ~~A~~The professional accountant ~~in business may have been unknowingly associated with misleading information. Upon becoming aware of this, the professional accountant in business~~ shall take steps to be ~~disassociated~~dissociated from that information. ~~In determining whether there is a requirement to report the circumstances outside the organization, the professional accountant in business may consider obtaining legal advice. In addition, the~~

**Formatted:** English (U.S.)

**Formatted:** English (U.S.)

Such steps would include consulting the employing organization's policies and procedures (for example an ethics policy) regarding how such matters should be addressed internally, and discussing concerns that the information is misleading with the professional accountant's supervisor and/or the appropriate higher level(s) of management within the professional accountant's organization (for example, the supervisor's immediate superior or senior management) or those charged with governance.

320.8 If, after discussing such concerns with the supervisor and/or appropriate higher level(s) of management within the employing organization, the professional accountant ~~may conclude that appropriate action was not taken (e.g., the information was not corrected), then the professional accountant shall consider actions which may include one or more of the following steps:~~

- Consulting legal counsel regarding the professional accountant's and the employing organization's responsibilities.
- Consulting with a relevant professional body.
- Determining whether any responsibilities exist to communicate to third parties, including users of the information, regulatory authorities or the employing organization's external accountant.

In considering any communication the professional accountant shall remain alert to the fundamental principle of confidentiality.

320.9 If the professional accountant in business concludes that appropriate action was still not taken by the employing organization, then the professional accountant shall consider ~~whether to resign. the professional accountant's continuing relationship with the employing organization.~~

320.10 The professional accountant is encouraged to document the facts, the accounting principles, or other relevant professional standards involved and the communications with other parties.

320.11 Where threats to compliance with the fundamental principles arise from financial interests, compensation and incentive linked to financial reporting and decision making the guidance in section 340 is relevant. Where the threats to compliance with the fundamental principles arise from pressure from others, the guidance in section 370 is relevant. Where the threats to

Proposed changes to Section 320- Presentation of Information

*IESBA CAG Meeting (March 2014)*

compliance with the fundamental principles may constitute acts that are contrary to law or regulation (e.g. fraud), the guidance in section 360 is relevant. Where the threats to compliance with the fundamental principles arise from conflicts of interest the guidance in section 310 is relevant.

**Formatted:** Normal, Centered, Indent: Left: 0", Hanging: 0.38", Line spacing: Exactly 12 pt, Tab stops: 3.15", Centered + 6.3", Right

**Formatted:** Font: 8 pt, Italic, Kern at 4 pt