

Part C Phase 1—Proposed Section 320

(Mark-Up from ED)

Preparation and Presentation of Information

320.1 Professional accountants in business are involved in the preparation and presentation of information ~~to stakeholders~~ both ~~inside~~within and outside the employing organization. ~~Such~~ Stakeholders to whom, or for whom, such information is prepared or presented, include:

- Management, ~~and~~ those charged with governance, ~~investors, regulators,~~
- Investors, lenders and other creditors.
- Regulators.

This information may assist stakeholders in understanding and evaluating aspects of the organization's state of affairs and in making decisions concerning the organization. ~~Such information~~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 for legal and compliance purposes.

320.2 ~~A~~Professional accountants in business who ~~is~~are responsible for recording, maintaining, preparing, approving or presenting information shall do so in ~~a manner that is fair and honest,~~ in accordance with the fundamental principles. This includes:

- Presenting the information in accordance with a relevant reporting framework, where applicable.
- Preparing or presenting information in a manner that is intended neither to mislead nor to influence contractual or regulatory outcomes inappropriately~~;~~.
- Not omitting information with the intention of ~~rendering the information misleading;~~ and or of influencing contractual or regulatory outcomes inappropriately.

An example of influencing a contractual or regulatory outcome inappropriately is using an unrealistic estimate with the intention of avoiding violation of a contractual requirement such as a debt covenant or of a regulatory requirement such as a capital requirement of a financial institution.

- ~~Presenting the information in accordance with a relevant reporting framework, where applicable.~~

This responsibility involves ~~taking reasonable steps using professional judgment~~ to:

- Represent the facts accurately and completely in all material respects;~~;~~
- Describe clearly the true nature of business transactions or activities;~~and~~
- Classify and record information in a timely and proper manner.

320.3 Preparing or presenting ~~financial~~ information ~~often involves judgment and may require the exercise of discretion in making professional judgments~~. Preparing or presenting such information ~~fairly and honestly in accordance with the fundamental principles~~ requires the professional accountant not to exercise such discretion ~~in a manner that is intended with the intention of misleading or influencing contractual or regulatory outcomes inappropriately~~. This includes ~~not using discretion to mislead, including when achieve inappropriate outcomes in one or more of the following ways:~~

- Determining estimates. For example, ~~over or under accruing warranty expenses determining fair value estimates~~ in order to ~~manipulate income misrepresent profit or loss~~.
- Selecting ~~a particular or changing an~~ accounting ~~policy or~~ method among two or more alternatives permitted under the applicable financial reporting framework. For example, ~~selection of one method from among alternative revenue recognition methods in order to manipulate income selecting a policy for accounting for long-term contracts in order to misrepresent profit or loss~~.
- Determining the timing of transactions. For example, timing ~~revenue transactions the sale of an asset near the end of the fiscal year~~ in order to ~~manipulate income mislead~~.
- Determining the structuring of transactions. For example, structuring financing transactions in order to ~~manipulate the statement of financial position or the cash flow statement misrepresent assets and liabilities or classification of cash flows~~.
- ~~Determining~~ Selecting disclosures. For example, omitting or obscuring information ~~so that materially different items are not distinguished relating to financial or operating risk~~ in order to mislead.

320.4 ~~An important factor for~~ When performing professional activities, especially those that do not require compliance with a relevant reporting framework, the professional accountant ~~to consider is having regard shall use professional judgment to determine and take into account~~ 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. For example, when preparing or presenting ~~financial information such as~~ pro forma reports, budgets or forecasts ~~would require~~, the ~~professional accountant to include~~ inclusion of relevant estimates, approximations and assumptions ~~that are necessary to, where appropriate, would~~ enable those who may rely on such information to form their own judgments. The professional accountant in business may also consider clarifying the intended audience, context and purpose of the information presented.

320.5 ~~In cases where the~~ A professional accountant ~~relies who intends to rely~~ on the work of others, ~~the professional accountant either internal or external to the organization, shall take reasonable~~

use professional judgment to determine what steps to ~~be satisfied~~take, if any, to ensure that such work enables the professional accountant to fulfill the obligations set out in paragraph 320.2 are fulfilled. Factors to consider in determining whether reliance on others is reasonable include: reputation, expertise, resources available to the individual or organization and whether the other individual is subject to applicable professional and ethical standards. Such information may be gained from prior association with, or from consulting others about, the individual or the organization.

320.6 ~~Where~~if the professional accountant has ~~determined~~reason to believe that ~~the~~ information with which the professional accountant is associated is misleading, the professional accountant shall obtain an understanding of the matter and take steps~~appropriate actions to seek~~ to resolve the matter. Such ~~steps may~~actions include:

- Consulting the employing organization's policies and procedures (for example, an ethics ~~or~~ whistle-blowing 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 level(s) of management within the professional accountant's organization or those charged with governance, ~~and requesting such individuals to take appropriate action to resolve the matter. Such action may include:~~
 - o Having the information corrected;
 - o If the information has already been disclosed to the intended users, informing them of the correct information.

In situations where the misleading information may involve a violation of a law or regulation, Section 360 provides guidance relating to non-compliance with laws and regulations.

320.7 If, ~~after taking such steps,~~ the professional accountant determines that ~~corrective~~appropriate action has not been taken and continues to have reason to believe that the information is ~~still~~ misleading, the professional accountant ~~may, while being alert to the fundamental principle of confidentiality,~~ shall consider one or more of the following:

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

320.8 If after exhausting all ~~possible~~feasible options for resolving the matter, the professional accountant determines that appropriate action has not been taken and there is reason to believe that the information is still misleading, the professional accountant:

- Shall refuse to be or to remain associated with the information. ~~The professional accountant shall also~~

- May consider resigning from the employing organization.

~~320.9~~—The professional accountant is also encouraged to document the facts, the accounting principles or other relevant professional standards involved, and the communications and parties with whom these matters were discussed, the courses of action considered, and how the professional accountant attempted to address the matter(s).

320.~~409~~Where threats to compliance with the fundamental principles relating to the preparation and presentation of information arise from financial interests, including compensation and incentives linked to financial reporting and decision making, the guidance in Section 340 is relevant.

320.~~41~~10 Where threats to compliance with the fundamental principles relating to the preparation and presentation of information arise from pressure, the guidance in Section 370 is relevant.