

Proposed Revised Section 320—Presentation of Information

(Mark up from April 2014 Version)

Section 320

Presentation of Information

320.1 Professional accountants in business are involved in the preparation and presentation of information to stakeholders both inside and outside the employing organization. Such stakeholders include management, 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.
- Management letter of representation.

320.2 A professional accountant who is responsible for recording, maintaining, preparing or presenting information, shall do so in a manner that is fair and honest. This includes:

- Not preparing or presenting information in a manner that is intended to mislead or is intended to influence contractual or regulatory outcomes inappropriately;
- Not omitting information where such omission would render the information misleading, and
- Presenting the information in accordance with a relevant reporting framework, where applicable.

This responsibility involves taking reasonable steps 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.

~~A professional accountant in business shall record, maintain, prepare or present information for which the professional accountant is responsible in a manner that is complete, fair and honest. In~~

~~doing so the professional accountant shall have 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:~~

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

320.3 ~~Consistent with the fundamental principle of objectivity, the professional accountant shall record, maintain, prepare or present such information without personal bias. Preparing or presenting financial information often involves the use of discretion. Preparing or presenting such information fairly and honestly requires the professional accountant not to use such discretion in a manner that is intended to mislead, including when:~~

- ~~• Determining estimates. For example, over- or under-accruing for warranty expenses or changing amortization rates or useful lives or residual values of fixed assets in order to manipulate income.~~
- ~~• Selecting a particular accounting method among two or more alternatives permitted under the applicable financial reporting framework. For example, the selection of capitalization or depreciation methods, or selection of one method from among alternative revenue recognition methods in order to manipulate income.~~
- ~~• Determining the timing of transactions. For example, timing revenue transactions in order to manipulate current income.~~
- ~~• Determining the structuring of transactions. For example, structuring financing transactions in order to manipulate the statement of financial position or the cash flow statement.~~

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. In doing so the professional accountant to consider is having shall have 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 other situations, For example, when including preparing or presenting financial information such as pro-forma reports, non-standard measures (for example, "non-GAAP" supplementary measures), or forward-looking information such as budgets or forecasts, 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 the inclusion of estimates, approximations and assumptions may be necessary to enable those who may rely on such information to form their own judgments.~~

320.35 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 paragraph 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~~
- ~~• Inappropriately influence decisions, or contractual or regulatory outcomes, that depend on the reported information.~~

Dissociation from Misleading Information

320.~~67~~ A professional accountant ~~in business~~ shall refuse to be or to remain associated with information the professional accountant determines is misleading. The professional accountant shall take steps to be dissociated from that information.

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.~~78~~ If, after discussing such concerns with the supervisor and/or appropriate higher level(s) of management within the employing organization or those charged with governance, the professional accountant concludes that appropriate action was not taken (for example, the information was not corrected), ~~then~~ the professional accountant ~~may~~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 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~~and parties with whom these matters were discussed.
- 320.11 Where threats to compliance with the fundamental principles relating to the presentation of information arise from financial interests, compensation and incentives 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 compliance with the fundamental principles may constitute acts that are contrary to law or regulation (for example, 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.~~