

Proposed Section 370—Pressure to Breach the Fundamental Principles**(Clean)****Section 370****Description**

1. A professional accountant in business may face pressure to breach the fundamental principles when undertaking a professional activity. Pressure may be explicit or implicit. Pressure may come from within the organization, for example, from a colleague or superior, from an external individual or organization such as a vendor, customer, or lender, or from meeting internal or external targets and expectations.
2. This section addresses pressures to breach the fundamental principles. It does not address other pressures encountered in the workplace such as pressure to meet a routine reporting deadline.
3. When faced with pressure the professional accountant shall not allow such pressure to result in a breach of the fundamental principles.
4. The professional accountant shall not place pressure on others that the professional accountant knows or has reason to believe would lead to a breach of the fundamental principles.

Examples

5. Examples of pressure that could lead to a breach of the fundamental principles include:

Pressure from conflicts of interest

- Pressure from parties on opposing sides of a management buy-out.
- Pressure from a family member bidding to act as a vendor to the professional accountant's employing organization.

Pressure to influence presentation of Information

- Pressure from superiors to process expenditures that are not legitimate business expenses.
- Pressure to manipulate performance indicators from superiors, peers or others, for example, those who may benefit from participation in compensation or incentive arrangements.
- Pressure to report misleading financial results to meet investor and analyst expectations.
- Pressure to manipulate information in order to obtain or maintain financing from lenders.
- Pressure from elected officials on public sector accountants to misrepresent programs or projects to voters.
- Pressure from colleagues to misstate income, expenditure or rates of return to bias decision-making on capital projects and acquisitions.

Pressure to act without sufficient expertise

- Pressure from superiors to inappropriately reduce the extent of work performed in order to reduce costs.

- Pressure from superiors to perform a task without sufficient skills or training or without sufficient time.

Pressure related to financial interests

- Implicit or explicit pressure from colleagues to present information that has been altered in order to increase their compensation.

Pressure related to inducements

- Pressure from others, either internal or external to the employing organization, to offer inducements to influence the judgment or decision-making process of an individual or organization.
- Pressure from colleagues to accept a bribe or other inducement, for example to accept inappropriate gifts or entertainment from potential vendors in a bidding process.
- Pressure related to non-compliance with laws and regulations.
- Pressure to engage in activities or transactions that may violate laws or regulations.

6. Factors that a professional accountant may consider in determining whether the pressure would lead to a breach of the fundamental principles include:

- The position or role of the individual exerting the pressure, including influence over the professional accountant's compensation, performance evaluation and employment.
- The corporate culture and leadership of the employing organization including the extent to which it emphasizes the importance of ethical behavior and the expectation that employees will act in an ethical manner.
- The policies and procedures, if any, that the employing organization has established to address pressure, such as, an ethics policy.
- The application of the relevant laws and regulations to the circumstances.
- The intent of the person who is exerting the pressure to better understand the situation, and to determine the nature and intent of the pressure.

The professional accountant may also wish to consult with:

- Relevant professional bodies, regulators or industry associations.
- Where appropriate, a trusted friend, colleagues or superiors.

7. If the professional accountant has determined that the pressure would lead to a breach of the fundamental principles, the professional accountant may wish to consider one or more of the following actions:

- Engage in constructive challenge with the individual exerting the pressure.
- Disclose the matter in accordance with any established mechanism such as through the employing organization's confidential ethics hotline.
- Escalate the matter within the entity, for example, with higher levels of management, internal or external auditors, or those charged with governance, including independent directors and, when appropriate, explaining any consequential risks to the organization.

- Request restructuring or segregating certain responsibilities and duties so that the professional accountant is no longer involved with the individual or entity exerting the pressure.
 - Consult with legal counsel.
8. If the professional accountant determines that the pressure cannot be alleviated or eliminated, the professional accountant shall decline to undertake or discontinue the professional activity that would result in a breach of the fundamental principles. The professional accountant shall also consider the professional accountant's continuing relationship with the employing organization.
9. Where pressure to breach the fundamental principles:
- Arises from a conflict of interest the guidance in Section 310 is relevant.
 - Arises from presenting information the guidance in Section 320 is relevant.
 - Arises from a financial interest, compensation or incentive linked to financial reporting and decision making, the guidance in Section 340 is relevant.
 - Arises from Inducements the guidance in Section 350 is relevant.
 - May constitute acts that are contrary to law or regulation, the guidance in Section 360 is relevant.