

Part C Phase 1—Proposed Section 320 (Mark-Up)

Preparation and Presentation of Information

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

- Management and those charged with governance.
- 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. 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 Professional accountants in business who are responsible for recording, maintaining, preparing, approving or presenting information shall do so 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 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 using professional judgment to:

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

320.3 Preparing or presenting information may require the exercise of discretion in making professional judgments. Preparing or presenting such information ~~fairly and honestly and~~ in accordance with the fundamental principles requires the professional accountant not to exercise such discretion with the intention of misleading or influencing in a manner that is intended to mislead, nor to influence contractual or regulatory outcomes inappropriately. This includes not using discretion to achieve inappropriate outcomes in one or more of the following ways:

- Determining estimates. For example, ~~over- or under-accruing bad debt expensed~~ determining fair value estimates in order to misrepresent profit or loss.
- Selecting or changing an accounting policy or method among two or more alternatives permitted under the applicable financial reporting framework. For example, selecting a ~~method of policy for~~ accounting for long-term contracts in order to misrepresent profit or loss.
- Determining the timing of transactions. For example, timing the sale of an asset near the end of the fiscal year in order to ~~misrepresent financial position~~ mislead.
- Determining the structuring of transactions. For example, structuring financing transactions in order to misrepresent assets and liabilities or classification of cash flows.
- Selecting disclosures. For example, omitting or obscuring information relating to financial or operating risk in order to mislead.

320.4 When performing professional activities, especially those that do not require compliance with a relevant reporting framework, the professional accountant 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 pro forma reports, budgets or forecasts, the inclusion of relevant, ~~necessary~~ estimates, approximations and assumptions, 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 use professional judgment to ~~be satisfied~~ determine what steps to take, if any, to ensure that ~~such work enables the professional accountant to fulfill the~~ 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 If the professional accountant has 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 appropriate ~~steps~~actions to seek to resolve the matter. Such ~~steps~~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.
- 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:
 - Having the information corrected;
 - 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 the professional accountant determines that appropriate action has not been taken and continues to have reason to believe that the information is misleading, the professional accountant, 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. ~~In situations where the misrepresentation may be a violation of a law or regulation, Section 360 provides guidance relating to non-compliance with laws and regulations.~~

320.8 If after exhausting all 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. ~~In such circumstances, the professional accountant~~
- May consider resigning from the employing organization. ~~Doing so, however, would not be a substitute for taking other actions that may be required such as communicating concerns to third parties, as discussed in paragraph 320.7.~~

~~In situations where the~~The professional accountant ~~has reason to believe the information is still misleading, 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) ~~were resolved.~~

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.~~410~~ 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.