

Agenda Item 7-B-1

Proposed Part B, Professional Accountants in Business

[Marked From March 2016 IESBA Discussion]

Paragraphs highlighted in gray may be subject to conforming amendments as a result of the Safeguards project.

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PART B PROFESSIONAL ACCOUNTANTS IN BUSINESS

Section 200

Application of the Conceptual Framework for Professional Accountants in Business

Introduction

200.1 This Part of the Code describes considerations for professional accountants in business¹ in the application of the conceptual framework set out in Section 120. This Part does not describe all of the facts and circumstances, including interests and relationships that could be encountered by accountants that create or might create threats to compliance with the fundamental principles. Therefore, accountants are encouraged to be alert for such facts and circumstances.

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200.2 Investors, creditors, employers and other sectors of the business community, as well as governments and the public—at large, might rely on the work of professional accountants. Accountants may be solely or jointly responsible for the preparation and reporting of financial and other information, on which both their employing organizations and third parties might rely. They might also be responsible for providing effective financial management and competent advice on a variety of business-related matters.

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200.3 A professional accountant may be an employee, contractor, partner, director (executive or non-executive), owner-manager, or volunteer of an employing organization. The legal form of the relationship of the accountant with the employing organization has no bearing on the ethical responsibilities placed on the accountant.

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Requirements and Application Material

R200.4 A professional accountant shall comply with each of the fundamental principles and apply the conceptual framework set out in Section 120 to eliminate threats to compliance with those fundamental principles or to reduce them to an acceptable level.

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200.4 A1 A professional accountant has a responsibility to further the legitimate aims of the accountant's employing organization. The Code does not seek to hinder accountants from fulfilling that responsibility, but addresses circumstances in which compliance with the fundamental principles might be compromised.

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200.4 A2 Professional accountants may promote the position of the employing organization when furthering the legitimate goals and objectives of their employing organization, provided any statements made are neither false nor misleading. Such actions generally would not create an advocacy threat.

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¹ In Part B, the terms "professional accountant" and "accountant" refer to:

a) A professional accountants in business; and employed or engaged in an executive or non-executive capacity in such areas as commerce, industry, service, the public sector, education, the not for profit sector, regulatory bodies or professional bodies, or a professional accountant contracted by such entities

a)b) Professional accountants in public practice when performing professional activities pursuant to the accountant's employment or ownership relationship with their firm.

200.4 A3 All professional accountants have a responsibility to act in the public interest. The more senior the position of the accountant, the greater will be the ability and opportunity to access information, and to influence policies, decisions made and actions taken by others involved with the employing organization. To the extent that they are able to do so, taking into account their position and seniority in the organization, accountants are expected to encourage and promote an ethics-based culture in the organization, ~~taking into account their position and seniority in the organization~~. Examples of actions that may be taken include the introduction, implementation and oversight of:

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- Ethics education and training programs.
- Ethics and whistle-blowing policies.
- Policies and procedures to prevent non-compliance with laws and regulations.

Identifying Threats

200.5 A1 Compliance with the fundamental principles might be threatened by a broad range of facts and circumstances. The following are categories of threats, and examples of facts and circumstances that might create those threats for a professional accountant when undertaking a professional activity:[^]

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(a) Self-interest Threats

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- Holding a financial interest in, or receiving a loan or guarantee from, the employing organization.
- Participating in incentive compensation arrangements offered by the organization.
- Inappropriate personal use of corporate assets.
- Concern over employment security.
- Commercial pressure from outside the organization.

(b) Self-review Threats

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- Determining the appropriate accounting treatment for a business combination after performing the feasibility study that supported the purchase decision.

(c) Advocacy Threats

(d) Familiarity Threats

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- Being responsible for the financial reporting of the employing organization when an immediate or close family member employed by the entity makes decisions that affect the financial reporting of the entity.
- Long association with business contacts influencing business decisions.
- Accepting a gift or special treatment, unless the value is trivial and inconsequential.

(e) Intimidation Threats

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[^] Text shaded in gray is subject to safeguard-specific conforming amendments. See **Agenda Item 7-F**.

- Threat of dismissal or replacement of the professional accountant or a close or immediate family member over a disagreement about the application of an accounting principle or the way in which financial information is to be reported.
- A dominant personality attempting to influence the decision making process, for example with regard to the awarding of contracts or the application of an accounting principle.

The categories of threats are also discussed in Section 120.

Evaluating Addressing Threats

200.5 A2 Safeguards that may eliminate or reduce threats to an acceptable level fall into two broad categories:

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- (a) Safeguards created by the profession, legislation or regulation; and
- (b) Safeguards in the work environment.

Examples of safeguards created by the profession, legislation or regulation are detailed in paragraph 100.14 of Part A of this Code.

200.5 A3 Safeguards in the work environment include:

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- The employing organization's: systems of corporate oversight or other oversight structures.
- The employing organization's ethics and conduct programs.
- Recruitment procedures in the employing organization emphasizing the importance of employing high caliber competent personnel.
- Strong internal controls.
- Appropriate disciplinary processes.
- Leadership that stresses the importance of ethical behavior and the expectation that employees will act in an ethical manner.
- Policies and procedures to implement and monitor the quality of employee performance. Timely communication of the employing organization's policies and procedures, including any changes to them, to all employees and appropriate training and education on such policies and procedures.
- Policies and procedures to empower and encourage employees to communicate to senior levels within the employing organization any ethical issues that concern them without fear of retribution.
- Consultation with another appropriate professional accountant.

200.45 A114 Professional accountants may consider obtaining legal advice where they believe that unethical behavior or actions by others will continue to occur within the employing organization.

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200.4 A12 In extreme situations an accountant might determine that it is appropriate to resign from the employing organization when all safeguards have been exhausted and it is not possible to reduce the threat to an acceptable level.

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Those Charged with Governance

R200.56 When communicating with those charged with governance in accordance with the Code, the professional accountant shall determine the appropriate individual(s) within the entity's governance structure with whom to communicate. If the accountant communicates with a subgroup of those charged with governance, the accountant shall determine whether communication with all of those charged with governance is also necessary.

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200.56 A1 In determining with whom to communicate, the professional accountant might consider:

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- a) The nature and importance of the circumstances; and
- b) The matter to be communicated.

200.56 A2 If a professional accountant communicates with a subgroup of those charged with governance, for example, an audit committee or an individual, communication with all of those charged with governance might also be necessary to ensure they are adequately informed.

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Section 210

Conflicts of Interest

Introduction

210.1 Section 210 sets out requirements and application material when applying the conceptual framework to conflicts of interest.

210.2 Professional accountants might face circumstances that create a conflict of interest. A conflict of interest creates a threat to objectivity and might create threats to compliance with the other fundamental principles.

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210.3 Such threats might be created when:

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- a) The professional accountant undertakes a professional activity related to a particular matter for two or more parties whose interests with respect to that matter are in conflict; or
- b) The interest of the accountant with respect to a particular matter and the interests of a party for whom the accountant undertakes a professional activity related to that matter are in conflict.

A party may include an employing organization, a vendor, a customer, a lender, a shareholder, or another party.

210.4 Examples of circumstances that might create a conflict of interest include:

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- Serving in a management or governance position for two employing organizations and acquiring confidential information from one organization that could be used by the professional accountant to the advantage or disadvantage of the other organization.

- Undertaking a professional activity for each of two parties in a partnership, where both parties are employing the accountant to assist them to dissolve their partnership.
- Preparing financial information for certain members of management of the accountant's employing organization who are seeking to undertake a management buy-out.
- Being responsible for selecting a vendor for the employing organization when an immediate family member of the accountant could benefit financially from the transaction.
- Serving in a governance capacity in an employing organization that is approving certain investments for the company where one of those investments will increase the value of the investment portfolio of the accountant or an immediate family member.

Requirements and Application Material

R210.5 A professional accountant shall apply the conceptual framework set out in Section 120 and shall not allow a conflict of interest to compromise professional or business judgment.

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Conflict Identification

R210.6 In identifying whether a conflict of interest exists or might be created, a professional accountant shall take reasonable steps to identify circumstances that might create a conflict of interest, including identifying:

Commented [STAFF25]: 310.3 / 310.6

- The nature of the relevant interests and relationships between the parties involved; and
- The activity and its implication for relevant parties.

R210.7 A professional accountant shall remain alert to changes in the circumstances that might create a conflict of interest.

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210.7 A1 The nature of the activities, ~~might change and the~~ interests and relationships might change over time.

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Applying the Conceptual Framework to Conflicts of Interest

210.8 A1 In applying the conceptual framework when evaluating a threat created by a conflict of interest, factors to consider include the significance of:

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- The interests or relationships; and
- The threats created by performing the professional activity.

210.8 A2 In general, the more direct the connection between the professional activity and the matter on which the parties' interests conflict, the more significant the threat to objectivity and compliance with the other fundamental principles will be.

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210.8 A3 The professional accountant shall apply safeguards, when necessary, to eliminate the threats to compliance with the fundamental principles created by the conflict of interest or reduce them to an acceptable level. Depending on the circumstances giving rise to the conflict of interest, application of one or more of the following safeguards may be appropriate:

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- Restructuring or segregating certain responsibilities and duties.
- Obtaining appropriate oversight, for example, acting under the supervision of an executive or non-executive director.

- Withdrawing from the decision-making process related to the matter giving rise to the conflict of interest.
- Consulting with third parties, such as a professional body, legal counsel or another professional accountant.

Disclosure and Consent

210.9 A1 It is generally necessary:

- To disclose the nature of the conflict to the relevant parties, including to the appropriate levels within the employing organization and,
- When safeguards are required to reduce the threat to an acceptable level, to obtain their consent to the professional accountant undertaking the professional activity.

210.9 A2 Consent might be implied by a party's conduct in circumstances where the professional accountant has sufficient evidence to conclude that parties know the circumstances at the outset and have accepted the conflict of interest if they do not raise an objection to the existence of the conflict.

210.9 A3 If disclosure or consent is not in writing, the professional accountant is encouraged to document:

- The nature of the circumstances giving rise to the conflict of interest;
- The safeguards applied to reduce the threats to an acceptable level; and
- The consent obtained.

210.10 A1 When addressing a conflict of interest, the professional accountant is encouraged to seek guidance from within the employing organization or from others, such as a professional body, legal counsel or another professional accountant. When making disclosures of sharing information within the employing organization and seeking guidance of third parties, the fundamental principles of confidentiality applies.

~~R210.10 A professional accountant shall remain alert to the fundamental principle of confidentiality including when making disclosures or sharing information within the employing organization and seeking guidance of third parties.~~

Other Guidance

210.11 A1 A professional accountant may encounter other threats to compliance with the fundamental principles. This may occur, for example, when preparing or reporting financial information as a result of undue pressure from others within the employing organization or financial, business or personal relationships that close or immediate family members of the professional accountant have with the employing organization. Guidance on managing such threats is covered by Sections 220, 240 and 270 of the Code.

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Section 220

Preparation and Presentation of Information

Introduction

220.1 Section 220 sets out requirements and application material when preparing and presenting information.

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220.2 Professional accountants at all levels in an employing organization are involved in the preparation and presentation of information both within and outside the organization.

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220.3 Stakeholders to whom, or for whom, such information is prepared or presented, include:

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

This information might assist stakeholders in understanding and evaluating aspects of the organization's state of affairs and in making decisions concerning the organization. Information can include financial and non-financial information that might 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.

220.4 For the purposes of this section, preparing or presenting information includes recording, maintaining and approving information.

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Requirements and Application Material

R220.5 A professional accountant who is responsible for preparing or presenting information shall comply with each of the fundamental principles ~~when preparing or presenting information~~.

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220.5 A1 Complying with the fundamental principles when preparing or presenting information includes:

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- Presenting the information in accordance with a relevant reporting framework, where applicable.
- Preparing or presenting it 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.

220.5 A24 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.

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220.5 A32 Complying with the fundamental principles when preparing or presenting information also involves using professional judgment to:

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- 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.

Use of Discretion in Preparing or Presenting Information

R220.6 ~~Preparing or presenting information might require the exercise of discretion in making professional judgements.~~ The professional accountant shall not ~~exercise such discretion~~ ~~prepare or present information~~ with the intention of misleading or influencing contractual or regulatory outcomes inappropriately.

Commented [STAFF45]: 320.3

220.6 A1 ~~Preparing or presenting information might require the exercise of discretion in making professional judgements.~~ Examples of ways in which discretion might be misused to achieve inappropriate outcomes includes:

Commented [STAFF46]: 320.3

- Determining estimates, for example, 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 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 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.

R220.7 When performing professional activities, especially those that do not require compliance with a relevant reporting framework, the professional accountant shall use professional judgment to identify and consider:

Commented [STAFF47]: 320.4

- a) The purpose for which the information is to be used;
- b) The context in which it is given; and
- c) The audience to whom it is addressed.

220.7 A1 For example, when preparing or presenting pro forma reports, budgets or forecasts, the inclusion of relevant estimates, approximations and assumptions, where appropriate, would enable those who might rely on such information to form their own judgments.

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220.7 A2 The accountant might also consider clarifying the intended audience, context and purpose of the information to be presented.

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Relying on the Work of Others

R220.8 A professional accountant who intends to rely on the work of others, either internal or external to the organization, shall use professional judgment to determine what steps to take, if any, to ensure that the obligations set out in paragraph R220.4 are fulfilled.

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220.8 A1 Factors to consider in determining whether reliance on others is reasonable include:

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- Reputation, expertise, resources available to the individual or organization; and
- Whether the other individual is subject to applicable professional and ethical standards.

Such information might be gained from prior association with, or from consulting others about, the individual or the organization.

Addressing Information that might be Misleading

R220.9 If the professional accountant becomes aware that the information with which the accountant is associated is misleading, the accountant shall take appropriate actions to seek to resolve the matter.

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220.9 A1 Possible actions include:

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- 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 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 260 provides guidance relating to non-compliance with laws and regulations.

R220.10 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:

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- 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.
- Consulting legal counsel.

220.10 A1 The fundamental principle of confidentiality applies in communications with external parties.

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R220.11 If after exhausting all feasible options, the professional accountant determines that appropriate action has not been taken and there is reason to believe that the information is still misleading, the accountant shall refuse to be or to remain associated with the information.

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220.11 A1 The professional accountant might consider resigning from the employing organization.

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220.11 A2 The professional accountant is also encouraged to document:

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- The facts.
- The accounting principles or other relevant professional standards involved.
- The communications and parties with whom these matters were discussed.
- The courses of action considered.
- How the accountant attempted to address the matter(s).

Other Guidance

220.124. A13 Where threats to compliance with the fundamental principles relating to the preparation and presentation of information arise from a financial interest, including compensation and incentive linked to financial reporting and decision making, the guidance in Section 240 is relevant.

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220.124. A24 Where threats to compliance with the fundamental principles relating to the preparation and presentation of information arise from pressure, the guidance in Section 2670 is relevant.

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Section 230

Acting with Sufficient Expertise

Introduction

230.1 Section 230 sets out requirements and application material on applying the conceptual framework in relation to acting with sufficient expertise.

Commented [STAFF61]: New paragraph

230.2 The fundamental principle of professional competence and due care requires that a professional accountant only undertake significant tasks for which the accountants has, or can obtain, sufficient training or experience.

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Requirements and Application Material

R230.3 A professional accountant shall apply the conceptual framework set out in Section 120 in relation to acting with sufficient expertise.

Commented [STAFF63]: New paragraph

R230.4 A professional accountant shall not intentionally mislead an employer as to the level of expertise or experience possessed. An accountant shall also seek appropriate expert advice and assistance if required.

Commented [STAFF64]: 330.1

230.45 A1 A threat to professional competence and due care might be created if a professional accountant has:

Commented [STAFF65]: 330.2

- Insufficient time for performing or completing the relevant duties.
- Incomplete, restricted or otherwise inadequate information for performing the duties.

- Insufficient experience, training and/or education.
- Inadequate resources for the performance of the duties.

230.4 A2 The significance of the threat will depend on factors such as the extent to which the professional accountant is working with others, relative seniority in the business, and the level of supervision and review applied to the work. The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

Commented [STAFF66]: 330.3

- Obtaining additional advice or training.
- Ensuring that there is adequate time available for performing the relevant duties.
- Obtaining assistance from someone with the necessary expertise.
- Consulting, where appropriate, with:
 - Superiors within the employing organization;
 - Independent experts; or
 - A relevant professional body.

230.4 A3 When threats cannot be eliminated or reduced to an acceptable level, professional accountants shall determine whether to refuse to perform the duties in question. If the professional accountant determines that refusal is appropriate, the reasons for doing so shall be clearly communicated.

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Other Guidance

230.5 A4 Where a professional accountant is pressured to act in a manner that would lead to a breach of the fundamental principle of professional competence and due care, Section 2670 provides guidance.

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Section 240

Financial Interests, Compensation and Incentives Linked to Financial Reporting and Decision Making

Introduction

240.1 Section 240 sets out requirements and application material on applying the conceptual framework in relation to financial interests, compensation and incentives linked to financial reporting and decision making.

Commented [STAFF69]: New paragraph

240.2 Professional accountants might have financial interests or might know of financial interests of immediate or close family members that, in certain circumstances, might create threats to compliance with the fundamental principles. Financial interests include those arising from compensation or incentive arrangements.

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Requirements and Application Material

R240.3 A professional accountant shall apply the conceptual framework set out in Section 120 in relation to financial interests, compensation and incentives linked to financial reporting and decision making.

Commented [STAFF71]: New paragraph with Introduction to Section 340.

R240.4 A professional accountant shall not manipulate information or use confidential information for personal gain or for the financial gain of others.

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240.4 A1 Self-interest or familiarity threats to objectivity or confidentiality might, for example, be created where there is a motive or an opportunity to manipulate price-sensitive information.

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240.4 A2 Examples of circumstances that might create threats include situations in which the accountant or an immediate or close family member:

Commented [STAFF74]: 340.1

- Holds a direct or indirect financial interest in the employing organization and the value of that financial interest could be directly affected by decisions made by the accountant.
- Is eligible for a profit related bonus and the value of that bonus could be directly affected by decisions made by the accountant.
- Holds, directly or indirectly, deferred bonus share rights or share options in the organization, the value of which could be affected by decisions made by the accountant.
- Otherwise participates in compensation arrangements which provide incentives to achieve targets or to support efforts to maximize the value of the organization's shares, for example, through participation in incentive plans which are linked to certain performance conditions being met.

240.4 A3 The significance of any threat created by financial interests, shall be evaluated and safeguards applied, when necessary, to eliminate the threat or reduce it to an acceptable level. In evaluating the significance of any threat, and, when necessary, determining the appropriate safeguards to be applied, a professional accountant shall evaluate the nature of the interest. This includes evaluating the significance of the interest. What constitutes a significant interest will depend on personal circumstances.

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240.4 A4 Examples of such safeguards include:

Commented [STAFF76]: 340.3

- Policies and procedures for a committee independent of management to determine the level or form of remuneration of senior management.
- Disclosure of all relevant interests, and of any plans to exercise entitlements or trade in relevant shares, to those charged with governance of the employing organization, in accordance with any internal policies.
- Consultation, where appropriate, with superiors within the employing organization.
- Consultation, if appropriate, with those charged with governance of the employing organization or relevant professional bodies.
- Internal and external audit procedures.
- Up-to-date education on ethical issues and on the legal restrictions and other regulations around potential insider trading.

240.4 A5 Threats arising from compensation or incentive arrangements may be compounded by explicit or implicit pressure from superiors or colleagues in the employing organization. Section 270 addresses pressure that could lead a professional accountant to breach the fundamental principles.

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Section 2670

Pressure to Breach the Fundamental Principles

Commented [STAFF78]: New heading

Introduction

2670.1 Section 2670 sets out requirements and application material when addressing pressure that could result in a professional accountant taking actions that breach or cause others to breach the fundamental principles.

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2670.2 A professional accountant might face pressure that could create threats, for example intimidation threats, to compliance with the fundamental principles when undertaking a professional activity. Pressure might be explicit or implicit and might come from:

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- Within the organization, for example, from a colleague or superior.
- An external individual or organization such as a vendor, customer or lender.
- Internal or external targets and expectations.

Requirements and Application Material

R2670.3 A professional accountant shall not allow pressure from others to result in a breach of the fundamental principles. The accountant also shall not place pressure on others that the accountant knows, or has reason to believe, would result in the other individuals breaching the fundamental principles.

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2670.3 A1 Examples of pressure that could result in a breach of compliance with the fundamental principles include:

Commented [STAFF82]: 370.3

- Pressure related to conflicts of interest:
 - Pressure from a family member bidding to act as a vendor to professional accountant's employing organization to select them over another prospective vendor.See also Section 210.
- Pressure to influence presentation of information:
 - Pressure to report misleading financial results to meet investor, analyst or lender expectations.
 - 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 from superiors to approve or process expenditures that are not legitimate business expenses.
 - Pressure to suppress internal audit reports containing adverse findings.See also Section 220.
- Pressure to act without sufficient expertise or due care:
 - Pressure from superiors to inappropriately reduce the extent of work performed.

- Pressure from superiors to perform a task without sufficient skills or training or within unrealistic deadlines.

See also Section 230.

- Pressure related to financial interests:

- Pressure to manipulate performance indicators from superiors, colleagues or others, for example, those who might benefit from participation in compensation or incentive arrangements.

See also Section 240.

- Pressure related to inducements:

- Pressure from others, either internal or external to the organization, to offer inducements to influence inappropriately 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.

See also Section 250.

- Pressure related to non-compliance with laws and regulations:

- Pressure to structure a transaction to evade tax.

See also Section ~~315~~²⁶⁰.

2670.3 A2 In determining whether the pressure could result in a breach of the fundamental principles, the professional accountant may consider factors including:

- The intent of the individual who is exerting the pressure and the nature and significance of the pressure.
- The application of laws, regulations, and professional standards to the circumstances.
- The culture and leadership of the employing organization including the extent to which they reflect or emphasize the importance of ethical behavior and the expectation that employees will act ethically. For example, a corporate culture that tolerates unethical behavior might increase the likelihood that the pressure would result in a breach of compliance with the fundamental principles.
- Policies and procedures, if any, that the employing organization has established, such as ethics or human resources policies that address pressure.

In considering these and other factors the accountant may consult with:

- A colleague, superior, human resources personnel, or another professional accountant;
- Relevant professional or regulatory bodies or industry associations; or
- Legal counsel.

The fundamental principle of confidentiality applies in communications with external parties.

Commented [STAFF83]: 370.4

2670.3 A3 If the professional accountant determines that the pressure would result in a breach of the fundamental principles, the accountant may consider actions, including:

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- Discussing the matter with the individual who is exerting the pressure to seek to resolve the matter.
- Discussing the matter with the accountant's supervisor, if the supervisor is not the individual exerting the pressure.
- Escalating the matter within the employing organization, for example with:
 - Higher levels of management;
 - Internal or external auditors; or
 - Those charged with governance;

And, when appropriate, explaining any consequential risks to the organization.

- Requesting restructuring of, or segregating, certain responsibilities and duties so that the accountant is no longer involved with the individual or entity exerting the pressure. This would be appropriate where doing so would eliminate the pressure to breach the fundamental principles. For example, if an accountant is pressured in relation to a conflict of interest, the pressure to breach the fundamental principles might be eliminated when the accountant avoids being associated with the matter creating the conflict.
- Disclosing the matter in line with the organization's policies, including ethics and whistleblowing policies, using any established mechanism, such as a confidential ethics hotline.
- Consulting with legal counsel.

R2670.4 If the professional accountant determines that the pressure to breach the fundamental principles has not been eliminated, the accountant shall take action, including:

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- Declining to undertake or discontinue the professional activity that would result in a breach of the fundamental principles.
- Considering resigning from the employing organization.

2670.4 A1 The professional accountant is also encouraged to document:

Commented [STAFF86]: 370.6

- The facts.
- The communications.
- The courses of action considered.
- The parties with whom these matters were discussed.
- How the matter was addressed.