

AGENDA PAPER

Item Number: 10.5
Date of Meeting: 13 May 2008
Subject: Proposed Standard: APES 345 *Reporting on Prospective Financial Information*

Action Required

For Information Only

Purpose

To obtain Board approval to issue the proposed ED APES 345 *Reporting on Prospective Financial Information* for public comment.

Background

The current Professional Statement F2 *Prospectuses and Reports on Profit Forecasts* formed part of the Code of Professional Conduct (CPC) that was replaced by the Code (APES 110). As the Code did not contain provisions dealing with prospectuses and reports on profit forecasts Professional Statement F2 was retained and is applicable for Members in Public Practice. The current version of F.2 was issued in May 2002 by the National Councils of the Institute of Chartered Accountants in Australia and CPA Australia. A project proposal to update Professional Statement F2 was approved by the APES Board in August 2007 and a taskforce was assembled in late 2007. The taskforce have worked to develop the proposed standard, APES 345, for consideration by the Board.

Consideration of Issues

Professional Statement F.2 formed part of the CPC. Whilst F.2 is presented as a separate professional statement, the original intention was that it be read and interpreted in conjunction with the CPC. That is, principles contained within the CPC were also to be applied by members undertaking engagements to report on prospective financial information. This was taken into consideration when developing the proposed APES 345 as a stand alone document. Consistent with other APESB issued pronouncements, the proposed standard was developed using a principles-based approach that incorporates key elements of the Code. The result is a document that is considerably more extensive than the predecessor F.2. However, it serves as a single reference point to the extent possible for practitioners reporting on prospective financial information.

In developing the proposed standard, international developments in the area were also considered with the UK Ethical Standard for Reporting Accountants, issued by the Auditing Practices Board in October 2006, used as the main international resource. Whilst this standard is very comprehensive and contains useful information, the taskforce considers the extent of detail excessive. Such a lengthy document is not considered user-friendly, nor is it consistent with the APESB's drafting approach. Accordingly, when compiling the proposed APES 345, issues addressed by the UK standard were taken into account and were incorporated using a principles-based approach with appropriate cross references back to the Code.

The Australian Securities and Investment Commission (ASIC) issued a regulatory guide *PS 170 Prospective Financial Information* that gives guidance on ASIC's approach to the use of prospective financial information (including financial forecasts and projections) in disclosure documents and Product Disclosure Statements (PDS). This document was also reviewed as part of the standard development process.

Staff Recommendation

Subject to Board deliberation and editorial comments approve the issue of the proposed exposure draft APES 345 *Reporting on Prospective Financial Information* for public comment.

Material Presented

- Proposed Standard: APES 345 Reporting on Prospective Financial Information
- Minutes of Taskforce meetings
- Extract of UK Ethical Standard for Reporting Accountants
- Existing Professional Statement F2

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Date: 2 May 2008