BOOK VALUE

Accountants by trade, authors by design: CAs who get their words’ worth

FINANCIAL APOCALYPSE NOW? The beloved Mr. Snafu comes out of retirement to tell us if we should bet the farm or head for the hills  P. 26
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Debunking myths

No, CAs are not all buttoned-up conservatives, and not everyone believes the prognosticators of financial Armageddon

I magine a fictional character made up entirely of cardboard: he is a buttoned-up, conservatively dressed accountant — dark suit, blue maybe, red and black striped tie, sensible shoes. Totally devoid of emotion, he collects hard, dry facts, and like the Dickensian character Thomas Gradgrind, believes only facts and numbers matter, and anything beyond them is arrant BS. Distorting or stretching the facts in any way to make people see things differently is anathema to him.

This unfortunate stereotype leads some to believe that the very nature of the profession makes it impossible for an accountant to write fiction or, in other words, construct a pattern of “lies” in aid of a higher truth. The truth is that accountants are as diverse and as varied as any segment of the population. So it is not surprising that there are many CAs who are fiction writers. Freelance writer John Shoesmith went out to speak to the most prominent of these and reports back in “The write touch” (p. 20).

Shoesmith profiles the likes of CA-turned-mystery-writer Anthony Bidulka and Blanche Howard, who has been writing novels since the 1970s. Shoesmith reminds us that many business professionals such as Franz Kafka and Haruki Murakami became famous novelists.

Every CA has probably heard about the Mayan prophecy that predicts the world will end in December 2012. No! Well, if you have not, Mr. Snafu will tell you about it, as well as all the other doomsdays of the past that never came to pass. Our famous hitherto retired satirist has unretired to slash, skewer and stiff all doomsday predictors, especially the prognosticators who predict financial Armageddon in 2012 or thereabouts. We sent out Mr. Snafu to read all the financial doomsday books in the world and he reports on his findings in “Doomsday: fact or fiction?” (p. 26). You have to read this article — it will scare you worse than the latest horror flick.

In this issue, in line with the cover story, Jim Carroll discusses the various electronic options that exist today for writers and others searching for outlets for their creative output (“In my book, creativity counts,” p. 12). Marcel Côté tackles the organization of public healthcare. He argues it is inefficient and anachronistic, and it is probably the cause of long wait lists and overcrowding (“The crux of the problem,” p. 52). We have regulars on taxation (“Successful sale,” p. 32); fraud (“Insuring the profits,” p. 37); assurance (“On your mark, get set, register,” p. 40); standards (“Unlocking the value, II,” p. 42); and education (“Contract theory,” p. 44). Happy reading.
upfront

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6 PEOPLE
Creativity can be expressed in many ways, and for Toronto CA Jaime Ho it’s a piece of cake. Ho has turned a baking hobby, started as a stress reliever, into a part-time business. At The Wicked Little Cake Co., Ho specializes in unique sculpted goodies, anything from kissing giraffe cakes to life-size canine creations.

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Many business professionals are drawn to creative pursuits such as fiction writing, and that includes a number of CAs. Some do it as a hobby, others are full-time writers. How did they get involved in a business so different from their training?

BY JOHN SHOESMITH

26 Doomsday: fact or fiction?
Due to unprecedented demand from fans from all corners of the globe, Mr. Snafu has come out of retirement to tackle a profound and pressing question: is this the end of the world as we know it? Our garrulous guru is back armed with answers — and packing pills

BY MR. SNAFU
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In “New ideas about innovation” (Outlook, December 2011), Marcel Côté raises several interesting points regarding the challenge of innovation and productivity improvement in the Canadian economy. His point regarding the portion of the economy regulated by treasury boards is particularly trenchant.

Being a civil servant myself, I can attest to the ease with which it is possible to fall into the pattern of blindly applying one-size-fits-all policies to differing situations without giving much thought to how things can be done more efficiently or more effectively.

Here’s a thought in this regard: giving bonuses to individuals who propose changes that lead to economies or enhanced effectiveness based on the dollar amount of the gain generated for the organization. Even a bonus as small as 2.5% could have an enormously stimulating effect on the creativity of folks working in the public and para-public sectors, particularly given the size of the amounts involved. And that would still leave savings for the taxpayer of 97.5% of the gains generated.

Jack Noodelman, CA, MBA
Montreal

CAmagazine welcomes letters to the Editor. Please write to us at 277 Wellington Street West, Toronto, Ontario M5V 3H2
e-mail address: letters.editor@cica.ca
Letters may be edited for space and clarity
When Jaime Ho was asked to make a cake for a wedding in 2007, little did she realize the family celebration would mark another marriage of sorts — the successful twinning of her creative talents with her commercial acumen. Within a year, the 34-year-old Toronto CA had turned her baking hobby into a part-time business by launching The Wicked Little Cake Co., an operation specializing in unique, sculpted creations. “I started selling them to friends and family and friends of friends and it kind of took off,” says Ho.

Initially, she would bake after work for fun and as a stress reliever. Now everything about the pursuit has grown more delicious. During the past four years, Ho has made cakes in the image of kissing giraffes, carousel horses, a replica heart filled with raspberry jam and even a life-size Portuguese Water Dog. And all the while, she has continued to work full time as a senior business analyst at Corby Distilleries Ltd. in Toronto. How impressive is her work? At one wedding, the bride halted the cake cutting to whip out a camera and take photos of a cherry-blossom-themed fantasy.

In fact everything about Ho’s work is epic. The cakes, which she and her team of up to four produce three or four weekly during peak wedding season, can take up to 40 hours to create and might include seven dozen eggs, 30 or 40 pounds of butter and a 20-kg bag of flour. Beyond baking ingredients, necessary supplies might require a trip to the hardware store and include wood, PVC piping and metal to offer structural support.

Ho relishes the process of making these one-off masterworks — she doesn’t like to bake the same cake twice — and now teaches the art at a Toronto cooking school. “I love creating. The part I love best is seeing something in my head and actually being able to make it into reality. That’s what pushes me,” says Ho, whose baking has appeared on The Food Network. For this CA it’s become the sweetest gig ever.  

Steve Brearton

Résumé

2003 obtains CA designation (Ont.)
2004 hired at Corby Distilleries Ltd.
2008 starts The Wicked Little Cake Co.
2011 appears on Food Network Challenge’s Best in Show Cakes

Tax filing goes mobile in the US

Seems there’s a smartphone app for everything these days. The latest, courtesy of tax-prep service H&R Block in the US, is a tax filing app for the iPhone and Android smartphones.

US taxpayers with incomes of less than US$100,000 last year, who do not pay mortgage interest and have no dependents, can file simple federal and state returns with the app. Users photograph their W-2 wage and tax statements and, presto, the relevant data is automatically imported into the app. Filers with more complex returns can also use a mobile app, but only on the iPad tablet.

The apps are free to download and include H&R Block’s guarantee of free audit support, free audit representation, accurate calculations and the maximum tax refund to which the taxpayer is entitled.  

Tamar Satov
Developing an effective business plan and managing time well should be the top priorities for entrepreneurs who want to grow their business, according to the 2011 RBC Small Business Survey conducted by RBC and Ipsos-Reid. A large percentage of the 1,400 entrepreneurs who participated in the survey also recommended engaging in networking, seeking help/advice, conducting market research/planning and getting financial advice before starting a business.

The survey also asked small-business owners what they thought their greatest challenge would be in 2012. Finding clients/developing markets (60%) topped the list, followed by maintaining sufficient cash flow/growth (47%) and managing work-life balance.

Despite the challenges and the uncertainty surrounding the economy, business owners are still focused on growth, with 66% of respondents indicating that they will be investing in their company in 2012 and 2013. Investments will take the form of new equipment (37%), technology (29%), new products/services (28%), new employees (11%) and new processes (10%).

John Tabone is CICA’s manager of member value and research services.
Making contact  Business networking has changed dramatically in the past decade. Business cards, Rolodexes and firm handshakes are disappearing and making contact has gone virtual.

0  Women among the 23,000 members of Canadian Rotary clubs in 1987. “If one woman was promoted in an organization ... she had to look to meet women in other organizations,” said US businesswoman Barbara Stack on women and networking. “You can’t go looking through the Yellow Pages.”

2  Business cards digitized in the millions through smartphone app CardMunch. Since 2009, the service has converted photos into duplicate electronic files.

64  Percentage of Canadian businesses that responded that social media is an effective means of promoting their company; 31% used Twitter, according to an October 2011 survey.

300  Individuals assembling for the first Wednesday Network gathering at Toronto’s Sutton Place Hotel in 1982. The business mixer promises to be “the most socially and financially rewarding venture of all.”

1724  Approximate year British artist William Hogarth creates a “trade card” for goldsmith Ellis Gamble — among the first wave of business cards created.

4,500  Total LinkedIn members by the month following the business networking site’s 2003 launch. Today, it boasts more than 135 million members.

25,000  Fee in US dollars during the 1980s to purchase an American Business Associates franchise. Members of the for-profit networking organization pay US$850 annually to attend gatherings.

Going Concern

Réjean Robitaille, FCA  President & CEO  Laurentian Bank of Canada

Company Profile: Founded in 1846, Laurentian Bank of Canada (LBC) is the third-largest chartered bank in Quebec, with 158 branches and 427 automated banking machines. Its services to individuals and SMEs are concentrated in Quebec, while in Ontario it offers real estate and commercial financing. Its network of more than 22,000 financial advisers provides banking products such as RRSP loans and GICs in Ontario through its B2B Trust subsidiary. The bank manages $24 billion in assets, serves more than one million clients and employs nearly 3,700 people. In 2011, it posted net income of $133.3 million.

Cool Projects: LBC is revamping its 38 financial services boutiques, which boast a welcoming design and, at some locations, play areas for children. In addition, the bank has an exclusive contract to operate dozens of ABMs in Montreal’s subway network and added nine more to suburban train terminals last fall. In 2010, LBC opened Laurentian Bank Career Station, a recruitment centre and bank branch in the Berri-UQAM subway station, a major transit hub.

In His Own Words: “LBC is positioning itself as a bank that stands out in terms of growth and profitability. We are not afraid to innovate and do things differently. We focus on sectors where we can make a name for ourselves, since the banking sector is highly competitive. We are committed to accessible service and proximity.”  Marie-Josée Boucher

by US marketing firm J.D. Power and Associates. It was also named one of Canada’s 10 Most Admired Corporate Cultures (Quebec and Atlantic Canada region) in 2011 by Canadian executive search firm Waterstone Human Capital.

HOT FACTOR: LBC ranked second among Canadian financial institutions last year in terms of client satisfaction (midsize bank category), according to an annual survey by US marketing firm J.D. Power and Associates. It was also named one of Canada’s 10 Most Admired Corporate Cultures (Quebec and Atlantic Canada region) in 2011 by Canadian executive search firm Waterstone Human Capital.

IN HIS OWN WORDS: “LBC is positioning itself as a bank that stands out in terms of growth and profitability. We are not afraid to innovate and do things differently. We focus on sectors where we can make a name for ourselves, since the banking sector is highly competitive. We are committed to accessible service and proximity.”  Marie-Josée Boucher
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CFOs show little support for audit firm rotation
A majority of financial executives at North America’s largest companies do not see any benefit to mandatory audit-firm rotation, according to a Deloitte survey.

More than three quarters (77%) of CFOs polled say mandatory rotation of their audit firms would not enhance auditor independence and objectivity, citing particularly strong concerns around internal costs, audit fees and loss of managerial discretion. Only about 20% of CFOs support mandatory rotation, believing it can work if the rotation period is long enough or that it would enhance independence and objectivity (see chart).

The survey, entitled “CFO signals: what North America’s top finance executives are thinking — and doing,” was conducted for the fourth quarter of 2011 with respondents from the US, Canada and Mexico. More than 70% of the CFOs were from companies with more than $1 billion in annual revenues and more than 75% were from publicly traded companies.

Red-tape reducers recognized
BC Minister of Finance Kevin Falcon is the winner of the inaugural Canadian Federation of Independent Business Golden Scissors Award, which recognizes an individual who successfully cut red tape for small business. Falcon was chosen for introducing the province’s Regulatory Reporting Act and cutting red tape for small business by more than 40%. Honourable mentions were also awarded, including to:
• Jean-Pierre Blackburn, former minister of national revenue, for requiring CRA call-centre staff to provide an individual-specific ID number at the start of each business-line call; and
• Maxime Bernier, former federal minister of industry, and Diane Ablonczy, former federal minister of state, small business and tourism, for the launch of BizPaL, an online source of information on business permits and licences.
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In my book, creativity counts

Back in 1974, when I was in Grade 11, my English teacher informed the class we would be focusing on poetry for the next term. I advised him in no uncertain terms that I wanted nothing to do with it. I suppose I wasn’t a difficult student at the time; though I rarely attended many classes, I consistently scored extremely high marks. Sensing an impasse, I suggested a compromise: I would not attend the poetry class but instead would devote my efforts to writing a novel that he could then use to provide me a mark for the term.

The next two months saw me pounding away on a typewriter each evening. And on the last day of class, I walked in and handed him my first book, The Lion’s Den. It was a US-Soviet Cold War-style thriller that involved a global crisis. There were nuclear explosions, fascinating spies, geopolitical maneuvering and, yes, a sex scene. Not a bad effort for a 15-year-old kid. I got an A+. I think my teacher was shocked that I actually completed the assignment.

Fast forward 37 years, Christmas morning, and I receive the most extraordinary gift. My family gave me a fully formatted manuscript of The Lion’s Den almost ready to go to print. My wife, Christa, prepared it from the original typewritten manuscript and my son, Willie, designed a fabulous cover, which I posted on Facebook. I had a flood of congratulatory responses.

Which brings me to this month’s cover story, “The write touch,” p. 20. While I stray outside the norm of what a typical CA is “supposed” to be like, so do these other CAs who write works of fiction.

We all have a unique, innovative, creative spirit, whether it be writing or acting or another creative outlet. Think about that and then ask yourself, could the biggest danger going forward for this profession be that we might limit the role of creativity and innovation within the profession?

Certainly we need to keep challenging ourselves to do things differently, given that the pace of change in so many industries is ramping up. We continue to see new business models, the rapid emergence of competitors, the commoditization of products and services, new customer challenges and, of course, the juggernaut of wireless technology.

And the number of options to do new things continues to explode. Take The Lion’s Den and the many tools available to bring it to market. I can easily put it up on iBooks on the Apple Store and make it available as an ebook on Amazon, simply by sending the manuscript to a technology partner in India who will convert it to the proper format.

I also have the opportunity to create a more interactive version of the book using the new Apple iBooks Author tool. I can make print copies on a per order basis using various print-on-demand services such as Amazon’s CreateSpace or Lulu. Should the book catch any interest, I can do a custom print run of a few thousand copies using a variety of regular printers.

And if I need to have some copies really, really fast, I could visit 48HrBooks.com and have a bunch of copies on my desk in, well, 48 hours.

The fact of the matter is that we live in an era in which opportunities for creative output continue to emerge at a furious pace. Maybe you should take the time to explore your own options, inspired by the stories you see in this issue of the magazine.

Jim Carroll, FCA, is a well-known speaker, author and columnist. Reach him at jcarroll@jimcarroll.com or log on to his website at www.jimcarroll.com

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BI, CPM and budgeting survey 2012

Business systems used to be criticized for being data rich and information poor — for spewing out loads of data with no framework or interpretation. But judging by our new business intelligence (BI) survey, it would be hard to say that anymore. The market is now swimming in tools that will slice and dice and interpret your data however you want. The flip side is that these tools often overlap and are so powerful that they are difficult to use. Does that make BI smarter?

It’s up to the user to decide.

This year, we have 17 systems in our survey, which also covers corporate performance management (CPM) and budgeting. All the big trends from 2011 — cloud computing, BI embedded in ERP systems and unstructured data search using Google-like tools — are still very much alive. But we’re also seeing more mobile applications, information in real time and a greater focus on what to measure than how to measure it.

One form of mobile application sends out alerts to mobile devices when there is an exception to what is expected, such as a drop in manufacturing quality. But more sophisticated mobile applications allow for interactive analysis of data on a small screen. Naturally, this is not easy with the limited space on many mobile devices.

Organizations no longer want to wait until the next day if there is a problem with sales, manufacturing or any other process. They want to have that information immediately and dashboards are the way to get it. Dashboards are updated in real time and usually include a number of windows. One might show purchase orders that require approval and another might show a line graph comparing this year’s sales with last year’s figures. They also allow you to drill down to detail supporting the numbers.

Report writers are used to obtain specific information — for example, a list of customer sales by region. In the past, programmers were needed to create the reports because of the need to know the underlying database. The reports took a long time to write and there was always a backlog. Today the report writers have improved considerably and some don’t need programmers at all. There are also tools designed specifically for financial reporting.

Another popular way to access information is to use a query tool that allows you to select data records of any kind, such as invoices or purchase orders, filter them, sort them or export them to Excel. Then there is online analytical processing (OLAP), which allows for data analysis across multiple dimensions by dragging and dropping the dimensions. OLAP allows you to analyze data instantly by any dimension, such as customer type, region or salesperson, graph the results and drill down for more detail.

Picking the right metrics has now become a bigger challenge than picking the tool to maintain and report on them. I teach a graduate management information course that includes metrics. The theory is that metrics should be SMART — specific, measurable, actionable, relevant and timely. Financial metrics are inherently lagging indicators, which tell you about historical results for sales, gross profit, etc. But the most important metrics are leading indicators, which foreshadow things that could happen. For example, rising error rates in shipping or longer times to ship often precede declining sales.

As with all our surveys, we were unable to validate the information supplied to us by the vendors. We don’t think there will be that many intentional mistakes, partly because the vendors will lose credibility if they are caught making false claims.

Next month we return to system selection, with a look at the various roles in the process.

Michael Burns, MBA, CA-IT, is president of 180 Systems (www.180systems.com), which provides independent consulting services, including business-process review, system selection and business-case development. Contact 416-485-2200; mburns@180systems.com
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Change continues within the accounting profession

Signs of globalization within the accounting profession continue to mount as Canada’s national and provincial accounting bodies explore unification with members and other stakeholders. Earlier this year, the American Institute of CPAs (AICPA) and the Chartered Institute of Management Accountants (CIMA) formalized their joint venture with the launch of a global accounting designation, the chartered global management accountant (CGMA). The hallmark of the CGMA designation is expertise in applying nonfinancial, qualitative information along with financial analysis to understand all aspects of business. According to a study done by the two institutes, this will be in increasing demand by international businesses that want integrated financial and nonfinancial information. In Europe, three Spanish professional accounting bodies have signed an agreement to merge into one organization known as the Instituto de Auditores de España. The Instituto de Censores Jurados de Cuentas de España, the Consejo General de Colegios de Economistas de España and the Consejo Superior de Colegios Oficiales de Titulares Mercantiles de España have created a special commission to establish the appropriate process to guide the merger within two years.

Closer to home, a panel has ruled in Manitoba’s favour on a dispute under the Agreement on Internal Trade (AIT) regarding labour mobility for CGAs. As of April 15, 2012, CGAs will be able to be certified to practise public accounting in Ontario without additional training or assessment. The goal of uniting Canada’s accounting bodies is consistent with the objectives of AIT because unification would establish common rules of professional conduct and qualification standards for the Canadian profession that would meet or exceed all legislated requirements.

The pace of change is picking up in our unification talks as well. When the Unification Framework was issued in January, all three accounting bodies in Quebec had already agreed to merge under the chartered professional accountant designation at the invitation of the Quebec government. In addition, CGA Prince Edward Island had become the seventh provincial CGA institute to join merger talks with provincial CAs and CMAs. At the time of writing, the CGA institutes in Manitoba and Nova Scotia had not yet entered discussions, although CGA Nova Scotia had declared that informal unification talks were underway. CA Alberta announced in February that it had withdrawn from the unification discussions; however, both CMA Alberta and CGA Alberta have reaffirmed their commitment to the process and the goal of unifying the profession.

Currently, most participating accounting bodies across Canada are scheduling town hall meetings in the major centres of their provinces so members can speak directly with their professions’ leaders about the Unification Framework and the strategic importance of this decision.

Members can track the national progress of the unification talks by visiting the CPA Canada website. The site is continuously updated with news and information about all significant unification events, including copies of provincial merger proposals as they are presented to members by their councils and boards.

Interested in audit issues? Join in the conversation

The global financial crisis have demonstrated the importance of quality financial statements and the need for the effective involvement of all players in financial reporting.

Now policymakers in Europe, the US and elsewhere are examining the workings of the capital markets and the spotlight is turning on auditors and audit quality. There is a call for change — “the status quo is not an option” appears to be the catchphrase — and commentators say these proposals are likely to lead to fundamental shifts in the role of the auditor.

So what do you think about proposed changes such as mandatory audit firm rotation, additional transparency about the audit process, and expanding auditor association with management disclosures outside of the financial statements? These are just a few of the topics that will be open for debate in Conversations about Audit Quality, a new blog hosted by Eric Turner, CA, national practice area leader for audit and assurance at the CICA.

The blog is designed to keep pace with the improvements to audit quality that affect you — whether you are an auditor, a regulator, a preparer of financial statements, an audit committee member or investor, the CICA wants your input on how global changes could impact audits in Canada.

The articles are meant to initiate a discussion about audit quality developments by providing a brief overview of the current debates and resources to encourage members to provide their own views and opinions.

To check out or subscribe to Conversations about Audit Quality, go to the CICA website under Focus on Practice Areas, Audit & Assurance (www.cica.ca/caq).
CICA helping not-for-profit organizations improve annual reporting

There is increasing external pressure on not-for-profit organizations to demonstrate accountability and transparency, according to a new publication by the Canadian Institute of Chartered Accountants (CICA).

The publication, titled Improved Annual Reporting by Not-For-Profit Organizations, was developed with the assistance of a working group of representatives from the sector who provided advice to the CICA’s Canadian Performance Reporting Board.

“Stakeholders, including the general public, are taking a greater interest in the administration of organizations receiving donor dollars, tax benefits or government grants,” says Sara Oates, CA, working group chair and CFO for World Wildlife Fund Canada. “Donors, potential partners or other stakeholders want to make informed decisions.”

Many not-for-profits are already subject to reporting requirements such as the production of audited statements or mandatory reporting to funders. The CICA guide is intended to assist senior management and boards of directors of not-for-profit organizations in preparing high-quality annual reports that complement and supplement existing reporting requirements.

“Annual reports should be part of an overall strategy to communicate with stakeholders and can help foster public trust and build community support,” says Chris Hicks, CA, CICA principal, guidance and support. “Effective annual reports can help build an organization’s reputation. They can make a case for support, and can be a key means of reaching new donors, partners and volunteers.”

The CICA publication outlines key principles for not-for-profit annual reports:

- focus on the mission
- tell the story
- have a strategic perspective
- account for stewardship
- meet stakeholder needs
- be fair and balanced

The guide notes that just as not-for-profit organizations vary widely in terms of size, complexity and resources, the appropriate level of detailed reporting will also vary. A series of questions that annual reports should answer are highlighted in the document.

The publication is available online (www.cica.ca/not-for-profit-guide).

Launch of in-depth tax program

Well known as the best program of its kind in Canada, CICA’s In-Depth Tax Program is about to get a makeover. The changes that begin rolling out in September are intended to update and improve the quality of the program for students and enhance accountability and performance assurance for employers. Rejuvenation of the program follows the recommendations of the October 2009 report of the Tax Education Task Force.

“While preserving the curriculum’s successful mix of theory and on-the-job experience, we’re upgrading the program to respond to changing student needs and the rising complexity of tax practice,” says Vivian Leung, CA, CICA program director for tax education. “The new program will be more integrated and comprehensive, using a competency-based approach and delivering content at an appropriate pace for optimum learning using today’s learning technologies.”

The new In-Depth Tax Program will feature an Orientation and Tax Research course for all new students entering into the program. The addition of this course will ensure the participants’ first exposure to the program is more focused and directional and establishes the standard for excellence for the remainder of the program. It will also teach students the tax research framework they will be utilizing and strengthening throughout the balance of the program.

The new group study will utilize learning technologies to deliver e-learning self-study modules and allow for online discussions. This will be coupled with the traditional, in-person, facilitator-led discussions for an optimal learning experience. In-residence will still feature lectures and tutorial sessions, however they will be redeveloped implementing pedagogical best practices.

The new program will include self-assessments and knowledge checks; participation evaluations and certificates will be granted to students upon successful completion of the course.

To allow adequate time for the more comprehensive curriculum, the duration of the In-Depth Tax Program has been increased from the current two years to three. Research conducted with students of the existing In-Depth Tax Program indicated that the current program covers too much ground too fast.

The program will be introduced gradually over three years, beginning in September.

More information about the new In-Depth Tax Program can be found on CICA’s Continuing Education’s Tax Courses Web Community, which includes a comprehensive overview of the new design for the In-Depth Tax courses; access to the Tax Education Task Force reports that first recommended the updates to the program; a helpful FAQ section; and, of course, information about how to register.

“Throughout this summer we will be adding new resources to the site and providing news about our progress as we ramp up to launch Part 1 of the new In-Depth Tax Program in September 2012,” says Leung.

Employers and prospective students are encouraged to visit the CICA Tax Courses Web Community right away so they can stay informed and get the latest updates. Visit www.cpd.cica.ca/incometax.cfm.
Standards digest  Want to be kept informed? Log on to www.cica.ca/standards

## RECENTLY ISSUED PRONOUNCEMENTS

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Legend

- **ED** – Exposure Draft
- **EDI** – ED based on IFRS/ISA
- **IP** – Issues Paper
- **SOP** – Statement of Principles
- **ITC** – Invitation to Comment

† Refer to each Handbook pronouncement for the effective date and transitional provisions. The information published above reflects best estimates at press time. Please visit our website for the most recent information.
The Accounting Standards Oversight Council (AcSOC) is pleased to announce the appointment of Kevin Nye as its Chair, and Peter Jewett as its Vice-Chair, effective April 1, 2012.

Mr. Nye is the Senior Vice President, Enterprise Risk Policy and Portfolio Management for Group Risk Management at Royal Bank of Canada. He has primary oversight of operational risk, risk capital, risk reporting, as well as portfolio methodology and measurement. Mr. Nye was Vice-Chair of AcSOC from 2010-2012 and a Council member since 2005.

Mr. Jewett is the Chair of Tory’s Corporate and Capital Markets Practice, practicing corporate and securities law with an expertise in national and international mergers, as well as acquisitions and corporate finance. He has been an AcSOC member since 2010.

The Accounting Standards Oversight Council (AcSOC) is an independent, volunteer body established by the Canadian Institute of Chartered Accountants in 2000 to serve the public interest by overseeing and providing input on the activities of the Accounting Standards Board (AcSB), who set financial reporting standards for profit-oriented enterprises and not-for-profit organizations, and the Public Sector Accounting Board (PSAB), who set financial reporting standards for governments and their organizations. AcSOC’s responsibilities include appointing AcSOC, AcSB and PSAB members. Reporting to the public and made up of representatives that include regulators, investors and other users, preparers and auditors of financial reports, AcSOC brings a broad perspective to complex issues facing standard setters in both the private and public sector.
Not unlike Kafka, many business professionals are drawn to writing fiction. Here are four published CAs who have

the write touch

By John Shoesmith

Anthony Bidulka says it was surreal. There he was last spring, settling into his seat on a long-haul flight to Singapore for a month-long vacation, when one of the attendants approached him. “Excuse me, but are you Anthony Bidulka, the author?” he asked. He had noticed Bidulka’s name on the manifest and gushed that he was a longtime fan of the author’s mystery books, featuring the private detective Russell Quant. “Here I was, a small-city Prairie boy, somewhere over the Pacific and being recognized for being a writer,” says Bidulka, a 49-year-old CA whose eighth Quant mystery, Dos Equis, is being released this month. Although the attention and adulation from the steward and other in-flight staff made him slightly uneasy, he admits the fuss was also gratifying. “It was thrilling to have experienced my ‘ta-da’ moment as a writer,” he says. The businessman-turned-writer had made it.

In 1999, Anthony Bidulka left E&Y (and his closet full of suits); now he pens novels popular with critics and readers

Photograph by GREG HUZAR/KLIXPIX
It may surprise some readers to know that many business professionals have written notable works of fiction. Franz Kafka, for example, worked as an insurance agent for much of his life while he wrote such classics as *The Metamorphosis* and *The Trial*. The famed Japanese author Haruki Murakami owned and managed a Tokyo jazz club in the 1970s and early 1980s before he turned to full-time fiction writing. So it’s not surprising that a number of Canadian CAs have the writing itch. Not all have been as successful as Bidulka, whose last Quant mystery, *Date with a Sheesha*, was the top fiction title by a Saskatchewan novelist for McNally Robinson Booksellers in Saskatoon in 2010. (The Quant series has also been optioned for television and film.) Others are just starting out, such as Teri Vlassopoulos, who began writing fiction in university and had her first book published in 2010 by a small Maritime publisher, while retired Alberta CA Graham Clews self-financed the publication of his three historical novels and a young-adult fantasy book. Meanwhile, Blanche Howard can be considered the grande dame of CA novelists: she had her first story published in the late 1950s and continues to write today, in her 80s. They all, however, share one trait: the desire to write.

Desire is one thing — courage is another. Like any good accountant, Bidulka weighed the risks of giving up his job as a corporate auditor in the Saskatoon office of Ernst & Young in the late 1990s to pursue a career as a full-time fiction writer. He’d be relinquishing a decade-long, and mostly satisfying, partner-track career — and he hadn’t published so much as a short story, let alone a novel. In fact, his history as a storyteller didn’t involve any writing as an adult, not even as a hobby. He did, however, entertain his nieces and nephews with stories and characters he conjured up when he was growing up in the tiny town of Prud’homme, Sask. (his high-school graduating class was all of six people), and wrote stories for high-school English class. Later he flirted with and drifted through a variety of career paths, beginning with optometry, which he studied for two years at the University of Saskatchewan, to social work to psychology to teaching. He eventually “settled down,” as he calls it, and landed at E&Y in 1991, receiving his CA designation in 1993. Still, he couldn’t shake the feeling that he had a book in him that needed to come out.

Every holiday season when he and his life partner would escape to a warmer clime to drink cold cocktails, soul search and reflect on their lives, a familiar lament would escape Bidulka’s lips: “I wish I had time to write,” he would say. “It’s one of the goals I failed at every year: carving out the necessary time to do creative writing,” he says. “With my work schedule, I just didn’t have the energy or time for it.”

Nearing the end of the millennium, however, he was approaching 40 (“a milestone age,” he says), which made his reflections on life and his future more poignant and immediate. “I said it aloud, that I want to write.” But not part time — rather, to quit his job and concentrate on making writing a full-time vocation. “I
knew I couldn’t do it half-heartedly, that I’d have to go all in, that it was all or nothing,” he says. His biggest fear was living a life of regret. Even if he failed at writing, he says, “I wanted to at least be able to say that I tried.” It was a scary but exciting moment. “It felt a little like skydiving.” He did have a parachute, though, or at least a secure safety net: a supportive and encouraging partner, as well as his CA and business background to fall back on if the writing didn’t pan out.

He gave notice at E&Y in January 1999, and within months he had left the firm — “and my closet full of suits,” he says. His last day was on a Friday in April, and he began writing the very next Monday. He felt just making it to his home office first thing that Monday morning and disciplining himself to write was a small personal success that he could build on.

Within a year he completed his first manuscript, a thriller called *On the Eighth Day*. While he had no pretense that he would be an overnight success — “I knew I would have to pay my dues,” he says — he was happy with the novel and started to shop it around. As he waited to hear from various publishers — that first novel still sits unpublished in his desk drawer — he began to write his second novel, a mystery featuring a gay Prairie ex-cop turned private detective named Russell Quant.

With this second effort, entitled *Amuse Bouche*, Bidulka adhered to one of the oldest rules in the writing manual: write what you know. A longtime fan of mystery writers such as Robert B. Parker (who wrote the popular Spenser novels), he created the character Quant by drawing upon many of his own urbane sensibilities and interests, including clothes, wine, food and travel. He also unabashedly set the work in Saskatoon.

The formula worked. After finishing a draft, he answered a four-line ad in the Saskatchewan Writers’ Guild newsletter from an editor who was looking for interesting manuscripts to work with. She loved it and eventually brought it to the Toronto-based publisher Insomniac Press, which published the novel in 2003. It received uniformly positive reviews and was shortlisted for an Arthur Ellis Award, which honours crime novels in Canada, for best first novel. Reviewers were quick to pick up on Bidulka’s natural, easy style — *Quill & Quire* magazine called it “an effervescent first novel that is much like the tasty French hors d’oeuvres from which it takes its name.”

But it was his second Quant mystery, *Flight of Aquavit*, which was published the following year, that secured his reputation. A finalist for the Saskatchewan Book Award’s Saskatoon Book of the Year, it also won the Lambda Literary Award for best gay men’s mystery, a prestigious US award that honours the finest work relevant to lesbian, gay, bisexual and transgendered content. Things changed from that point, says Bidulka. “That exposure to the US was huge. You simply need to be in that market to succeed as it comes down to a numbers game and books sold.”

He was on his way as a writer.
Bidulka might stand as the current poster child for successful CA novelists, but Blanche Howard set the trail in the early 1970s when she published three novels back to back to back. Her first, The Manipulator — a Gothic morality tale that revolves around an ambitious architect who destroys friendships and disrupts marriages — was released by noted publisher McClelland & Stewart in 1973 and won the Canadian Booksellers’ Award. Although she had published a short story in Maclean’s in 1957, she didn’t write while working as a CA for Peat Marwick in BC’s Okanagan Valley. Howard began to write in earnest when she moved to Ottawa in 1968 when her husband was a newly elected MP in the Liberal government of Pierre Trudeau. She says it was a blessing to devote more time and energy to writing, particularly since she had stopped writing while holding a job and raising three children. “I just wasn’t able to maintain it,” reflects Howard, 88. Worse, she found that her job was dulling her creativity. “I found I was losing the facility with words as I continued to work with numbers.”

Early on, she brought what she feels were bad habits from her business career into her writing. For example, being a CA, the demands were to do the work as swiftly and efficiently as possible in order to bill it out quickly. But the best writing needs to be put away for a while to stew or percolate. “You need to be able to put fresh eyes on it after it has sat for a time,” she says. “Accounting and writing will often run counter to each other.” But, similar to Bidulka, Howard found her accounting experience helped with her discipline. “You can’t wait for inspiration; you usually have to just sit down and get to work.”

She was fortunate in that her first three novels, between 1972 and 1977, were sold to publishing firms. Unfortunately they weren’t big sellers, and her subsequent work “just missed the mark with publishers,” she says. “It was a pretty discouraging period for me.” She and her husband had moved back to North Vancouver in 1973, and she did some accounting work to help pay the bills. “The advice I give to most writers is to keep your day job,” she says. Even a book that’s considered a bestseller in Canada — sales of 5,000 copies — won’t secure much in the way of income. Her fifth book, Penelope’s Way, “sold really well,” she says, and included a second printing. “But that was still only about 2,500 books sold,” she says. One of her most successful works came out of her friendship with famed Canadian author Carol Shields when the pair cowrote A Celibate Season, which was published in 1991 and was picked up by publishers in the US, UK, China and Quebec. It was also adapted into a play and was a finalist in the Canadian National Theatre Playwriting competition. She also earned what she calls a “healthy five-figure advance” for her 2007 book, Memoir of Friendship, which consists of correspondence between Howard and Shields. Still, “it hasn’t as yet earned back the advance,” she says. “That isn’t a problem for me but is perhaps for the publisher.” All in all, over a span of 35 years, she calls the money she’s made from writing “only a pittance.”

Howard is currently working on a new novel, writing for at least one hour every morning and jotting down notes throughout the day. She admits literary fiction, which she brands her style, is largely out of vogue these days. “There are so many more demands on our time and there are fewer hours allocated for entertaining ourselves, and much of that time is taken with electronic devices, so fewer people are reading for pleasure,” she says.

Even so, authors of literary fiction continue to get their work published, often finding a home at small press houses. That’s what happened to Teri Vlassopoulos, a 32-year-old Montreal CA whose collection of short fiction called Bats or Swallows was published in 2010 by the small Halifax-based Invisible Publishing. The book received a number of positive reviews, including in Quill & Quire and The Montreal Gazette, and was shortlisted for the Danuta Gleed Award (for the best first collection of short fiction in the English language in Canada) and the ReLit Award (which acknowledges the best new work released by a Canadian independent publisher). In its jury comments, the Danuta Gleed panel wrote that Vlassopoulos’ stories, many of them coming-of-age tales, “are told with grace, wit and a bold and original eye for detail,” adding that it was a “debut collection full of delights.”

Born and raised in Toronto, Vlassopoulos was always interested in writing, and as a teenager she created her own zine (a self-created, handmade, photocopied-and-stapled publication) that covered the Canadian independent music scene. She started to write fiction while studying commerce at the University of Toronto and followed up with some writing workshops. “I enjoyed the opportunity to write stories that could be critiqued, where I could get some positive feedback,” she says. She began to place stories in a variety of small literary publications and was short-
listed twice for THIS Magazine’s Great Canadian Literary Hunt prior to the publication of Bats or Swallows.

Now finishing her first novel, Vlassopoulos hopes her agent — found through a Humber School for Writers mentorship program she joined in 2006 — will be able to place it with a publisher. But she has no misconceptions about her writing career and recognizes she’ll always need a paying job. (The advance she received for Bats or Swallows was modest: “less than a month’s salary,” she says.) She’s grateful for her CA designation, although she concedes it is difficult for an accountant, or anyone with a day job, to find the time to write. In March 2007, after working at E&Y for five years (first in Toronto and then Montreal), she left her manager’s position because of the challenging hours — upward of 50 a week, including many evenings and weekends. She is now manager, accounting policies, at technology consultancy CGI in Montreal, which gives her more time and energy to write in the evenings and on weekends. It helps that her husband is a photographer, who understands the importance of carving out time for one’s art. And although it’s a dream of most writers to live off their creative work, her true goal is to find that perfect balance between her job and her writing. “While being able to write full time would be fantastic,” she says, “my working life directly informs my writing largely due to the experiences and different perspectives I gain while working.”

For some fiction writers, the dream is simply to be published — and as retired CA Graham Clews discovered, there’s more than one way to fashion a happy ending. Like Bidulka, it was during a midlife crisis in 1980 when Clews wrote Don’t Budge, a Second World War adventure novel. The manuscript tied for first place in the Search-For-a-New-Alberta-Novelist competition, an annual award sponsored by the provincial government, after which publisher Doubleday Canada showed interest. It eventually turned down the manuscript and he gave up writing entirely for about 18 years. When Clews retired from the Canadian Army reserves at age 55, he went back to his abandoned craft, writing a fantasy novel for young teens titled Jessica Jones and the Gates of Penseron. He then began a trilogy of books titled Eboracvm, which span the 35-year period around the founding of the English city of York by the Romans in AD 71.

Still disillusioned by his earlier experience with the publishing industry, and after receiving a number of rejections from various publishers in the US and Canada, Clews decided to self-finance the publication of his current books through Trafford Publishing, formerly of Victoria, but now based in Bloomington, Ind. The company styles itself as the first company to offer print-on-demand publishing, charging authors a fee of $549 up to a Gold Seal price of $12,999 (which includes full editing and production services, along with promises of full reviews from three of the foremost book-review magazines) to publish their books. “It’s an expensive hobby,” Clews says of his writing. While his books have sold in the hundreds (they’re available from his website as well as through online stores such as Chapters/Indigo and Barnes & Noble), he’s hoping to ramp up his marketing efforts, including a redesigned website, to get his books increased publicity. He’s also examining the possibility of having them offered as ebooks.

The business of book publishing is currently in a state of flux, although Bidulka says, “The industry has always been in something of a tumult.” But with the advent of ebooks and with retailers such as Amazon getting more involved in publishing as well as selling, it’s being turned completely on its head. Some are embracing the change, however. Howard, for example, eschewed the traditional route in 2010 and published a manuscript, titled Dreaming in a Digital World, as an ebook through her agent, Beverley Slopen. Although the book has received many hits, she admits it hasn’t done terribly well.

But that hasn’t stopped Howard or others from continuing to write — for them, it’s a passion that refuses to die. “If you’re doing it for the love of it, then the battle has already been won,” says Bidulka. “It’s a very powerful and heady feeling.”

John Shoesmith is a Toronto-based writer and a librarian at the University of Toronto’s Thomas Fisher Rare Book Library

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Dear reader, rejoice and be glad. Mr. Snafu has unretired!!!

Unprecedented numbers of letters from all corners of the globe asked, nay, demanded that Mr. Snafu come out of retirement to tackle a profound and pressing question. Worldwide Snafu fans, from presidents to poets, insist that only Mr. Snafu can answer this question that is more formidable than Fermat’s Last Theorem. Even that venerable Pope of Physics, Stephen Hawking, took time off from his multifarious TV appearances and bestseller scribbling to consult briefly with Mr. Snafu on this historical and timely question. Here are two samples of the letters Mr. Snafu received:

It’s the end of the world as we know it. Or is it?
Mr. Snafu returns armed with answers — and packing pills

Dear reader, rejoice and be glad. Mr. Snafu has unretired!!!

illustrations by SETH
Initially, when Mr. Snafu read all this stuff about 2012 written by various wackos, weirdos, New Agers, “evolved” people and assorted Oprah fanatics, he dismissed it as the detritus of a decadent civilization populated by those with too much television time on their hands. But as the year approached, and he heard more and more about this supposed Mayan prediction, a certain interest, perhaps even excitement — certainly not nervousness, or unconscious fear as his wife suggested — began to tickle Mr. Snafu in that part of his mind that is curious.

He decided to conduct thorough research into the matter and spent a few intense weeks reading up on doomsday scenarios. Is the sky going to fall in 2012? Is it the end of the world as we know it? The short answer is, no, and, possibly. After you crawl out from under your bed, dear reader, note that Mr. Snafu intends first to briefly discuss the dismissable doomsdays, before tackling the ends of the world that really matter.

Normal ends of the world
The world has been ending for a very long time. Really. No matter what religion you belong to — be it the contemporary universal religion of scientism or the others — doomsday is an ever-present part of the narrative. The “others,” especially Christianity, have been predicting the end for millennia. Very carefully forgetting that Jesus told them, “But of that day and hour knowest what you think? You are just jealous that people care what I think. My books are doing well and raking in the moolah, while yours — well, what happened to yours? Oh right — they’re so far down in the remainders bin I forgot about them!

I kinda agree with you that theoretical physics is a bit of a scam. But what should I do when idiot journalists kneel at my feet and ask all manner of stupid questions about things that have nothing to do with my area of expertise? The other day, someone came to me with a question that all my field equations could not predict — is 2012 the year the great Yellowstone underground volcano will destroy the world? I have no freaking idea, and I am frightened out of my wits. I don’t want to die yet!

Dear Wondering in Wawa and “SWH,”
no man,” Christians have happily and copiously predicted doomsdays as if they were playing the weekly lottery. The early Christians of the first couple of centuries AD believed that Yeshua the Christos was coming back like, tomorrow, which may explain their eagerness to attend dinners in which the lions were the guests and they the meal. After a while, they had to accept that God was ignoring their predictions, and so they ceased — of course, the fact that they seized power in the Roman Empire under Emperor Constantine may have helped. You may not particularly desire the end of the world when you are the power that be and are enjoying the fruits thereof.

While the turn of the first millennium AD provided Christians with more opportunities to declare the date of doomsday, the year 999 also provided many unbelievers and skeptics in Europe the opportunity to purchase the homes and possessions of Christians who were selling all and flocking to Jerusalem to see the Prince of Peace in person during End Times. According to author Charles Mackay in Extraordinary Popular Delusions and the Madness of Crowds, the traveling Doomsday Pilgrims “were smitten with terror as with a plague. Every phenomenon of nature filled them with alarm. A thunder-storm sent them all upon their knees in mid-march. It was the opinion that thunder was the voice of God, announcing the day of judgment.” Regrettably, this rather useful sort of hysteria has not been part of the 2012 doomsday craze — the price of homes in many cities in Canada remains stubbornly and stupidly high, and there is sadly no evidence that any Christians or Mayan Calendar fanatics are planning to sell homes for a song.

Scientific doomsday prognosticators do not fare any better at telling us when the world will end. They assure us for instance that our star, the sun, will burn for another one billion years at the same temperature, then in about five billion years will swell out into a giant fireball that will swallow the Earth, but as Gregg Easterbrook terrifyingly tells us in the January/February 2012 issue of The Atlantic, our knowledge of the sun is “surprisingly rudimentary.” There is much we really don’t know. No wonder scientific predictions about solar storms and their effects on Earth have been abysmally inaccurate — in 2006, when US government scientists predicted that sunspots (magnetic regions on the surface of the sun) would be 50% stronger, they turned out to be the weakest they had been in a century.

An asteroid or comet dinging Earth is another end-of-the-world scenario in which Hollywood and the scientific community have deviously collaborated to frighten yesterday’s dinner out of everybody (see movies Deep Impact or Armageddon). However, scientists have confidently told us not to worry because, unlike the religious, they make reliable predictions. Thus, they will see an asteroid well before it strikes Earth and will presumably take measures to divert it. Except that in 2002, an asteroid came very close to Earth, and scientists only saw it after it started to leave. But, dear reader, you great believer in science, don’t scurry out from under your bed yet; we are not done.

Let us consider the Yellowstone Caldera, an underground super volcano, situated in the well-known national park in Wyoming, Montana and Idaho. Many Mayan Calendar prognosticators get positively delirious with joy when discussing this scenario — there are high-fives and fist bumps all round because they believe this is the one that will wipe the ironic smiles off the faces of skeptics. Yellowstone National Park is the site of one of the largest underground volcanoes on the planet, one with the potential to sink the entire North American continent and cover the Earth with clouds of volcanic ash that will blot out the sun for months — a nuclear-winter-like scenario that will kill off plants and animals galore. Depending on whom you ask, this volcano will erupt either this year or in the year 600,012 — the exalted priesthood of science, with its vaunted “scientific methods,” predictive powers and unerring accuracy, is strangely unable to give us a precise date.

Still a believer?

With a rapid roll of the eye — these doomsdays do not deserve more than that — let us dismiss the above dud scenarios and focus on more plausible sorts, such as the financial volcanoes rumbling under our feet.
The real-deal doomsday end of the world

Ever since the cataclysmic year of 2007, when the subprime mortgage crisis came to a head, the stock market crashed and financial contagion spread around the globe faster than the Spanish flu, the presses have been pouring out a tsunami of books and articles predicting the total, final and irrevocable collapse of the North American, and ultimately world, economy. Many of these books have been poorly concealed efforts at printing money to assist the US Federal Reserve and other central banks in keeping the world economy afloat. While such quantitative easing worked in many cases to inflate the bank accounts of the writers, our main concern is: should we be concerned? Is it time to purchase that pump-action shotgun, stock up on canned food and brace ourselves for the hordes of hungry and homeless that will emerge from a worldwide financial Armageddon?

After frightening the bejesus out of himself by reading scores of the “financial sky is falling” books, Mr. Snafu has selected for your delectation the best — or perhaps the most entertaining — and interesting of these financial horror stories.

One of the first prognosticators Mr. Snafu read is Harry S. Dent Jr., author of *The Great Crash Ahead: Strategies for a World Turned Upside Down*. Mr. Dent is a fascinating fellow! Because he bucks the trend of predictions about the US and world economy! It’s all punctuated with exclamation marks! To warn you that this is breathlessly important and terrible stuff!

So while most of your run-of-the-mill financial and economic crystal-ball gazers, such as James Rickards in *Currency Wars: the Making of the Next Global Crisis*, predict hyperinflation due to the Fed’s printing of unprecedented quantities of dollars since 2008, Mr. Dent goes quite the other way and predicts deflation. In other words, Mr. Dent expects the world to go down the economic toilet very soon — he hedges his bets somewhat and says that it might be 2013 or 2014 — and there will be a long depression in which those who wisely hold cash will be kings. Mr. Dent predicts that “deflation is the only possible scenario in the decade ahead...much like the 1930s. Why? Because deleveraging and deflation always follow debt and asset bubbles, such as happened in the 1820s, 1860s and 1920s in the US and in the 1980s in Japan; there are no exceptions in modern history.” His main argument is that debt levels, both private and public,
The US economy “is resting on a knife’s edge between depression and hyperinflation,” writes James Rickards. The interconnection of today’s economy means any collapse will be global in effect have reached such astronomical highs that contraction is the only possible outcome as people and governments, not just in the US, but around the world, begin to tackle and pay down the debt. But what also distinguishes Mr. Dent from the others is his analysis of demographic information and how it applies to economies. He argues that the baby-boom generation has driven much of the growth and prosperity of the past 50 years. The financial needs of that extra-large and self-indulgent generation have begun to diminish, and they are now looking to pay off debts and save for retirement. (Mr. Snafu laughs nervously, pops a Valium and moves on to the next fortune-teller.)

In Currency Wars, Mr. Rickards, who “advises the US Department of Defense and the US intelligence community on global finance,” writes that there is a world currency war going on between Europe, China and the US. This war, he says, was declared when the Fed began printing trillions of dollars in 2008 to offset a financial crash and the deflation that would follow. Mr. Rickards argues that the effects of this printing of dollars are worldwide: “It means higher inflation in China, higher food prices in Egypt and stock bubbles in Brazil. Printing money means that US debt is devalued so foreign creditors get paid back in cheaper dollars.” Mr. Rickards says there is a very real danger that the balancing act carried out by the Fed means the US economy “is resting on a knife’s edge between depression and hyperinflation.” Given the deep interconnections in today’s global economy, these stresses in the US will not just be local — any collapse will be global in effect. (Mr. Snafu surreptitiously swallows two Prozac capsules when he remembers that Canada is not just next door to the US, but that the US is also Canada’s largest trading partner.)

The most frightening aspect of things, Mr. Rickards continues, is that the citizens of the US are being squeezed by rents paid to the elite in the form of “taxes, bailout costs, mortgage frauds, usurious consumer rates and fees, deceptive derivatives, and bonuses. As citizens are crushed under the weight of this rent extraction, collapse grows more likely.” When he read this, despite the Valium and Prozac in his system (or perhaps because of them), Mr. Snafu punched the air repeatedly, very much like a sports star who has scored a goal or a championship-winning touchdown. For many years, Mr. Snafu has grumbled to Mrs. Snafu about some of these things in Canada. Mr. Snafu would also like to add cellphone contracts, utility contracts and other usurious forms of legal thievery that are stripping him of every penny of his hard-won pension. Thank you, Mr. Rickards.

The common idea running through all these financial doomsday scenarios is that debt is dangerous, that it is a problem around the world, from little countries to big, and will eventually lead to financial disaster almost everywhere. And so where does one go to find the loudest and most alarmist Chicken Littles of debt? Why, the Internet of course. One of the most interesting of these is Porter Stansberry’s web presentation at www.stansberryresearch.com/pro/1103PSIREVVD/6PSIM62sr/PR. Mr. Stansberry is founder and managing director of Stansberry & Associates, a “Baltimore-based financial research firm.” Much of what Mr. Stansberry says basically repeats what others such as Mr. Dent and Mr. Rickards say, but at much higher decibels. This is understandable — at the end of a monologue that quite successfully frightens the Superscheisse out of everyone, Mr. Stansberry presents listeners and readers with a golden opportunity to purchase his research reports and newsletters aimed at helping his audience navigate its way through the coming Apocalypse.

Mr. Stansberry predicts “with near 100% certainty” that the prices of milk, bread and gasoline will soar, that banks will close and credit cards will stop working. He says the US has been borrowing so much money that pretty soon the federal government will not be able to pay even the interest on the loans. “Even if all US citizens were taxed 100% of their income ... it would not be enough to balance the federal budget!” he quotes the National Inflation Association as saying. What’s scariest about Mr. Stansberry’s view is that he uses real numbers from the Congressional Budget Office to support his terrifying scenarios. He insists that neither the Republicans nor the Democrats can solve the debt problem because tax increases will not “make the smallest dent on the true size of [the US] debt.” Why? Because doubling tax revenue — income tax: US$900 billion; corporate tax: US$200 billion — will not be enough to end the annual US deficit of US$1.3 trillion. (Heaven help us! Moving to rural Arkansas is starting to look mighty desirable to Mr. Snafu right now.)

Of course, you, dear reader, may regard all of this as hogwash and worthy of no more than a scornful chuckle. Well, This Time Is Different: Eight Centuries of Financial Folly is for you. Written by economists Carmen Reinhart and Kenneth Rogoff, and chock-full of supporting research tables and charts, it tells us that debt defaults and collapses are regular occurrences in history, and what is common to them is that the experts always think, “This time will be different. It cannot happen because we had taken necessary measures to prevent it.” In their own words, “What is certainly clear is that again and again, countries, banks, individuals, and firms take on excessive debt in good times without enough awareness of the risks that will follow when the inevitable recession hits. Many players in the global financial system often dig a debt hole far larger than they can reasonably expect to escape from.” (Where are my beta blockers? Mr. Snafu's body is trembling uncontrollably! Oh Pfizer, take me away!)

OK. Maybe it is just the US. Maybe Canada is solid economically. We escaped the worst of the worldwide recession, didn’t we? We can ride out whatever happens, can’t we? Canada will be fine. Well, that’s not what CA and financial adviser David Trahair writes in his latest book, Crushing Debt: Why Canadians
Should Drop Everything and Pay Off Debt. In what is perhaps the most readable and even entertaining of the books Mr. Snafu perused, Mr. Trahair lucidly shows the connection between personal behaviour and what happens in the greater world, and how we should all be concerned about not just federal, provincial and municipal debt, but also Greek and US debt. Most importantly, he shows how the growth of household debt in Canada can lead to a banking crisis.

“Our credit levels directly impact the banks,” he writes. “They grant easy credit to us because it is good for their bottom line. We accept the credit and begin enjoying life. But if the level gets to the point where we can’t pay it back, we hit the wall financially and the party stops. If the party stops for enough of us, it then stops for the banks. The government then may have to step in. And we all end up losers.” He goes on to state: “We must also realize that all the countries in the world are intertwined economically. If a default happens in one country, any other country that relies on it would be financially devastated as well. When you think of the US, you have to realize that Canada is tied economically to its future. If the US defaults, Canada will be devastated financially because so many Canadian businesses and individuals are so dependent on the US for their income.”

After all this, dear reader, Mr. Snafu wouldn’t be surprised if you chewed off all trace of your fingernails. Having already accomplished that, Mr. Snafu himself pulled out what was left of his hair. He needed an antidote to stop the jitters. But just as he was getting ready to sell all his stock in Apple and kiss his cat Rabelais goodbye, the antidote appeared in the form of the book he read last: The Rational Optimist, by Matt Ridley.

Mr. Ridley says that pessimists are more often wrong than right. Mr. Ridley calls it irrational optimism and poor government housing and monetary policy created the current crisis. But he believes that “the world will pull out of the current crisis because of the way that markets in goods, services and ideas allow human beings to exchange and specialize honestly for the betterment of all.” Hmmm. Do we detect a modern Dr. Pangloss here? Mr. Ridley does not think so. To find out why, you have to read this book that attempts to refute a host of pessimistic ideas about the world. Mr. Snafu cannot do that here. He is exhausted.

So is 2012 the end of the world as we know it? Not even Mr. Snafu can answer that question. In 2011, in the special issue titled “The World in 2012,” The Economist tried to forecast what will happen. Zanny Minton Beddoes wrote, “2012 is in danger of standing out as a depressing turning-point. In 2012 avoidable errors will ensure that the Great Stagnation lasts for longer than it needs to.” But then, in the same issue, the following was written: “By early 2013, America could be ruled by President Rick Perry.” Enough said.
Successful sale

When selling an owner-managed business a number of considerations need to be taken into account, tax being one of the tax considerations that taxpayers and their advisers must assess, numerous other factors such as commercial, financial, regulatory and family matters must be considered. Tax minimization is usually a desired objective, but must be planned within the constraints imposed by the nontax aspects of the transaction. The development and selection of an effective structure must consider the consequences to both the purchaser and seller. Accordingly, the transaction structure is often subject to negotiation between the transacting parties.

Achiving a successful business divestiture is among the most significant challenges faced by many business owners in Canada. The process and decisions are complex. In addition to the tax considerations that taxpayers and their advisers must assess, numerous other factors such as commercial, financial, regulatory and family matters must be considered. Tax minimization is usually a desired objective, but must be planned within the constraints imposed by the nontax aspects of the transaction. The development and selection of an effective structure must consider the consequences to both the purchaser and seller. Accordingly, the transaction structure is often subject to negotiation between the transacting parties.

A fundamental consideration of virtually all business divestitures is whether to sell the tangible and intangible business assets or the shares of the corporation holding the assets. While traditional views have held that purchasers prefer to buy assets while sellers favour share deals, changes to the tax landscape, such as the eligible dividend regime and lower corporate tax rates, may alter this view. In addition, it is possible to combine certain aspects of asset and share sales to achieve a desirable result.

Integration — basic asset versus share sale
An often-cited advantage of a share sale is lower effective tax rates applicable to capital gains realized by the individual seller, particularly where the $750,000 lifetime capital gains exemption (CGE) is available. While the foregoing is often true, a closer look at the consequences of selling the assets may be warranted.

It is notable that the tax cost of realizing capital gains through a Canadian-controlled private corporation (CCPC) (on a fully-distributed basis to recover additional refundable tax) is now minimal in most provinces. Thus, where an asset sale through a CCPC is expected to generate some capital gains, the tax cost (if any) of selling those particular assets as compared with selling the shares should not be negligible.
material. In fact, an available general rate income pool (GRIP) in the vending corporation may permit capital gains to be distributed as eligible dividends, creating significant near-term tax savings on the distribution of sale proceeds to shareholders. Such savings arise from the fact that eligible dividends are generally taxed at a rate that is lower than the dividend refund rate of 33.33%.

Similarly, where an asset sale would involve a significant goodwill component, half the gain, assuming it is taxed at general business rates, should create a GRIP that may ultimately be distributed as eligible dividends. Where all the after-tax proceeds are distributed to shareholders, in some provinces the effective tax rate applicable closely approximates that of a share sale. When only the tax-free half of the goodwill proceeds are distributed to shareholders as a capital dividend and the remaining after-tax proceeds are retained in the corporation, a significant deferral of personal tax can be achieved. On such partially distributed basis, an effective tax rate that is substantially lower than on a share sale can be realized. However, where an asset sale would result in fully taxable income such as recapture, a share sale may result in significantly less tax. Nonetheless, dispositions of assets at the corporate level may provide tax deferral opportunities that are more valuable than overall tax savings. With numerous considerations applicable to each situation, detailed analyses and financial modelling are needed to appropriately compare alternatives.

Another significant consideration is that additional proceeds may be negotiated on asset sales due to the additional tax shield acquired by the purchaser. Accordingly, it may be possible to realize more after-tax proceeds on an asset sale that effectively subsidize the additional tax liability. An asset-sale transaction can also simplify the purchaser's tax due diligence as the existing operating company's tax history largely doesn't pass on to the buyer. However, the transfer of assets may be more cumbersome from a commercial perspective since various contracts and other agreements must be reviewed to determine, for example, whether they are transferable or if counterparty consents are required.

Finally, GST/HST, PST and other taxes such as land transfer tax may vary considerably between different deal structures and should be factored into the analysis.

Utilization of safe income and other tax attributes
A common business disposition plan on a share sale is the “safe income” strip, which results in the reduction of capital gains through the payment of tax-free intercorporate “safe income” dividends prior to a share disposition. Such dividends are generally used to effect a reduction in the fair market value (in the case of actual dividends) or an increase in the adjusted cost base (ACB) (in the case of deemed dividends) of the target shares. Conceptually, at a high level the “safe income” of a corporation generally represents its tax-paid retained earnings. The compu-
tation of “safe income” and the related provisions are complex, and can lead to an element of uncertainty. Accordingly, significant upfront planning and computations are typically required to estimate “safe income” and address related technical issues.

It should be noted that in the context of an asset sale, safe income retained or reinvested in the business should generally represent tax basis in assets. It may be possible to utilize such basis to effectively distribute proceeds between corporations on a tax-free basis. In addition, it may be possible to utilize available losses and other tax attributes to reduce or eliminate corporate-level tax on an asset sale. Where such losses or attributes have been funded by shareholders through loans or subscriptions for shares, the resulting basis may be used to facilitate the tax-free distribution of proceeds as either loan repayments or returns of paid-up capital. Furthermore, the value of tax attributes potentially available to a purchaser may be leveraged to generate additional sale proceeds. On the other hand, such share or loan basis may be utilized to reduce capital gains on a share sale.

Hybrid structures
There are numerous variations on the basic share- and asset-sale structure. Some useful sell-side strategies involve hybrid structures that integrate aspects of both share and asset sales into the same transaction to achieve certain benefits of both.

One such structure may be implemented to provide a partial step-up in the tax basis of assets acquired by the purchaser on a share purchase. A basic example of this strategy involves the transfer of target assets to a newly formed corporation (Newco) by the operating company (Opco). Utilizing an election under subsection 85(1) of the Income Tax Act, depreciable assets with latent recapture are transferred at their undepreciated capital cost, while assets such as goodwill are transferred for fair market value consideration.

Newco is thereby provided with a step-up in tax cost of certain assets, while Opco realizes capital and goodwill gains that are 50% nontaxable. The purchaser then buys the shares of Newco thus acquiring the target assets with partially stepped-up tax basis. Provided the shares of Newco are capital property, Opco should receive capital gains treatment. Section 54.2 of the act may provide greater certainty on the capital property determination. Opportunity then exists for Opco to pay tax-free capital dividends to its shareholders in respect of the nontaxable portions of goodwill and capital-gains proceeds. The capital gains should also give rise to refundable dividend tax (RDTOH) that may be refunded upon payment of taxable dividends. Since the corporation will likely have a GRIP balance from prior earnings and the taxable portion of the goodwill proceeds, it should be possible to pay a lower-rate-eligible dividend and recover the RDTOH at a higher corporate recovery rate.

An alternative structure may also be utilized to take advantage of an available CGE, while placing the purchaser in essentially the same position as in an asset deal. This strategy involves the shareholders of the corporation holding the target assets (Opco) undertaking a standard CGE crystallization by transferring a portion of their shares to a new holding company (Newco) on a taxable basis. The fair market value of shares transferred would have an inherent capital gain equal to their available CGE. Multiple shareholders may complete this planning with one Newco. The capital gains crystallization results in a tax-free step-up in basis of the target company shares acquired by the Newco, which are then redeemed in consideration for, say, working capital assets that have a fair market value equal to their ACB.

A deemed dividend under subsection 84(3) of the act should occur on the redemption of the target shares since the paid-up capital of the Opco shares held by the Newco should be based on their original paid-up capital. The deemed dividend would generally be deductible under subsection 112(1) and not be subject to Part IV tax as long as Newco and Opco are connected corporations.

In this regard, related corporations should meet the conditions for being connected by virtue of subsection 186(2). However, the stepped-up ACB of the Opco shares held by Newco should ensure that such deemed dividend does not result in the reduction of a capital gain to which subsection 55(2) might otherwise apply to recharacterize the deemed dividend as proceeds on the disposition of the shares and give rise to a capital gain. The crystallization also permits a disposition of the Newco shares to the purchaser for no gain, while the purchaser may then buy the remaining assets directly from Opco. To the extent the remaining assets include goodwill and nondepreciable capital property, the vending corporation should have additions to its RDTOH and capital-dividend accounts.

Although the latter strategy effectively results in tax-free distribution of corporate sale proceeds, a similar series of transactions were successfully implemented in Geransky v. The Queen [2001 DTC 243 (TCC)]. The Crown was unsuccessful in invoking the application of the general anti-avoidance rule to the transactions. Comments made by the Canada Revenue Agency at round table discussions at the 2002 and 2003 conferences of the Associations de planification fiscale et financière seem to indicate that CRA may accept similar planning. It is also arguable that the narrowing of dividend and capital gains tax rates resulting from the eligible dividend regime should reduce some concerns around surplus stripping involving nonexempt gains. Nevertheless, similar planning should be undertaken with the recognition that the facts of each case must first be examined relative to rules in the act, current case law and administrative pronouncements.

Legislative developments affecting business divestitures
Tax on split income A new potential planning trap exists due to the 2011 federal budget measures to extend the application

GST/HST, PST and other taxes such as land transfer tax may vary considerably between different deal structures and should be factored into the analysis
of the tax on split income (referred to as kiddie tax) to certain capital gains realized by minors. The amendments to section 120.4 of the act were included in Bill C-13 (granted royal assent on December 15, 2011). Generally, the amendments will operate to apply the 29% kiddie tax to capital gains realized by, or included in, a minor’s income through a trust from the disposition of certain shares to a person with whom the minor doesn’t deal at arm’s-length. Affected capital gains will be deemed to be a taxable dividend received by the minor that isn’t an eligible dividend. However, the rules will not deem the corporation to have paid a dividend. The amendments apply to dispositions of shares other than shares of a class listed on a designated stock exchange or shares of a mutual fund corporation occurring on or after March 22, 2011.

The measures will affect internal tax reorganizations involving minors. In particular, many CGE crystallizations involving minors may be adversely impacted. Accordingly, business disposition plans such as those discussed herein will need to consider these new measures. The amendment does not appear to have application when the shares held directly or indirectly by minors, including through a trust, are sold to an unrelated party.

Safe income strips In a safe income strip, it is common to effect the payment of so-called “safe income” dividends through an increase in legal stated capital, which results in a deemed dividend under subsection 84(1) or a stock dividend to increase the ACB of the target shares using paragraph 53(1)(b) or subsection 52(3). Previous proposed amendments to these provisions released in 2006 created concerns because they would have precluded an increase to the ACB of the shares under certain circumstances. Fortunately, the July 16, 2010, legislative proposals clarify that the portion of such dividends attributable to safe income should increase the ACB of the shares.

Restrictive covenants In any business disposition, whether shares or assets, taxpayers and their advisers should consider the potential application of the proposed rules in section 56.4 and proposed amendments to section 68. Although entering into noncompetition agreements typically comes to mind, the proposed rules are drafted very broadly and may have application to many types of arrangements. However, the proposals also provide for certain joint elections that may be available to mitigate the default income treatment of amounts received or that would otherwise be deemed to be received in respect of restrictive cov-

Conclusion

Business divestiture planning can be complex, and related tax planning must take into account tax and nontax considerations. Fortunately, many tax plans can be adapted to achieve varying and competing objectives of purchaser and seller. Careful planning and comparison of alternatives is vital to identifying an optimal structure that can aid in negotiations by using tax minimization to bridge purchase-price gaps between buyers and sellers. Staying up to date on changes to the tax landscape is also key to the implementation of a successful sale plan.

Doron Barkai, CA, is a transaction tax partner at Ernst & Young LLP in Calgary. Beau Young, CA, is a transaction tax manager at Ernst & Young LLP in Calgary. Steve Landau, CA, is a transaction tax partner, Ernst & Young LLP in Toronto.

Technical editor: Jay Hutchison, CA, tax managing partner, Canada, Ernst & Young LLP in Toronto.

“Easy to set up, easy to use, reduces stress.”

Stuart McKelvie FCA and CFO of Celco Controls Limited

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When there’s a suspicion of insurance fraud, don’t jump to conclusions. Let the facts lead you to the truth.

The insurance claim looked suspicious. An electronics retailer had reported a break-in at its major warehouse. According to the retailer, several hundred thousand dollars’ worth of stock had been stolen. Thieves had smashed a large hole in the building’s brick wall, likely with sledgehammers and pneumatic drills, and grabbed as much stock as they could. The heist took less than three minutes, according to the time sequence caught on the building's security tapes.

None of that was suspicious by itself. What could not be overlooked, however, was the incredible similarity to a claim made by the same retailer a year earlier. In that incident, thieves had cut a hole in the exact same spot, which at the time was constructed with wood and a thin covering of aluminum siding. The warehouse was old and easy to break into. And the security was no more than a token effort.

The product loss that time was also several hundred thousand dollars. Following an investigation, the insurer paid the claim. A condition of the settlement required the retailer to reinforce the building, which it did by adding a thick layer of cement to the warehouse walls.

“Has lightning really struck twice? And in the exact same spot?” the insurer’s adjuster asked the retailer’s CFO as they discussed the latest claim. His tone was somewhat incredulous.

“I know how it could look,” the CFO said, “but I think it’s just a case of being targeted by the same people as before. That’s it. Nothing more.” The CFO added that his company had upgraded the physical building and enhanced the security systems, as set out in the previous settlement.

“Where was the security guard?” the adjuster asked. He was at the far end of the warehouse, the CFO explained, having a cigarette just outside a back door. The guard didn’t hear the ruckus because he was listening to music on headphones. “He's been fired,” the CFO added.

When the meeting ended, the adjuster said the claim was on hold until a thorough investigation could be completed. Part of the process, he said, would involve the insurer retaining a reputable forensic accountant, who would be tasked with determining the actual loss.

“If you deny our claim we won't be able to get insurance, not after the previous one,” the CFO said. The adjuster could see the genuine concern on the man’s face.

“That's not my...” he was about to say “problem” but realized it would sound cold. “It’s not for me to decide. Let's wait and see what emerges from the investigations.”

The forensic accountant, Elizabeth, and her well-seasoned team began work on the file a few days later. Elizabeth met with the CFO, who went out of his way to be nice and as seemingly helpful as possible. Several times he mentioned how hard it would be on the retailer if the claim were turned down for fraud. “We would be so terribly vulner-
able,” he said. “Imagine if they came back a third time and we couldn't recover our loss. If you could possibly show them that no fraud took place,” he pleaded.

Elizabeth put her hand up to stop him right there. Although she felt some sympathy for the CFO, who was quite charming, she needed to explain her role.

“First of all, I've not been retained to conduct a fraud investigation,” she said. “The insurer can do that if it wants. My job is to assess what, if anything, has gone missing. You're paying me but I'm not an advocate for you. I'll report my findings, no matter what they are.”

Determining her findings, she sensed, might not be an easy undertaking.

The retailer primarily dealt in small, expensive, popular items. The inventory moved in and out of the sprawling warehouse on a regular and quick basis.

“You estimated your loss to be about $250,000,” she said to the CFO. “Where did that number come from?”

To answer the question, the CFO suggested the two visit the warehouse and inspect the location of the break-in. It had been shored up extensively (and the number of security guards at the warehouse had been tripled, with one posted near the scene of the two crimes). Yellow police tape had been stretched along a large area that encompassed the break-in site.

The thieves, the CFO explained, had made a large enough hole for a small man to wriggle through. They had seen him and another small man do this on the retailer's grainy security images. “Could be boys,” the CFO said. “Or girls,” Elizabeth added.

Once in, the thieves passed as many small items as they could through the hole to their accomplices. It was impressive just how much product could be removed this way in such a short time.

“How did they know where to make the hole?” Elizabeth asked.

“I guess they remembered from the last time,” the CFO said, a slight tinge of sarcasm in his voice.

“How did they know where to make the hole the first time?”

The CFO admitted he didn't know. Nor did he proffer the obvious answer.

“The thieves knew the warehouse,” she said. “This area has the most expensive equipment, by far. There has to have been some inside knowledge. How many people would have access to this information?”

Quite a number, the CFO said. The warehouse employed about 15 people. Apart from several supervisors and a warehouse manager, the rest worked for little more than minimum wage and no benefits. The warehouse manager, he said, was a good, loyal employee but a bit of a taskmaster (Elizabeth would soon learn that he was an abrasive boss who belittled his crew and seemed to enjoy firing them or having them quit) and turnover was high.

“Probably someone who was angry at us did this,” he suggested.

Elizabeth cautioned the CFO about jumping to conclusions. Her next question concerned the retailer's management. How many of them knew the warehouse layout?

Everyone, the CFO said, but he took umbrage at the suggestion that one could possibly be involved in the theft. “I know these people personally. You're wasting your time. None of them would do this.”

It was a reaction Elizabeth had encountered many times before: an assumption, by management, that the lowest-paid employees conducted fraud and theft, never the senior, trusted personnel.

“Most major frauds are committed by people at the highest ranks of a company,” she said. “It's good to keep a secure eye on warehouse employees, but the other should be on those sitting around the boardroom tables.”

The question as to how the thieves knew where to hit was put aside for a while as Elizabeth concentrated on trying to determine how much had been stolen. The retailer's inventory tracking system was, like its approach to security, barely adequate. She discovered not all orders were entered into the system. That came to light during a tour of the facility. Elizabeth noticed orders were stuck onto a bulletin board by the warehouse manager's office. Upon questioning, he admitted he was often so busy, usually because he was short-staffed, that he didn't have time to make sure his entries were up-to-date. As a result, a significant portion of the missing inventory had not been entered into the retailer's database. It was probably true, he confessed, that some orders never were entered.

Elizabeth interviewed employees and analyzed existing documentation, especially purchase orders, for the past five years. From the results, she determined how much inventory went in and out of the warehouse on a monthly basis. Some periods were obviously more active — the months leading up to the end-of-year holidays, for example — but, in general, the sales figures showed a consistent pattern, including a small but steady increase in revenue over the years.

From her analysis, Elizabeth was able to ascertain how much inventory was in the warehouse at the time of the robbery. She compared that figure to the inventory count conducted the day after the break-in. Based on her findings, she prepared a report that placed the loss at a low of $175,000 and a high of $210,000.

After she had tabled her report, the adjuster asked if Elizabeth would attend a meeting with several members of the insurer's investigative team. “We would like to retain you to determine, if you can, whether there is any evidence of fraud,” the insurer's general counsel said. “You've been working on this for quite a while now and it only makes sense to have you expand the scope of your assignment.” Before Elizabeth could point out that she was conflicted because she'd been retained by the retailer, general counsel told her the retailer had agreed to the arrangement. She showed her a letter from the CFO confirming what counsel

“Most frauds are committed by people at the highest ranks. It's good to keep an eye on warehouse employees, but the other should be on those at the boardroom tables”
was saying. "We believe the forensic accountant is a fair, objective and highly competent professional," the CFO had written. "Her appointment makes absolute sense to us."

General counsel asked Elizabeth if she had any gut feelings about the case. "Based on what I saw, there was no obvious reason for the company to stage a robbery," she said. "Its books, which we know may not be telling the entire truth, indicate they're making a small, steady profit. They're paying their bills and are doing a reasonable job collecting their receivables. Some suppliers are slow to pay but that's happening in almost every business these days. I didn't see any obvious signs of a company in crisis. And, if it was, why such a small, clumsy theft? Why not torch the place?"

Did she think it was an inside job?

To some degree, yes, she answered. It had to be. But the list of people who knew the warehouse layout was long. And many of them had a grudge against the retailer.

"Why is that?" counsel asked.

Elizabeth told them about the warehouse manager. "He has a toxic personality," she said. "From what I was told, he really seems to enjoy bullying the hourly employees, especially if they're down on their luck."

She had no reason to suspect him of any involvement in the robbery, however, as this had not been part of her original mandate. Intuitively, she didn't think he had anything to do with it, as he treated the warehouse as if it was his personal property. It was probably the one place in his life where he felt like a king, she sensed. It was unlikely he would damage it by smashing in a wall. He was mean and incompetent (he had resisted improving the security as he considered any changes to be a criticism of his competency, and he did not take criticism well) but not a thief.

Elizabeth was not convinced she could determine by examining the books whether the retailer or a group of opportunistic thieves had plotted the robbery. She thought there was another, less conventional, way to solve the matter.

"I'd like to put a PI into the warehouse, as an hourly worker," she said. "I know they need to hire people. We can take the CFO into our confidence to ensure our guy gets hired. It's my experience that low-level criminals can't help but brag about their scams. By the way, we'll need someone who can drink and hold a lot of booze. It's over beers after work that tongues start wagging."

"Can we trust the CFO?" she was asked. Elizabeth thought they could. The longer they had worked together on her report the more she believed him to be an open and honest person.

The plan was approved and put in place.

Within two weeks of the PI joining the team, a drunk coworker let it slip one night at a bar that a former staffer, who detested the warehouse manager, had "got the last laugh." When pressed he put a finger to his lips and would say nothing more.

Based on that remark an investigation was launched against the former worker. It was soon discovered he was part of a small group that was fencing stolen goods. A sting operation resulted in his arrest and the subsequent apprehension of the rest of the break-in team. During a plea agreement with the Crown, the accused said the retailer had no involvement in either robbery whatsoever.

The insurer settled fairly with the retailer, once again setting out conditions for the insurance to be renewed. One was a rewriting of the job description for the warehouse manager and a change in the required academic and other credentials that made it impossible for the incumbent to retain his position.

The CFO took Elizabeth to lunch to thank her for her work. He said when the insurer had first implied that the retailer had stolen from itself he thought there was no way to change its mind. "They seemed pretty convinced. But you convinced them otherwise." That's not what happened, Elizabeth replied. "The facts changed their mind. My job was to have a mind open to the facts." At that they clinked glasses and enjoyed a fine meal together.

David Malamed, CA·IFA, CPA, CFF, CFE, CFI, is a partner in forensic accounting at Grant Thornton LLP in Toronto. He is also CAmagazine’s technical editor for Fraud

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On your mark, get set, register

Smart brand leaders recognize the strategic importance of trademarks and the need to protect them.

Today’s visionaries understand that brands have a significant impact on a company’s sales. A brand is often a key element that allows a business to set itself apart from its competition. And it is often more than just a word. It can also be a design, a slogan, a label, a container, a sound, a colour, a flavour or even a fragrance.

For public companies, share value is frequently correlated with brand stability. All businesses, regardless of size or sales, should protect their trademarks at the national as well as international levels.

Registering trademarks to mitigate risk

The best way to protect a brand is by registering the trademark. The registration process and followup can be arduous and complex and may require the help of a trademark agent; however, registration will eliminate many risks for the business and provide many advantages.

A registered trademark grants its owner exclusive right of use across Canada for the goods and services described in the registration, even if the trademark is only used in certain regions or cities.

It allows the owner to assert its rights in the event of a dispute, as it is evidence of exclusive ownership. Neglecting to register a mark may lead to costly lawsuits to determine who has the right to use the mark in question.

A registered trademark adopted in good faith becomes incontestable against attack on the ground of prior use after five years from the issue date of the certificate of registration.

Registration also gives the owner peace of mind, as it can dissuade potential infringers. In fact, the examiner at the Trademarks Register must refuse any trademark that causes confusion with those already on the register.

Registered trademarks are listed in the Trademarks Register and prevent a company in the same industry from adopting a mark identical or similar to one on the register.

A registered trademark is an important asset for any company looking to expand by granting licences and franchises for use of the mark. A registered trademark gives...
its owner a right of ownership and constitutes a basis for the sale of the related goodwill or for obtaining financing.

Registration is valid for an initial period of 15 years. It can be renewed every 15 years thereafter for a fee. The owner of the mark is responsible for ensuring that the company contact information is regularly updated in the Register of Trademarks. Owners should be using a diligent trademark agent in order to ensure the agent sends them the registration renewal notice on time.

Implementation mechanisms

- **Trademark due diligence** Once a trademark has been registered, a company should perform due diligence to ensure that all the marks being used are in fact listed in the Canadian Register of Trademarks and other relevant registers in the world.

  It is also crucial that companies update the list of goods and services described in the certificates of registration every time they develop new activities. Owners must use their trademarks on an ongoing basis in connection with all the goods and services stated in the certificate of registration, otherwise expungement proceedings may be instituted by a third party for nonuse.

- **Trademark-compliance policy** Owners should adopt a trademark-compliance policy and determine what steps will be taken against infringement. They should also retain a trademark lawyer to send demand letters to infringers, initiate the seizure of infringing products and sue for damages.

- **Trademark monitoring policy** Establishing a monitoring policy will enable owners to oppose any trademark published in Canada’s Trade-marks Journal that could cause confusion with their own mark. The time period allowed for opposition varies from country to country, but it is generally short and calls for the involvement of an expert. Subscribing to a national or international trademark monitoring service is also recommended if the business is conducting business abroad.

Protecting trademarks abroad and implementing an international expansion plan

Trademark rights are territorial in scope. Even if Canada is signatory to international treaties to protect intellectual property, companies need to apply for registration in all countries where they require trademark protection.

Certain registration applications cover several countries, such as community trademark applications, which are intended for all European Union countries. Companies should determine which marks and countries are most important to them.

A number of countries have adopted the International Classification of Goods and Services under the Nice Agreement for the purposes of registering trademarks. The classification consists of 45 classes of goods and services, with fees payable for each class at the time of filing. Companies should focus on their most important classes to control the costs of international expansion.

The registration application filing procedure also varies from one country to another and the intricacies of the procedure should be well understood. Certain countries adhere to a system that favours the first to register a brand over the first to use a brand. Registering a trademark in Canada could serve as a basis for obtaining registration in some countries, even if the owner is not yet using the mark in that country.

Obtaining a certificate of registration can be a long process in some countries. As a result, companies should file trademark applications in those areas sooner rather than later.

Some countries don't grant usage rights for a trademark unless it is registered in that country. In short, a company looking to do business internationally should establish a brand-expansion plan.

Canadian-based companies operating outside Canada should monitor for trademark infringement internationally by subscribing to a worldwide trademark-monitoring service. The trademark owner must also develop a strategy to oppose trademark applications by third parties, sue for infringement, seize infringing goods or claim damages at the international level.

Implementing international expansion plan for domain names

Companies should register the domain name corresponding to its trademark. Every country has a top-level national domain (such as .ca for Canada), so companies should prepare a domain name expansion plan. Trademark owners can also use various online tools to locate any third-party use of their mark on the Internet.

Many national and international brand leaders recognize the strategic importance of trademarks and the need to protect them.

A few examples include:

- Dr Pepper Snapple Group, a leader in the beverage industry, has more than 50 brands and hundreds of flavours of beverages, including Dr Pepper, Crush, Clamato, Mott’s and Snapple. It not only protects its brands and taglines but also the bottle and packaging designs, logos, characters and flavours;
- multinational packaging and tissue-paper company Cascades protects its brands with trademarks, ranging from words and images on product packaging to personalized designs; and
- at DAVIDsTEA, tea shops across Canada and the US, branding includes the overall “look and feel” of its stores and the predominant use of the teal colour in advertising and product packaging.

Companies need to consider their trademarks as one of their most important assets and take action to minimize the risks to which they are exposed.

Lara Daniel is a trademark lawyer and partner at Lapointe Rosenstein Marchand Melançon, LLP in Montreal

Technical editor: Yves Nadeau, CA, partner, RSM Richter Chamberland in Montreal
Unlocking the value, II

After you’ve added value to your micro-entity audit clients’ efforts, reap rewards by making the audits more efficient.

Consistently making an acceptable return on audits of your micro-entity clients is surprisingly simple. All you need to do is quote a fixed fee that recognizes both your expertise and intellectual capital — then audit as efficiently as possible. It’s not rocket science, but it works.

Problems with the 20th-century pricing model
Some professionals gauge their success by the total hours charged. The more hours charged and billed, the more they are rewarded. But does this classic model of audit pricing really make sense in today’s world of rapid change? This model builds in a bias for inefficiency as it implies that the more hours you work, the more you will be remunerated for your efforts.

The model does not reward you for working smarter — that is, working more efficiently and spending less time to achieve high-quality results. Under the traditional model — a firm estimates the costs of a practice, including partners’ profit and chargeable hours, and calculates a rate per hour for each category of staff to attain the desired goal. Since rates are fixed for a period (i.e., a year), the only way to increase revenue is to increase the hours billed — if you work more efficiently, you will make less money unless you raise your hourly rate. But today’s reality includes advances in technology, helping you to maximize efficiencies and this reality makes the traditional pricing model obsolete.

So how can you leverage today’s advances while maintaining appropriate revenues?

Entering the 21st century and recognizing the value of intellectual capital
Today, the world values intellectual capital far more than it did a generation ago. The information technology sector has blown the lid off traditional pricing models as intellectual capital is worth what people are willing to pay for it.

However, once a product becomes commoditized, pricing is dictated by production costs and the supplier with the lowest price wins the day. But if you offer a service that is not seen as a commodity, then you should be able to maintain your fee regardless of how much time you spend. The key is to add value to your micro-entity audit client’s endeavours (see CAmagazine, March, “Unlocking the value”). Once you’ve accomplished this, you can begin to reap more rewards by making your audits more efficient.

Step 1 — Negotiate a fixed fee up front for micro-entity audits
In many audits, last year’s fee acts as a benchmark for this year’s bill. However, if you are auditing a micro-entity for the first time, you cannot rely on last year’s fee as a guide. Either negotiate a price that is based on your estimate of time and a per-hour rate or use local or industry norms to set your initial price.
By negotiating a set fee in advance, any efficiency introduced will benefit you by giving you more time to increase your client load, invest in making your audits more efficient, or enabling you to work fewer hours without a reduction in revenue. It is given of course that quality work always comes first. A fixed-fee engagement builds in the incentive to invest in audit efficiencies to reduce time spent and increase your bottom line.

Quote a fixed price for an audit. This comes with the proviso that if an unexpected problem occurs requiring significantly more time (a rare occurrence), then either the client will fix the underlying problem or the fee must be renegotiated before doing the unexpected work.

As a result, the client is reassured there is a fixed ceiling for the audit fee, and you have a guaranteed recovery before you start. Any savings generated will accrue to the firm. This does not benefit just the auditor; clients appreciate efficient audits. Inefficient audits are painful for all concerned.

**Step 2 — Make audits of micro-entities as efficient as possible**

Make your micro-entity audits efficient and earn an excellent return on your intellectual capital with the following strategies:

- **Ensure the engagement is one you want before you start** Whether it is for a new or a long-standing client, ensure that the client fits your firm’s risk profile and management is able and willing to participate in making the audit as efficient as possible. Talk to the client before you start to test the waters.

- **Know your professional standards** This will allow you to tailor your audit procedures so you do only necessary work. This is critical in a micro-entity audit where even a few unnecessary procedures can add a significant percentage to the total time required to complete the engagement. Time invested in reading and applying professional standards effectively is time well spent, regardless of what field you practise in.

- **Specialize** Doing audits of 20 clients in the same sector is much more efficient than doing audits of 20 clients in 20 different sectors. Specialization gives you the leverage needed to minimize the time required to do an audit and limits your audit risk. If you are about to set off into unfamiliar territory, consider whether the return on the time you need to learn about the new area is worth the investment.

- **Automate your audit engagement as much as possible** For example, you can automate file roll forwards, importing the client’s year-end trial balance, documentation, analytical review, checklists, financial-statement drafting, correspondence and many other steps. While you have to be determined to automate and invest some time and money up front, the end payoff is significant.

- **Get the right staffing mix** Generally, micro-entity audits are more efficient when senior staff members are in charge. They make communication much more direct and less time-consuming. The often minimal time needed to review senior staff’s work on low-risk engagements can also create an efficiency gain. To train students on micro-entity engagements, ensure they are closely supervised by seniors in order to minimize costs. Consider the engagement inefficiency resulting from using junior staff on micro-entity audits as a cost of training.

- **Do your fieldwork at your client’s place of business** You can connect directly with your clients, improve the quality of your audit evidence and reduce time on the engagement through focused work. Find a quiet space where distractions are minimal. Consider turning off your smartphone and limiting your time on the Internet while there.

**Step 3 — Compare audit engagement profitability**

To gauge the profitability of a micro-audit engagement when your goal is no longer to maximize the number of hours spent, calculate your estimated gross margin on each engagement. The estimated gross margin is an estimate of fees collected, less your variable costs — assumed to be largely direct staff costs. (Variable costs will mainly be the cost of all staff resources per hour. This is not in reference to a notional billing rate applied to staff, but the direct out-of-pocket cost of staff to the firm. The cost of partner time could be measured notionally as the minimum required take-home drawings divided by a partner’s expected billable hours for the year.) Using this measure lets you compare the profitability of different audit engagements and styles.

Here are two staffing models for one engagement: spend 12 hours on an audit of a micro-entity yourself or have staff spend 24 hours on the engagement and spend three hours reviewing its work.

If you have agreed on a fixed fee, you now have a way of comparing the profitability of the different approaches by calculating the cost of personnel for each approach. This measure is not the only factor in your decision to accept an engagement or not, but it does gauge relative profitability.

**Pulling it all together**

Maximizing your return on micro-entity audits starts with illustrating the value the audit adds to a client’s operations, followed by negotiating a fixed fee in advance that recognizes the intellectual capital you bring to every engagement. This leaves you to focus on reducing your engagement costs wherever possible, enabling you to unlock the value of an audit for both you and your micro-entity clients.

Phil Cowperthwaite, FCA, is a partner of Toronto CA firm Cowperthwaite Mehta and a member of the IFAC’s Small and Medium Practices Committee

Technical editor: Ron Salole, vice-president, Standards, CICA
The effectiveness of a conceptual framework for financial reporting has been debated for years. And the revised CF is in

**Contract theory**

The effectiveness of a conceptual framework for financial reporting has been debated for years. And the revised CF is in

In 2010, the Financial Accounting Standards Board and International Accounting Standards Board jointly issued the first installment of a revised conceptual framework (CF) for financial reporting, replacing the portions of their existing frameworks that deal with objectives of financial reporting and qualitative characteristics. Accountants have debated the effectiveness of a conceptual framework for financial reporting for years. For example, the original FASB conceptual framework faced conflict between adherents to historical cost and to current-value accounting, along with strong objections from those who believed that motivating managers’ stewardship is more important than decision usefulness for investors, and these conflicts persist today.

The trend in standard-setting since the 1980s towards fair value has led to growing concerns about the reliability of fair-value numbers and their usefulness for holding managers accountable. Much of the criticism of fair-value accounting centres on a body of theory and evidence known as contract theory, which will be explained along with how it relates to financial reporting. Next, we examine changes in the updated CF through the lens of contract theory and offer some proposals for further development of the CF deriving from the contract-theory view.

Contract theory studies the design and use of contracts to resolve tensions between parties with competing interests. Contracting settings worthy of study typically have either information asymmetry (one party knows more than the other) or moral hazard (one party can behave in a manner contrary to the wishes of the other) or both. The joint CF drops the term “rational,” possibly in response to theory and evidence from behavioural finance that questions average investor rationality.

The joint CF drops the term “rational,” possibly in response to theory and evidence from behavioural finance that questions average investor rationality.

Contract theory is relevant to accounting because many contracts, for example borrowing contracts and managerial-compensation contracts, depend on financial statement information. Indeed, contract theory adherents argue that providing useful information for contracting is at least as important as providing it for valuation.

In a corporate-borrowing setting, managers have inside information about the firm’s current performance and future opportunities. They can also take actions that could impair the lender’s security, such as paying excessive dividends. Lenders’ concerns about managers attempting to hide poor performance, take excessive risk or otherwise reduce the likelihood of repayment, lead them to demand protection against these possibilities. Debt covenants based on accounting numbers (e.g., minimum current ratio, maximum debt-to-equity) provide lenders with an early warning device.

Like equity investors, lenders stand to lose if the firm approaches financial distress, but unlike shareholders, their gains are limited if the firm does exceptionally well. Thus lenders demand relevant downside information but are less interested in relevant upside information. Given the well-known tradeoff between relevance and reliability, this payoff asymmetry tilts lenders’ demands towards reliability, relative to equity investors. Reliability makes it more difficult for managers to manipulate debt-covenant values.

Also, lenders’ demands for relevant downside information leads them to demand conservative accounting.
expected value, or liabilities stated at more, such as immediate expensing of R&D and advertising. Conservative accounting increases the likelihood that the financial statements will predict financial distress.4

In a managerial compensation contract setting, shareholders typically cannot observe managers’ efforts directly. Consequently, opportunistic managers may shirk on effort and cover up resulting poor performance. Various forms of corporate governance, including accounting policies, help control this moral hazard problem. F. Gjesdal (1981) shows that, in theory, the best accounting policies to report on stewardship differ from the best policies to inform valuation.

Equity investors value reliable accounting policies for contracts with managers for the same reason that lenders value them in debt contracts: they reduce managers’ ability to manipulate reported amounts. Equity investors value conservatism for somewhat different reasons than lenders. They do not face asymmetric payoffs but rather have concerns about managers’ motivation to overstate performance. Conservatism helps prevent overstated performance. Thus, contract theory emphasizes reliable and conservative accounting, such as stricter verification criteria for recognizing revenue than for recognizing expense, for assessing managers’ stewardship.

What can contract theory tell us about useful accounting information? We compare the new joint CF with FASB’s corresponding original chapters, SFAC 1 and 2, in areas suggested by contract theory.

- **Reliability** SFAC 2 (Para. 62) describes the tradeoff between relevance and reliability, with reliability encompassing verifiability, representational faithfulness, and neutrality. The joint CF omits the word reliability entirely, replacing it with representational faithfulness, now defined as “complete, neutral, and free from error.” In the process, the framework downgrades verifiability from a component of a primary quality to the secondary category, “enhancing characteristic.”

Perhaps the main area of difference between the contracting view and the joint CF is replacing reliability with representational faithfulness and downgrading verifiability to an enhancing characteristic. Patricia O’Brien (2009) discusses how this change may smooth the way for more fair-value-oriented standards, despite concerns about reliability. While fair-value standards may increase relevance, the low reliability of unverifiable fair values conflicts with lenders’ and investors’ need for trust. We believe that contract theory justifies a need for reliability, including verifiability, along with representational faithfulness.
• **Rationality** As mentioned, contract theory assumes all parties behave rationally. Consistent with this, SFAC 1 (Para. 34) defines the first objective of financial reporting as helping investors make rational investment decisions. The joint CF drops the term “rational,” possibly in response to theory and evidence from behavioural finance that questions average investor rationality.

Many academics regard anomalies such as post-earnings-announcement drift (Victor Bernard and Jacob Thomas [1989]) as evidence against average investor rationality, because investors appear to make recurring errors in using available information. Other researchers, however, explain drift using rational investors’ learning (Alon Brav and J.B. Heaton [2002]), or by allowing for different skill levels among rational investors, e.g., sophisticated versus ordinary investors (Franklin Allen, Stephen Morris, and Hyun Song Shin [2006]). Thus, the rationality of ordinary investors is unsettled in theory. Supporting nonrational decisions seems a pointless goal for accounting. We believe a rationality assumption is necessary to defining useful information.

• **Stewardship** Both frameworks view the primary objective of financial reporting as assisting investors’ decision-making; neither identifies stewardship as a separate objective. SFAC 1 explicitly places stewardship within usefulness. The joint CF deliberately drops the term “stewardship,” claiming it is difficult to translate (Para. BC1.28). Nonetheless, the joint CF (Para. OB4) acknowledges that investors need information about how “efficiently and effectively” management has used the firm’s resources.

The CF could do more to indicate how to attain its stewardship objective. The frameworks tell us that the same general-purpose financial statements must inform investors and report on manager performance, while recognizing the impossibility, in practice, of separating the effects of chance from the effects of manager effort. For example, paragraph OB15 states, “Changes in an entity’s resources and claims result from that entity’s financial performance … and from other events… Users need to distinguish between both these classes.” We question the vagueness of “other events.” Do they include gains and losses that are low in persistence and informativeness, or are they confined to capital transactions (Para. OB21)?

The contracting perspective focuses primarily on the income statement for evaluating manager performance. Such concepts as full disclosure, persistence and informativeness help to separate management activity from chance. Accounting can facilitate investors’ ability to evaluate manager performance, if it helps them separate relatively uninformative unrealized valuation changes from earnings produced by replicable operating activity. To the extent that the joint CF moves standard-setting toward fair-valued balance sheets and income derived from balance sheet changes, without distinguishing between earning activity and passive revaluation, it ignores this contracting demand for reliable performance indicators. We would like to see the CF recommend more directly the information qualities that support stewardship uses.

• **Conservatism** Neither framework uses the distinction between conditional and unconditional conservatism. SFAC 2 (Para. 92-94) finds a place for conservatism under conditions of uncertainty. The board presumably meant conditional conservatism, since its examples involve re-evaluation of an existing asset. SFAC 2 (Para. 93) firmly rejects unconditional conservatism, saying, “Conservatism in financial reporting should no longer connote deliberate consistent understatement of net assets and profits.” In contrast, the joint CF is almost completely silent on the concept of conservatism.

The boards’ position on conservatism is difficult to reconcile with standards that require immediate expensing of costs such as research and advertising or with impairment testing that is not mirrored by gains testing. Writing down important classes of assets, but not writing them up in response to fair-value changes, introduces a systematic downward bias to income statements cumulatively and to the balance sheet. As a result, the CF supports representational faithfulness at the line item level but not at the level of the financial statements.

Given the importance of conservatism in contracting settings to mitigate asymmetries in lenders’ loss or in managers’ information, along with its demonstrable role in current standards, the boards should consider that conservatism may in fact play a useful role in financial reporting.

To conclude, the new CF omits the words reliability, rationality, stewardship and conservatism, all of which contract theory justifies. In its introduction, the joint CF states it will be revised from time to time on the basis of experience. We hope this commentary will be useful in any such revisions.

Patricia C. O’Brien, PhD, is Ernst & Young professor, University of Waterloo. William R. Scott, PhD, is distinguished professor emeritus, University of Waterloo and adjunct professor, Queen’s University

Technical editor: Karim Jamal, FCA, PhD, is the chair of the department of accounting, operations and information systems, School of Business, University of Alberta

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1. These topics correspond to CICAHB Part II sections 1007-1012 and 1015-1021, respectively. The new framework sections can be found in CICAHB Part I; on www.ifrs.org as “Conceptual Framework, Phase A: Objectives and qualitative characteristics;” on www.fasb.org as “Statement of Financial Accounting Concepts No. 8.” The first two sources require membership or subscription.


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Imagine a high-tech company with 1,000 employees. Of these 150 are engineers who are self-employed contractors, paid by the job under a national collective agreement with which the company must comply. Do you believe this company could be competitive and offer quality services, even though the CEO has little control over the engineers’ work? This company would quickly go bankrupt.

Now replace the word “engineer” by “doctor” and the situation described is one reflected in the thousand or so large hospitals in Canada. Organizing the work of doctors is the biggest cause of inefficiency in these institutions.

While the medical profession is proud of its origins in antiquity and its Hippocratic oath, it owes its current structures to professional corporations that emerged in the Middle Ages. Over the centuries, medical knowledge has grown and the profession’s rules have evolved. However, the direct relationship between doctors and their patients has always been sacrosanct. Armed with extensive knowledge acquired from years of study, doctors attend to their patients on a one-to-one basis, dispensing the benefits of their wisdom and experience.

With the advent of public healthcare 60 years ago, their work and their compensation were structured around specific, well-defined medical procedures, largely escaping the influence of the modern organizational model built around teamwork, hierarchy and salary-based compensation. Everyone has a boss in that model. But doctors cling to their Middle-Ages-inspired “craft model,” practising their cottage-industry style of medicine on a fee-per-service basis.

This approach may be acceptable in a front-line clinic, where most procedures stem from simple diagnoses. Even then, significant efficiencies could be achieved by adopting a modern organizational model, centred on patients instead of on physicians, where tasks would be assigned to the most competent, work would be specialized, salaries would replace fees and multidisciplinarity would be the norm, allowing a significant expanded role for clinical nurses, among other things.

In a complex hospital setting, the traditional cottage-industry approach of doctors is inadequate. And indeed, the work of 90% of the staff is structured along modern organizational lines. But the other 10%, the doctors, stick to a fee-per-service doctor-centric approach, imposing huge constraints to the efficient functioning of hospitals. Most medical procedures affecting a patient are tied to a doctor’s decision, according to a code hospital managers have little influence on. Simply put, that is an anachronism.

Surprisingly, most doctors in hospitals are unaware of the dysfunctional impact their work model has on the rest of the hospital, making it difficult to align these two worlds. Massive distortions are introduced by this dual structure, especially regarding scheduling, job descriptions and work planning. Because of the resulting complexity, resources such as operating rooms and specialized staff are rarely used to full capacity. Waiting lists and overcrowding also stem largely from the inefficient work organization.

This situation is not unique to Canada. Practices are governed by doctor-centric rules in most countries. But something could be done to address the issue. A first step would be to incorporate modern theories of work organization in medical school curricula. The Canadian Medical Association could also start reflecting on the issue, namely the role of doctors in hospitals, their supervision, compensation and the numerous privileges stemming from their doctor-centric approach to medicine. Until the role and compensation of doctors are in line with the complex activities of hospitals, these institutions will remain inefficient and continue to be rightfully criticized by users.

Marcel Côté is founding partner, SECOR Consulting, Montreal.
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