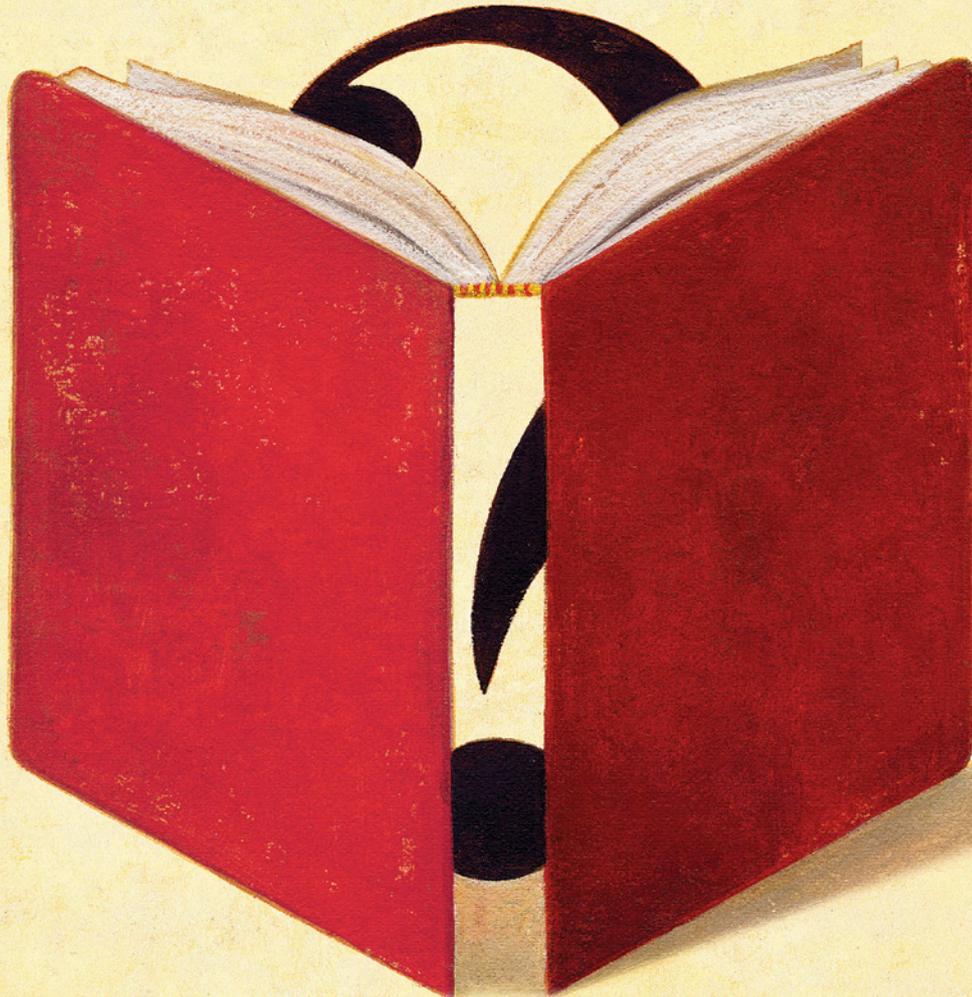


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LIFE OF WHY

From practice to theory: a look at the world of accountants in academia



April 2013 Volume 146, No. 3

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CAmagazine is published 10 times a year (with combined issues in January/February and June/July) by the Chartered Professional Accountants of Canada. Opinions expressed are not necessarily endorsed by the CPA. Copyright 2013.

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 Montreal: 680 Sherbrooke St. West, 17th floor, Quebec
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Subscription inquiries: Tel. (416) 977-0748 or 1-800-268-3793
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On the Internet: <http://www.camagazine.com>
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Annual subscription rates: \$28 for members; \$25 for CA students; \$47 for non-members. Single copy, \$4.75. Outside Canada: \$72 for a one-year subscription; \$6.50 for a single copy. GST of 5% applies to all domestic subscriptions. For subscription inquiries, call (416) 977-0748 or 1-800-268-3793 from 9 a.m. to 5 p.m., Monday through Friday; fax: (416) 204-3416. GST registration number R106861578. Publications Mail Agreement No. 40062437. PRINTED IN CANADA: Return undeliverable Canadian addresses to: CAmagazine, Chartered Professional Accountants of Canada, 277 Wellington Street West, Toronto, Ontario, M5V 3H2. CAmagazine is a member of the Canadian Business Press and Magazines Canada. Submissions: CAmagazine receives from time to time unsolicited manuscripts, including letters to the Editor. All manuscripts, material and other submissions to CAmagazine become the property of CAmagazine and the Chartered Professional Accountants of Canada, the publisher. In making submissions, contributors agree to grant and assign to the publisher all copyrights, including, but not limited to, reprints and electronic rights, and all of the contributor's rights, title and interest in and to the work. The publisher reserves the right to utilize the work or portions thereof in connection with the magazine and/or in any other manner it deems appropriate. No part of this publication can be reproduced, stored in retrieval systems or transmitted, in any form or by any means, without the prior written consent of CAmagazine.



PAUL ORENSTEIN

An enlightened view

A look at the profession from the halls of academe to curing the ills of healthcare to the lighter side

In the accounting profession, practitioners get all the attention. This seems natural given that the bulk of accountants are involved in practical matters in the world of business and finance. But what about those who teach, think about and conduct research in the field — the accountants in academe? While they are a minority, the truth is their work is vital to the profession. As Joan Conrod, one of Canada's leading accounting professors, points out, "Teaching ... [is] about helping young people learn and grow" and about providing them "with the tools needed to make the very most of their designations. ... The better the skill-sets of ... educators, the better the accountants we ultimately create for the world."

In this issue, our lead story is about those accountants who choose to remain in university teaching, about those who solve theoretical problems in the field of accounting, and also do research on the changing world of business. We sent CAmagazine writer Robert Colapinto to seek out the leading lights of accounting academia and find out what makes them tick and what issues trouble their minds these days.

Colapinto writes that the profession in academe is at a crossroads. There is a shortage of qualified professors that could "threaten the core competency of tomorrow's CA and academe's standing as a key player in the continuing evolution of the profession." Please read "Inquiring minds," p. 25, for an enlightening look at the profession in the hallowed halls of the academy.

So readers, what exactly do you like to do when you are not doing what you have to do? We assume that when you are looking for fun things to do, most of you do not put up your feet, get a glass of water and pick up a thick tome on IFRS. That's why we devised a quirky, maybe even crazy, online survey that asked you to tell us your favourite books, wine, actors and things of that sort. Our methods were completely unscientific, which seemed to irritate a few of you. But most respondents seemed to love it: "Neat survey," one of you wrote. "It's invigorating to do something new." Well, we think it is one of the funnest things this magazine has ever done. Please do read and enjoy "A few of your favourite things," p. 32 — by editor Margaret Craig-Bourdin and writer Lorie Murdoch — and find out what other readers like to do in their spare time.

Our third feature story is about how the profession is helping cure the ailing healthcare sector, where rising costs are about to cripple or even kill the patient. See "Healing the system," by Rosalind Stefanac, p. 38.



Okey Chigbo, Editor

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A few of your favourite things: see camagazine.com/favourites2013 for more results from our survey, “favourites” game — and more



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They do the research, they write the papers, they shape the accounting world and support the standard-setters and regulators. A look at a few of the men and women in academia **BY ROBERT COLAPINTO**

32 A few of your favourite things

Who are you and what makes you tick when you're not on the job? Find out the answers to those and other questions as revealed in our informal survey **BY MARGARET CRAIG-BOURDIN & LORIE MURDOCH**

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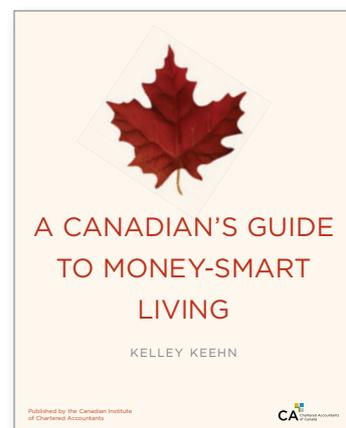
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Mailbox

UNMOVED

I read Lorie Murdoch's article "Cities that move you" (November 2012) with amusement as I pondered a central Canadian's view of cities other than Toronto.

In the case of my home, she says Calgary's biggest drawback may be its "long, cold winter and its isolated location in the middle of a vast prairie." Please show the woman a map. Also, believe it or not, just because we are not within driving distance of Toronto we do not feel isolated. And where in Canada is there a short, warm winter? The West Coast is the most moderate but warm it is not.

Gordon R. McLeod
Calgary

WOMEN IN THE PROFESSION

A casual Sunday reading turned out to be an inspiring exploration of women in the profession (December 2012). The three articles featured are fantastic. I especially love the editor's comprehensiveness and the authors' thoroughness on the topic. I also love the hands-on advice provided.

As a mother of two young children, I often have discussions with female friends in similar situations about career issues — not surprisingly, we often complain. These articles showed me where there is a will there is a way. Stop complaining and start paving your own way to career success.

Joy Wang
Montreal

I am glad the issues facing women in the profession were addressed. When I was a supervisor in the late 1980s, I was often dismissed by clients who preferred to speak to a man (even though that man was a ju-

nior) rather than look a woman in the eye.

Things have certainly changed since then, but some inequities remain. The efforts to change them are ongoing, but I hope your articles have enlightened both men and women about these differences and help guide the continuing progress in eliminating prejudices.

Margot Nibbering
Montreal

A MYOPIC DREAM

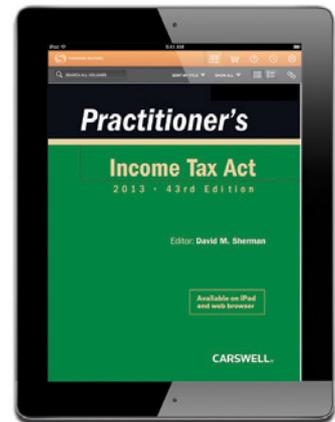
In "A public service calling" ("From the editor," January/February), Okey Chigbo raises the prospect of a world run by accountants, which he describes as a "Utopian dream." How scary. Beyond offering a grim and demeaning perspective on the faculties of nonaccountants, Chigbo espouses a narrow and myopic philosophy so common to CAs — one that doesn't extend beyond balancing the books.

In a true Utopia, there would be no loans, no money and no accountants. Sure, the world might still be run by the likes of Jamie Baillie, Paul Massicotte, Elizabeth Marshall and Joyce Bateman, but not because they're CAs; it was their interest in serving Canadian communities that got them where they are. Perhaps it's time that CAs park their egos and get back to doing the same.

Navroze Austin
Ottawa

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email address: letters.editor@cica.ca
Letters may be edited for space and clarity



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UPFRONT

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Choice voice

When David John Pike steps out on stage this month for Pacific Opera Victoria's production of Puccini's *Tosca*, he's bringing what he feels is a unique advantage to the challenging role of Scarpia, the chief of police who gets stabbed to death in the second act. "People tell me I have a fresh but mature-sounding voice," says the baritone in his 40s, "which may also bring some elegance to a role that can often be oversung and harsh."

While Pike, a native of Kingston, Ont., was involved with music in his early 20s — including voice lessons at the Royal Conservatory of Music in Toronto and two seasons performing with the Toronto Mendelssohn Choir — he put aside aspirations of a singing career to concentrate on business. "At the time, I didn't have the guts to pursue a life in music," he says.

After earning his CA designation in Toronto in 1992, Pike took a job with Deloitte in London, England, where he also enrolled as a part-time student at the Guildhall School of Music & Drama and performed with the Academy of St. Martin in the Fields. The next decade included stints at Ernst & Young in the UK and Luxembourg; he then rejoined Deloitte in its Swiss office as a partner.

But doubts were creeping in. "I started to question my satisfaction, wondering, is this all there is?" In 2007, he left the firm to set up a management consultancy in Luxembourg, in part to spend more time singing.

The following year, Pike started to train and perform in earnest, with stints in the International Vocal Arts Institute's program at l'Université de Montréal and the English National Opera's Opera Works program, which led to performances with leading musical ensembles, including the Glyndebourne Festival Opera. The focus on his burgeoning music career is paying off — he now has a growing reputation as an operatic and concert soloist.

Late last year, Pike released his first solo CD, *Whither must I wander?* His workload is split between business and music. "Obviously it doesn't match the salary of a partner in a Big Four firm, but I'm more fulfilled," he says. "Sometimes I just have to pinch myself."

John Shoesmith



A night at the opera: David John Pike is finally fulfilling his once-abandoned dream of being a professional singer, with the release of a solo album and performances in Puccini's *Tosca*

Résumé

- 1992** obtains CA designation (Ont.)
- 2003** makes partner, Deloitte, Switzerland
- 2007** opens consultancy, Luxembourg
- 2009** performs in *La Bohème*, Germany
- 2013** Canadian opera debut, Victoria

RUTH KAPLAN

#NUMBERS Game

Mint conditions In February, the Royal Canadian Mint began to retire 1¢ coins from circulation. Each penny cost 1.6¢ to produce. Even more changes:

1 Denomination in millions of dollars of a 99.9% pure 100-kg gold coin issued by the Royal Canadian Mint in 2007. Two years earlier, nearly half the mint's revenue was generated by selling gold coins.

13 Percent by which pennies coined in 1980 are lighter than those produced the previous year. Plans to shrink the penny were abandoned, in part because it would cost Toronto's transit authority up to \$1 million to accommodate the new coin.

20 Reported percent increase in vending-machine sales following the 1987 arrival of the loonie. "Before, a guy would stand in line for a sandwich," said one vending-industry representative, "and he'd be putting in dimes, nickels, quarters and the guy behind would get fed up and walk away."



94.5 Percent of steel comprising Canada's nickels. Prior to 1981, the 5¢ piece was 99.9% nickel.

230 Millions of nickels coined by the mint in 2011. Experts suggest Canada eliminate the nickel and add 20¢ and \$5 coins, as well as a \$200 bill, to modernize the currency.

250 Millions of dollars in projected savings over two decades by replacing Canada's \$2 bill with the toonie in 1996.

2,500 Number of Tim Hortons stores tipped by the mint to act as primary distributors of the 2004 25¢ piece. The coin featured a red poppy imposed on a maple leaf.

Steve Brearton



Working File: WHAT TO DO IF YOUR BOSS IS A BULLY

THE SCENARIO

Simon Walters* used to spend his days in a hostile work environment. A former manager for a small accounting firm, he reported directly to the tyrant of his office — one of the partners. "Everyone in the office was afraid of him, except the receptionist and his partner of 20-plus years," he says. The verbal harassment Walters experienced was extreme. "He'd scream at me so loudly that the entire office could hear. He'd leave the boardroom door open, and if it was closed, he'd open it," he says. "As a manager, I felt the employees couldn't respect me after hearing the bully yelling at me."

HOW IT PLAYED OUT

After the third time his boss erupted at him (he'd yelled countless times, but really tore into him three times), Walters' wife and mother staged an "intervention" and convinced him to resign. He considered filing a constructive dismissal lawsuit, but decided against it and, instead, launched his own accounting firm.

THE EXPERT WEIGHS IN

If Walters was ready to leave — both the situation and the company — he made a good choice when he resigned, says Toronto human resources consultant and career coach Sari Friedman. "I know that doesn't solve the issue of poor conduct at the toxic firm, but I think he needs to take care of himself first and foremost, and if he couldn't foresee staying there, it's best to move on," she says.

If, however, Walters had wanted to stay at the firm, stop his boss's unprofessional behaviour and better the situation for the entire office, he could have consulted a labour lawyer and/or a labour board, says Friedman. "At that point, he likely would've been advised to inform the other partner what he was experiencing. If the senior team was interested in handling the situation properly, it would conduct an investigation." Lisa van de Geyn



Have you faced a tricky work situation? Tell us about it at: tamar.satov@cica.ca
Names can be changed for anonymity

*Name has been changed

By Tamar Satov

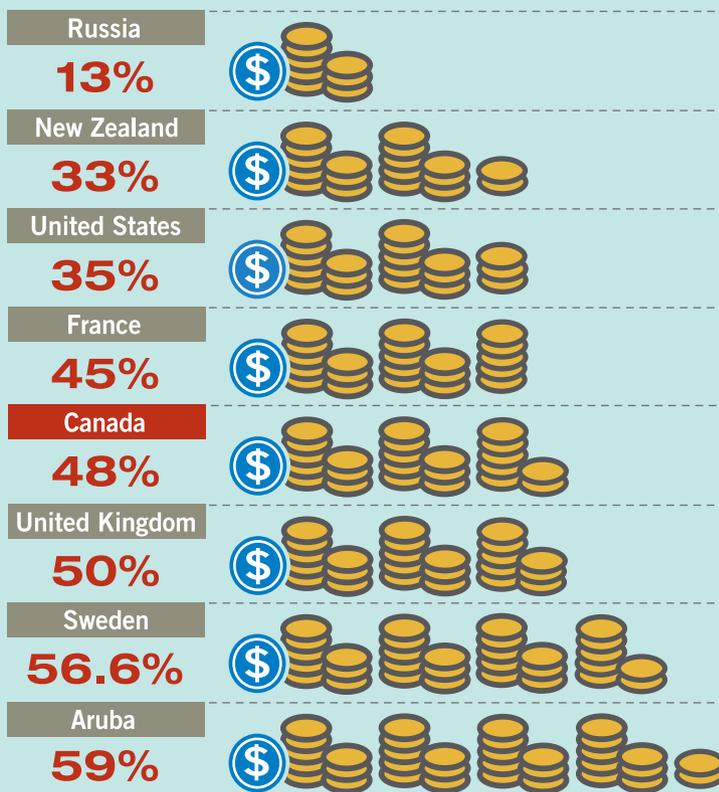


WHO PAYS WHAT?

This month's income tax deadline may leave you feeling the pain of paying up — and wondering whether or not the sting would be as sharp elsewhere. How Canada's top tax rate stacks up against other nations.

by Steve Brearton

2012 personal income tax rates



*Highest national rates, KPMG

No magic number to retire

More than three-quarters of working Canadians have not yet determined the amount of money they will need for a comfortable retirement, finds the 23rd annual RBC RRSP poll. In spite of — or perhaps due to — this lack of planning, nonretired Canadians have significantly reduced their retirement savings goal to an average of \$564,000, down from \$778,000 the previous year. Even so, more than half (53%) say they are at or ahead of where they should be in terms of retirement savings.

“When looking at your percentage of pre-retirement income needed in retirement, some say 75%, 85% or even 110% — we say everyone is different,” says RBC Financial Planning's Jason Round. “There isn't one number that's right for everyone.” Indeed, for some there is no number at all — according to the poll 27% of Canadians say they will never retire.

INCOME INEQUALITY INFO

The richest 1% of Canadians make almost \$180,000 (in inflation-adjusted dollars) more today than they did in 1982, finds a study by the Canadian Centre for Policy Alternatives. Pay for the bottom 90% went up only \$1,700 on average; and in Montreal, Toronto and Vancouver, incomes actually dropped for the bottom 90%.

ARE PASSWORDS PASSÉ?

More than 90% of user-generated passwords — including those with at least eight characters, one number, mixed-case letters and symbols — will be vulnerable to hacking in a matter of seconds, suggests a Deloitte report of technology predictions for 2013. It foresees authentication using tokens, cellphones, credit cards or biometrics.

GETTING RID OF RED TAPE

Canada's Minister of National Revenue, Gail Shea, is this year's winner of the Golden Scissors Award for cutting red tape for small business. The prize, bestowed annually by the Canadian Federation of Independent Business, recognizes Shea's reforms to Canada Revenue Agency services, including the My Business Account online system.

BAIBA BLACK / SETH



PERSONAL ACCOUNTS

My most memorable record

Brian Tarling, CA, author of *Vancouver's Charted Songs '56 to '78*

I did the book because I'm interested in [music] charts and I've collected thousands of records over the years.

One memorable album I got in 1964 was *All Alone Am I* by Brenda Lee. It had distortion throughout and was the worst [quality] record I've ever bought. I [exchanged] the record twice but they were all bad. So I wrote the Canadian manufacturer. It re-pressed the record and sent me a copy. It was improved, but a couple of tracks were still pretty bad.

In 1965, Lee came to Vancouver so I decided I'd write and tell her my problem. At an autograph session at a local record store, she tells me she got that letter and would look into it.

A few months later, the Canadian manufacturer (who acknowledges I'd been talking to Lee) sends me her latest album, *Too Many Rivers*. Today, I have 31 Brenda Lee albums. As told to Deena Waisberg

QUOTABLE

Productive stats?

“A new economic research paper claims that Statistics Canada has been under-estimating [productivity] growth for years, [which helps] to explain why economists and others have been left scratching their heads over the apparent failure of productivity-improvement policy changes enacted by governments over the years”

Alan Arcand, principal economist at the Centre for Municipal Studies, on Canada's productivity

100

YEARS AGO THIS MONTH

Compiled by Steve Brearton

From the April 1913 edition of our magazine

A prophecy that came to be

“[There have been] remarkable advances ... in the past year or so in legislation and unifying of standards. ... When this country shall have twenty millions of population, organized Accountancy will be proportionately of much greater importance than it is today. It is our privilege, as well as our duty, to ‘build the road and bridge the ford’ for those who follow after.”

From “Upward and Onward,” Editorial

Talk about owing an arm and a leg

“[The debtor] is never free of his debts if the creditor chooses to get judgment after judgment against him; and so proper provision should be made for the discharge of honest but unfortunate



traders, thus still further ameliorating the law which has been constantly growing wiser and kinder since those days [under Roman Law] when the body of the debtor might be cut up and divided amongst his creditors in proportion to their interests.”

A.C. McMaster, calling for a bankruptcy act in Canada

GETTY IMAGES



Must Haves

by Alan Vintar

BioLite CampStove

If you find yourself off the grid and your gadgets are going dead, no worries. Just grab a handful of twigs and spark up the BioLite CampStove. This compact, high-efficiency stove (roughly the size of a one-litre water bottle) creates thermal electricity from waste heat of the burning fire, making it possible to charge compatible mobile phones, Mp3 players, lights, GPS units and other USB-based electronics while you boil water or cook a meal.

Price: US\$129.95

www.BioLiteStove.com



Going Concern



BERNARD HEITNER
FOUNDING PARTNER & CEO,
CAMBRIDGE MERCANTILE GROUP

COMPANY PROFILE: Celebrating its 20th anniversary this year, Cambridge Mercantile Group is the largest privately owned foreign

exchange and global payment processing company in North America. Based in Toronto, it has some 350 employees situated across Canada, the US and Europe who facilitate the transfer of payments and currency on behalf of companies of all sizes. With annual revenue of \$70 million and a goal of \$100 million in the next year, the company does \$15 billion to \$20 billion in foreign exchange yearly.

HOT FACTOR: To get a better foothold in payment-processing services among e-commerce merchants, Cambridge acquired New York City-based E4X in 2011. Last December, the company made its foray into the legal community with the acquisition of Global Exchange

Group (a division of Pennsylvania-based Fulton Bank), which is a key provider of invoice processing and international payment services for the intellectual property division of several major legal firms. For four years running, Cambridge has been awarded the prestigious Deutsche Bank Straight-Through Processing Excellence Award, which recognizes outstanding performance in payment processing.

COOL PROJECTS: Next on the agenda is to expand services geographically. While the company is already licensed in Australia, the goal over the next few years is to develop a substantial presence Down Under and use that as a springboard to the Far East.

IN HIS OWN WORDS: "Part of our success is the fact we've been driven to provide superior products and services to our clients. My CA training taught me to think about systems and internal controls; you can't afford to make mistakes with billions of dollars coming in and out."
Rosalind Stefanac

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RECENTLY ISSUED PRONOUNCEMENTS

CICA Handbook – Accounting	Date issued†
Part I	
Amendments Regarding the IFRS Changeover Date for Rate-regulated Enterprises	March 2013
Amendments Regarding Investment Entities	January 2013
CICA Handbook – Assurance	
Section 7150, Auditor’s Consent to the Use of a Report of the Auditor in an Offering Document	January 2013
CICA Public Sector Accounting Handbook	
Amendments to Section PS 3450, Financial Instruments	February 2013

RECENTLY ISSUED DOCUMENTS FOR COMMENT (to April 30, 2013)

Accounting	Comment deadline
ED 2013 Improvements to Accounting Standards for Private Enterprises	June 1, 2013
EDI Acquisition of an Interest in a Joint Operation	April 23, 2013
EDI Bearer Biological Assets	July 31, 2013
EDI Clarification of Acceptable Methods of Depreciation and Amortization	April 2, 2013
EDI Impairment : Amendments to IFRS 9	July 15, 2013
SOP Improvements to Not-for-Profit Standards	August 15, 2013
EDI Leases	July 31, 2013
EDI Novation of OTC Derivatives and Continued Designation for Hedge Accounting	June 15, 2013
EDI Regulatory Deferral Accounts	June 15, 2013
EDI Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	April 23, 2013
EDI Separate Financial Statements (Equity Method)	July 15, 2013
Public Sector	
ED Amendments to the Introduction	May 3, 2013
SOP Improvements to Not-for-Profit Standards	August 15, 2013
SOP Restructurings	May 17, 2013

WATCH FOR

Amended Standards Amendments to IFRS 9 Regarding Hedge Accounting
Annual Improvements to IFRS 2010 – 2012 Cycle

Legend

ED – Exposure Draft EDI – ED based on IFRS/ISA SOP – Statement of Principles

† 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.



System selection

BY MICHAEL BURNS

FINDING THE RIGHT SOFTWARE TO FULFILL YOUR BUSINESS NEEDS

BI, CPM and budgeting survey 2013

Ever heard of hadoop? If not, and you're in the market for business intelligence (BI) systems, it's time you did. Hadoop is one of the hot new technologies used to analyze huge quantities of data — trendily called big data — such as all the clicks on a website. Although the term might sound like an acronym, it is actually the name that one of the developer's sons gave to his toy elephant. The elephant reference just might have something to do with size — the fact that the technology makes it possible to process a lot of data over many computers.

Although hadoop is arguably the biggest trend to hit the BI market this year, it is not the only one. Another is in-memory computing, where the BI data in the hard drive is put into the memory for lightning-fast processing. Also, a number of other technologies that we talked about in last year's survey (see www.camagazine.com/BIandCPMSurvey12) are still making waves, including

cloud computing, BI embedded in ERP systems, unstructured data search using Google-like tools and mobile BI.

You'll find the actual results of this year's survey in pdf form by visiting www.camagazine.com/BIandCPMSurvey13. This year, you can also read about one company's experience in implementing a BI system. And you will also find a link that allows you to find the top 10 systems that meet your requirements through percentage-fit calculations.

Watch out for our 2013 survey on customer relationship management in the June/July issue of *CAMagazine*.

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: mburns@180systems.com



190 Reasons

Membership with the Canadian Payroll Association is essential as payroll is responsible for understanding and complying with the 190 regulatory requirements related to the \$830 billion in wages and benefits, \$260 billion in statutory remittances to the federal and provincial governments, and \$90 billion in health and retirement benefits that Canada's 1.5 million employers annually pay.

The Canadian Payroll Association is committed to providing accounting professionals and their organizations with the payroll-related services required to keep compliant and knowledgeable!

Member Benefits Include:

- ✓ **Unlimited Access to CPA's #1 Service, Payroll InfoLine** – This telephone and email 'hotline' answers over 32,000 inquires each year.
- ✓ **Member Pricing for Professional Development Seminars on 20+ topics and monthly web seminars**
- ✓ **Payroll Resources at www.payroll.ca and other publications**
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We're CPA CANADA now

THE DOORS ARE NOW OPEN AT CPA CANADA, the new national organization representing the Chartered Professional Accountant (CPA) profession in Canada. Created by CICA and CMA Canada, CPA Canada supports the legacy provincial organizations (and their members) and all those that have unified, or will unify, under the Chartered Professional Accountant banner. The employees of CPA Canada look forward to working with you to fulfil the profession's vision to make our CPA the preeminent, internationally recognized Canadian accounting designation and business credential that best protects and serves the public interest.

Modular program to prepare students for entry into CPA Professional Education Program

The new Canadian CPA certification program will offer training that is broader and deeper than existing programs and will stand on its own merits when compared with other leading professional programs around the world.

Recently, a CPA Prerequisite Education Program (CPA PREP) was announced for candidates who have an undergraduate degree in a discipline other than accounting and/or lack some or all prerequisite courses required for admission to the CPA Professional Education Program (CPA PEP).

"Not only will CPA PREP make the CPA PEP accessible to more students, it will also help ensure that candidates are on an equal footing when they enter the main program," says Tashia Batstone, FCA, vice-president, education services, CPA Canada.

Delivered on a part-time basis to offer students maximum flexibility and accessibility, CPA PREP uses a blend of online

learning, self-study and classroom sessions. There are 12 modules offered, but candidates need complete only those modules for which they have no recognized academic credit.

Those who lack a recognized academic credit but can demonstrate that they have acquired the necessary learning through experience may be permitted to challenge the final examination of any module for a fee. Exemption requires a 65% pass.

Academic credentials of internationally trained applicants will be assessed by the regional/provincial body in accordance with national standards. However, international applicants may also choose to challenge the final examination of any module for a fee, but again, the exemption requires a 65% pass.

The chart below outlines the modules that comprise the CPA PREP:

CPA Prerequisite Education Program (CPA PREP) Modules						
Module	Subject	First offering	Evaluation	Format	Sequence	Exemption
1	Introductory Financial Accounting	2014	Final exam; Passing Grade 65%	TBD	Required credit before attempting modules 5 - 10	Recognized PSI* credit in Intro Financial Accounting OR successful challenge of final exam
2	Introductory Management Accounting	2014	Final exam; Passing Grade 65%	TBD	Required credit before attempting modules 5 - 10	Recognized PSI credit in Intro Management Accounting OR successful challenge of final exam
3	Economics	2014	Final exam; Passing Grade 65%	TBD	Required credit before attempting modules 5 - 10	Recognized PSI credit in Economics OR successful challenge of final exam
4	Statistics	2014	Final exam; Passing Grade 65%	TBD	Required credit before attempting modules 5 - 10	Recognized PSI credit in Statistics OR successful challenge of final exam

*Post Secondary Institution

Module	Subject	First offering	Evaluation	Format	Sequence	Exemption
5	Financial Accounting	Aug. 2013	Quizzes, Mid-term exam, Final Summative Exam Passing Grade 65%	In-class and distance-learning options Offered twice per year	Candidates requiring Modules 5 – 10 may be required to complete them in order	Recognized PSI credits in Intermediate and Advanced Financial Accounting OR successful challenge of final exam
6	Audit and Assurance	TBD	Quizzes, Final Summative Exam Passing Grade 65%	In-class and distance-learning options Offered twice per year	Candidates requiring Modules 5 – 10 may be required to complete them in order	Recognized PSI credits in Intermediate and Advanced Audit OR successful challenge of final exam
7	Corporate Finance	TBD	Quizzes, Final Summative Exam Passing Grade 65%	In-class and distance-learning options Offered twice per year	Candidates requiring Modules 5 – 10 may be required to complete them in order	Recognized PSI credits in Corporate Finance OR successful challenge of final exam
8	Tax	TBD	Quizzes, Final Summative Exam Passing Grade 65%	In-class and distance-learning options Offered twice per year	Candidates requiring Modules 5 – 10 may be required to complete them in order	Recognized PSI credits in Intro Corporate and Intro Personal Tax OR successful challenge of final exam
9	Management Accounting	TBD	Quizzes, Mid-term exam, Final Summative Exam Passing Grade 65%	In-class and distance-learning options Offered twice per year	Candidates requiring Modules 5 – 10 may be required to complete them in order	Recognized PSI credit in Intermediate and Advanced Management Accounting OR successful challenge of final exam
10	Strategy and Governance	TBD	Quizzes, Final Summative Exam Passing Grade 65%	In-class and distance-learning options Offered twice per year	Candidates requiring Modules 5 – 10 may be required to complete them in order	Recognized PSI credit in Strategy OR successful challenge of final exam
11	Business Law	TBD	Final Multiple Choice Exam Passing grade 65%	Self study	Can be completed at any time	Recognized PSI credit in Canadian Business Law OR successful challenge of final exam
12	IT	TBD	Final Multiple Choice Exam Passing Grade 65%	Self study	Can be completed at any time	Recognized PSI credit in IT OR successful challenge of final exam

All candidates must have either recognized academic credits or module credits for Modules 1 to 4 before proceeding with Modules 5 to 10. The first four modules are currently under development and will be launched in 2014. Information on courses that will be accepted for equivalency to Modules 1 to 4 for 2013 can be provided by the regional/provincial bodies. The CMA Foundation course will be accepted as equivalent for Modules 1 to 4.

Candidates completing Modules 5 to 10 as a complete program will need to complete them in sequence. Candidates requiring individual modules must meet any sequencing requirements.

Modules 11 to 12 are self-study modules, which may be taken at any time. No prerequisite courses are required.

“The length of time required to complete the program will depend on the number of modules the candidate is required to complete and the rate at which the candidate chooses to complete them,” says Batstone. “Candidates can choose to take more than one module simultaneously, as long as sequencing requirements are met.”

The modules, which will each be offered twice a year, range in length from one to 14 weeks with some self-study modules allowing up to six months for completion. More information on release dates and fees will be available later this spring.

For more information about CPA PREP and CPA PEP, go to www.cpaone.ca.

The pilot project that grew



It started out as a pilot project by the Martin Aboriginal Initiative and the CICA at three Ontario high schools in 2008. Today, the accounting mentorship program for aboriginal youth involves approximately 40 students and is offered at 13 schools in nine cities in four provinces.

While the mentorship program is experiencing change, so too is Canada's accounting profession. The CICA and The Society of Management Accountants of Canada (CMA Canada) established the Chartered Professional Accountants of Canada (CPA Canada) earlier this year to support provincial accounting bodies that have unified, and all those that will unify, under the CPA banner.

The aboriginal program objective remains the same even with a changing accounting landscape, according to Lloyd Posno, who acts as national coordinator of the mentorship initiative on behalf of CPA Canada.

"We aim to increase high-school graduation rates, encourage completion of a post-secondary education and support aboriginal students as they consider a variety of professional and business careers, including accounting," Posno says.

CAs at firms in the local community volunteer to serve as mentors — something that requires a lengthy time commitment. However, support does not end there. Teachers, counsellors, principals, vice-principals and senior administration at the school board level also are involved.

Posno is responsible for bringing the schools, students and accounting offices together.

Former prime minister Paul Martin, through a charitable foundation, has actively sought ways to address and resolve many of the difficulties experienced by aboriginal students.



Top, former prime minister Paul Martin and Kevin Dancy at the launch of the pilot project for the aboriginal mentorship program in 2008. Left: Lloyd Posno, national coordinator of the mentorship initiative

"This initiative is a trailblazer," says Martin. "While there are many challenges, we do not lose sight of our main objective, which is to open this program to indigenous Canadians, to offer them the same opportunity open to all other Canadians."

"Achieving success is much easier when there is someone to lend support and guidance along the way," says Kevin Dancy, FCPA, FCA, president and CEO, CPA Canada. "Mentors work closely with the participants and provide the inspiration necessary to keep the students motivated."

Sixteen of the students involved have graduated from high school and are in some form of post-secondary training.

"It was important to start with a pilot project and learn from it," says Posno. "Obviously, a goal is continued growth of the mentorship program but that does create additional challenges, especially in terms of administration."

The effort is attracting attention at the international level. CAs in Australia are considering a similar initiative and have contacted Posno for advice.

Posno can be reached at lposno@sympatico.ca. More information about the mentorship program is available through the Martin Aboriginal Education Initiative website (www.maei-iam.ca).

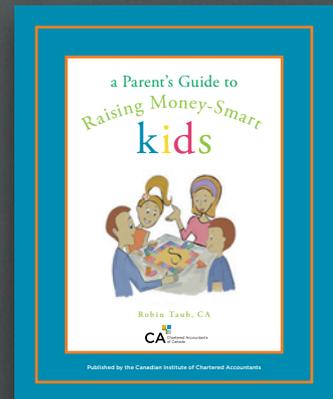
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Ron Salole retires from CICA

AFTER 31 YEARS at the Canadian Institute of Chartered Accountants (CICA), Ron Salole will be retiring from his current position as vice-president, standards.

Salole has had a career-long commitment to excellence in the development of accounting and auditing standards. He has dedi-

cated himself to supporting standard-setting activities, helping to put Canada at the forefront of this field internationally.

Salole joined the CICA as a project manager in 1982 and has worked on numerous studies and accounting projects with increasing departmental responsibilities, including five years as director, accounting standards, and six years as director, public sector accounting, before rising to his current position as vice-president, standards.

In this role, Salole was responsible for the development of Canadian accounting and auditing standards, overseeing the introduction of international financial reporting stan-

dards to Canada in 2011. He also oversaw the adoption of international standards on auditing as Canadian auditing standards for the audits of financial statements and other historical financial information for periods ending on or after December 14, 2010.

Before joining the CICA, Salole spent five years in industry and was appointed research director of the Institute of Chartered Accountants of New Zealand in 1976. He qualified as a CA in 1972 when he was with Coopers & Lybrand in London, England, and remains a member of the Institute of Chartered Accountants of England and Wales.

In addition to his leadership of national and international standard setting, Salole is an active member of the professional community. He has served as treasurer of the Canadian Academic Accounting Association (1991-1995), the Ontario Council for International Co-operation (1992-1996) and the North-South Institute (2008-2012).

Salole is now the deputy chair of the International Public Sector Accounting Standards Board, appointed in January 2013.

In spring, thoughts turn to — financial reporting and assurance standards

A number of resources have been released to help members apply new accounting standards for public and private enterprises.

IFRS: Three new publications are of note for the oil and gas sector — juniors in particular.

Two new issues have been added to the *Viewpoints* series:

- *IFRS 11 and Arrangements Not Structured through a Separate Vehicle*
- *Impairment Fair Value Disclosures Impacting Cash-Generating Units Containing Goodwill or Intangible Assets with Indefinite Useful Lives.*

A *Viewpoints* series is also available for the mining industry.

The Survey of Selected Accounting Policies of Junior Oil and Gas Entities examines selected accounting policies of 30 Canadian junior oil and gas companies. Policies reviewed include exploration and evaluation of mineral resources, depletion, impairment, royalty payments, decommissioning liabilities, presentation of expenses, operating segments and disclosure of judgment and estimates.

Investment entities that are publicly accountable should review the new *Investment Funds Update*. These entities are required to adopt IFRS for annual periods beginning on or after January 1, 2014. As a result, calendar-year reporters need to prepare comparative financial information on an IFRS basis as of January 1, 2013. The update discusses activities of the Investment Funds Committee as they relate to first-time adoption of IFRS by investment funds and the *National Instrument 81-016 — continuous disclosure requirements for investment funds*.

ASPE: Comprehensive guidance is available to help accounting professionals apply ASPE (Part II of the *CICA Handbook*) featuring illustrative examples, charts and diagrams. Because of the timeliness of this information, the *Guide to Accounting Standards for Private Enterprises* is being released in phases in electronic formats. Chapters regarding accounting for business combinations, consolidated financial statements and investments are currently available. Additional chapters will be released later this year. Visit the CAstore for more details.

ASSURANCE: A new publication is available to help auditors understand the many steps involved in auditing accounting estimates. *Implementation Tool for Auditors: Auditing Accounting Estimates under CASS; What, Why and How* provides, in a tabular format, a list of key steps in auditing accounting estimates under CAS 540 with practical considerations. A one-page diagram showing the main steps is easily detachable and useful as a reminder.

The Guide for Auditors of Registered Electoral District Associations Appointed Under the Canada Elections Act (2012) is now in its fifth edition. It assists auditors who are engaged to report on an association's *Financial Transactions Return*. Changes have been made to reflect Canadian accounting standards for not-for-profit organizations (Part III of the *CICA Handbook – Accounting*), which are mandatory for annual financial statements relating to fiscal years beginning on or after January 1, 2012. A sample independent auditor's report is included.

The resources are part of the online library of materials developed to support consistent application of financial reporting and assurance standards. Visit www.cica.ca/Applying-the-Standards.



They challenge and shape the accounting world,
and support the standard-setters and regulators.
Who are these academics leading the way?

by Robert Colapinto

Inquiring MINDS

IT'S BEEN A FEW DECADES, SO STEVEN SALTERIO ISN'T QUITE SURE if his reasoning for switching from a life of bill-or-perish to publish-or-perish is a tad apocryphal. But he does recall a partner at Grant Thornton's Fredericton, NB, office suggesting that as an up-and-coming CA he might want to acquire some golf skills. Appalled at the idea of wandering the links with stick and ball, he wandered up the hill to the university for a chat with the dean of its business school.

*All because he dreaded
the game of golf, today
Salterio is considered
one of the hotshots in
the world of academia*

A life in academe just might well scratch a certain itch he had. For Salterio, accounting was more than the *Handbook*. It was an open book from which he was convinced he could satisfy an abiding obsession with exploration and discovery. Perhaps, in time, he might also add to the profession's canon of both theoretical and practical knowledge. There was only one gnawing concern as he sat

photography by PERRY ZAVITZ/KLIXPIX



(Clockwise from top) **JOAN CONROD**: “Teaching is really a facilitative process.” **GORDON RICHARDSON**: “I aspire



CLOCKWISE: NANCE ACKERMAN/KLIXPIX, RUTH KAPLAN, LOUISE BILDEAU/KLIXPIX



to influence standard-setting.” **MAURICE GOSSELIN:** “The link between practice and academia is very important”

with the dean: “There’s nothing to do with golf here is there?” Salterio would go on to join an elite group of innovative scholars acclaimed not only for their cutting-edge research, but also for their pivotal role in shaping the careers of several generations of CAs. Yet these educators may well be the last of a breed, as accounting academe struggles to fill a dearth of qualified professors. It is a void that could reach levels that may threaten both the core competency of tomorrow’s CA and academe’s standing as a key player in the continuing evolution of the profession.

As one of Canada’s preeminent accounting professors, Dalhousie’s Rowe School of Business’s Joan Conrod is aware that the profession in academe is at a crossroads. “Teaching is really a facilitative process,” says the veteran lecturer and adviser to the CICA and other accounting education standard-setting bodies. “It’s about helping young people learn and grow, to provide them with the tools needed to make the very most of their designations. Put simply,” she says, “the better the skill-sets of these educators, the better the accountants we ultimately create for the world.”

Conrod, FCA, MBA, and recently appointed 3M National Teaching Fellow, is concerned that the coming generation of teachers will not have the training and practical knowledge unique to the needs of accountancy. The problem has many facets, she says, but the first centres on demographics. “You’re talking to some bona fide superstars in academe here, but they’re quite the gray-haired set,” she says. “I grew up with this group, and

we’re all close to retirement.” And with this impending changing of the guard, Conrod and her colleagues wonder at the status of the profession’s succession planning. “As the baton passes, we have an interest in who we’re passing the baton to,” she says. “And it’s not clear that the people who are there to take the baton have the same profile that we had.”

A recent CA Academics Taskforce addressed demographic inevitabilities and the qualifications of accounting educators in a report entitled *Securing the Profession’s On-going Influence on Academia*. “The thrust of the taskforce and its report was a realization that the group of CA academics we’re talking to here are aging,” says Jylan Khalil, CICA director, CA qualification. “And we simply don’t have the young CA academics coming up behind them. So we’re recognizing that there will be a void.” In Quebec, for example, the report revealed that 59 CA academics were aged between 50 and 59 in 2011, and 26 were in their 60s. These educator/researchers represented 53% of the province’s academic CAs. With some 80 CAs expected to retire over the next 10 years, the shortfall will, indeed, become more than academic. The analysis determined that “the annual need to replace [these teachers in Quebec] is eight to nine, which is higher than the actual [numbers of] CAs already enrolled in doctoral studies.” And that’s the annual need. The other problem noted in the report is that “to meet accreditation and funding standards, universities are hiring more PhDs, many of whom are interna-

“We expect candidates to know what to do with their knowledge. And if their teachers don’t know what to do with that knowledge, then I don’t know how they can teach the candidates”

tionally trained and have no professional accounting credentials.”

Ideally, the academic accounting path starts with a CA — education and Practical Experience Requirements (PER) earned through an appropriate university environment and CA training program in a firm, industry or government. “Then,” says Conrod, “the CA realizes he or she is attracted to research and teaching: so it’s off to do a doctorate before finally returning and joining academia as a professor.” But this pattern has changed in the past decade.

“What happens now? We tend to see mathematics-based or qualified people who stay in university and not do a professional designation at all. So a lot of our newer faculty members often have no professional work experience in accounting or in anything else.” Historically the CA profession has relied on qualification achieved through competency-based learning, where the focus is not simply what the CA student knows, but how effectively the emerging CA uses that knowledge. “We expect candidates to know what to do with their knowledge,” Conrod explains. “And if their teachers don’t know what to do with that knowledge, then I don’t know how they can teach the candidates.”

The supply-side problems plaguing academe may be exacerbated by a shrinking baby boomer base, lower birth rates in the latter half of the 20th century, and, more recently, by increased competition from rival business programs, but a more practical reality seems to have been fueling the shortage, according to Don Carter, the driving force behind the CA School of Business (CASB) and before that, BC’s School of Chartered Accountancy. “You’re trying to convince young CAs to defer or delay the profession’s promise of a rather good living wage,” he admits. “They have been paid relatively well while meeting their practical experience obligations, and they can see far greater compensation and exciting, stimulating and challenging work opportunities in the future. Now they have to turn away from that future,” he concedes, “and go back for a multi-year commitment to a doctoral degree. It’s a tough sell, but not for those who hear and answer this calling.”

Few academics have been given freer rein to exercise their intellect than Carter. Wooed away from a tenured position at the University of Manitoba in 1979 — “my colleagues thought I was crazy,” he laughs — Carter, FCA, PhD, would soon epitomize the attributes of the very best in academe. With an uncanny gift for innovation, he pushed CASB forward, successfully establishing Canada’s first web-based CA curriculum. “What I was excited about was that over the years at university, I had built up all my ideas as to what I thought the ideal education process ought to be,” he recalls. “But I was always frustrated, because it’s very, very difficult to effect material change. So here was an opportunity to build something starting from a clean sheet of paper.”

This winner of the first Bill Swirsky Innovation Leadership Award in 2008 — the year he retired — stands at the forefront of ensuring that not only PhD-qualified teachers populated CASB’s faculty, but also that an unprecedented number of educators were culled from practice, industry and the public sector. “That was the teaching model,” he explains. “I wanted what was happening in practice to be conveyed in the classroom setting. As a result, we wanted to introduce the development of applied research skills, which means presenting problems or opportunities that don’t have clear-cut textbook answers. They had to research what was going on in the ever-changing real world of business.”

The bulwark of research (applied and esoteric) is what, arguably, defines accounting scholarship. And it is the product generated from research that academe hopes will translate both to the classroom and the profession’s canon of knowledge. Yet academic research tends to exercise a particular intellectual curiosity and accounting competencies somewhat beyond the borders of the budding CA’s prescribed study map. As a result, these are skills more often honed through candidature in PhD programs, says Michel Magnan, Lawrence Bloomberg Chair in Accountancy at Concordia’s John Molson School of Business. “I’m an accounting academic, so I always want to know ‘why,’ ” he says. Magnan, FCPA, FCA, ASC, MBA, PhD, has been asking why for decades and agrees that a nosy, prying inquisitiveness has been the catalyst for a career noted for its tenacious pursuit of answers to questions many had not thought to ask. His early and continuing work on the onetime peripheral area of corporate environmental reporting, for example, has been recognized internationally for its revelatory and seminal spin on how and why companies disclose this controversial area of reporting.

Magnan began to feel the pull of academe after a two-year stint at Touche Ross (now Deloitte). He quite enjoyed that world of accounting but soon felt limited in his ability to fully explore the discipline. “In academe, you have that freedom to decide which questions you’re going to investigate,” he says. “For me, that’s been the big attraction.” Translating this excitement for scholarly discovery to his students is one of his greatest challenges. Hoping to entice his best and brightest into academe, he agrees with Carter that infusing the classroom with real-world experience is essential to the process. CAs from practice and industry often take to the lectern at the Molson School. “All students need a range of instructors to get different perspectives,” he says. “So, I think that having practising pros brings a certain knowledge, expertise and reality to what they’re doing.” Still, PhD-qualified researchers remain crucial, he says. “For example, I think that forward-looking academics try to go beyond how a prescribed standard is used, analyzing why and how it or an alternative might be better

applied. They bring this sort of analysis into the classroom, and that's how research can make an impact." Furthermore Magnan also tries to bridge the gap between practice and the classroom by staying involved in the profession, for example through his membership in the Accounting Standards Board.

Salterio is less sure of the value of practitioners whose teachings are not backed by research skills. The ideal for this 2008 recipient of the Canadian Academic Accounting Association's (CAAA) Haim Falk Award for his progressive work on the Balanced Scorecard would be an experienced CA returning not only to teach, but also to earn a PhD. Otherwise, the classroom risks experiencing weathered and incrementally less relevant war stories from the workaday trenches. "I want to understand what's going on today, not what's going on in the 1980s," he says. "By doing research, I get out there and actually get war stories from 2012, and that enhances my teaching. Former practitioners who are no longer active in the profession or practice too often have nothing else to tell because they can't do research, and can't read research. And one of the advantages for a researcher is that it keeps you out there, engaged in what's happening today."

Salterio's expectations for his contributions to the evolution and growth of accounting thought were somewhat less lofty during his early manoeuvring to steer clear of the dreaded golf links. In the past 20 years, Salterio, FCA, PhD, has become quite the hotshot professor with his contributions to teaching, accounting theory, empirical and applied research as the PricewaterhouseCoopers/Tom O'Neill Faculty Research Fellow in Accounting and as professor of business at Queen's School of Business. Looking back to his meeting with UNB's dean, the decision to transition into academe was easy, he says. "This was my chance to delve deeper into the intricacies of accounting theory while successfully spanning the boundary between pure intellectual academic discourse and practice."

"That's the sweet spot of accounting academe for me as a CA," says Gordon Richardson, FCA, MBA, PhD, KPMG Professor of Accounting at the University of Toronto's Joseph L. Rotman School of Management. "I aspire to influence standard-setting, and it's pretty wild to think that maybe you could." In his research, Richardson has deftly straddled theory and practice with a number of works and Haim Falk Award-winning critiques related to accounting-based valuation models and how they speak to investor understanding of value from their reading of often impenetrable financial statements. "I try to look at what theory might suggest first, then I go to the data to, in fact, see if that's the way the world really works," he explains.

"You have to use a high degree of in-

nate curiosity and you have to want to use that to explore the new, the unfamiliar and the unresolved," he says. As a result, these sensibilities often lead to questions and answers in academe that will be applicable to those in practice. Indeed, Richardson sees an increasing need for accounting academics and PhD-qualified practitioners to be at the forefront in assessing how the profession accounts for business activity. "Ultimately, we need data; we need evidence to support these difficult decisions we have to make as a society," he asserts. "We turn to researchers for that evidence. And it's becoming more important, not less."

Efrim Boritz, FCA, MBA, PhD, director of the University of Waterloo Centre for Information Integrity and Information Systems Assurance, remembers when he was ill equipped to assess the underlying data and theoretical constructs that make up the underpinnings of the profession's systems and standards. "I have a very clear memory of being in a statistical sampling training course," he says of his time as a manager in the national auditing standards department at Clarkson Gordon. "We were supposed to pick a certain representative sample to do some audit work. And I kept asking, 'So why do we do it like this?' The answer the instructor — a senior CG manager — gave was, 'Greater minds than mine have decided this.' Problem is, I had to know," he laughs. "I'm just not comfortable with doing something that has been decided by somebody without an explanation. An intellectual one, as opposed to, 'This is the way it is, and shut up.'" As a pioneer in the intricacies of Trust Services Principles

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and Criteria, and XBRL, this sort of unenlightened clarification was rather grating for the future 2010 Bill Swirsky Innovation Leadership Award winner. With the firm's support, Boritz soon took a sabbatical to hone his research skills. "I realized I was ignorant. So I decided to go back to school," he explains. "Since I had my MBA, more school meant going on for my PhD."

Boritz fully expected to be back at the firm within three years, but this was not to be. "I made the decision that instead of coming back to practice, I would better help practice by being a full-time academic writing and researching." Over the next 30-plus years, Boritz and the accounting school would make an indelible mark on quality assurance and the CA's access to and use of state-of-the-art IT. "I'm also a teacher," he says. "So being on top of what's going on research-wise expands or improves teaching. There's a feedback effect between the teaching and the research. The research helps me view the world in a slightly different way than if I'd remained a practising accountant. And this you can bring in to the classroom."

Certainly, Maurice Gosselin, president of the CAAA, agrees that almost all educators who have reached the highest echelons of accounting academe have had a solid grounding in and influence on the prevailing issues of the day. "Many can argue that had we had even more research done, well, maybe we would have had less trouble, especially in the past decade," he says. Gosselin, CPA, CA, FCPA, FCMA, an acclaimed researcher in his own right, heads the School of Accountancy at Laval University.

As head of the CAAA, one of his mandates is to ensure that accounting's professorial class has a voice within the profession. "Essentially it's to bring together [academics and practitioners] into one group," he says. "The link between practice and academia is very important. At CAAA, we promote this because we know that this is something that has to be reinforced. We need to have a strong academia; and a strong academia that is close to practice."

The majority of accounting research generally finds some practical application after some years of gestation and backing by critical and supportive follow-up studies by colleagues, says Gosselin. The import of a work — such as Salterio's analysis of firms' local/national office dynamic, Magnan's study of fraud in financial reporting and corporate governance, or Boritz' continuing work in the area of audit judgment and information systems — may well be long in the making. "We do not necessarily expect instantaneous impact on practice," Gosselin says. "And that's always one of the questions that arise. People say, 'Well then, why should we care about that?' and, 'What's the purpose, then, of doing research in accounting?'" The expectation from academe, he

explains, is a cumulative one. It is a building of a body of thought that will, at the very least, provide new ways of looking at the discipline in practise. And eventually effect change. "That's what we do as accounting academics," says Richardson. "We provide *evidence* that is potentially useful to society, to regulators and standard-setters. They take it from there."

At the end of the day, says Salterio, although a researcher might hope that some visionary construct will effect enormous change and garner laurels for its creator, who can ever truly know what will become relevant? "If you view research only through the prism of what is immediately useful," he says, "as in, the results of what you're doing today will have application tomorrow, well, that's consulting."

For all these leading academic accountants, research informs not only accounting and the financial world in general, but also their work with aspiring accountants. The very best in academe are those scholars who challenge their students as well as established thought while shaping novel and inventive ways of looking at the accounting world. "The need for rigorous research to support the decisions that have to be made by standard-setters and regulators is going to increase," Richardson says. "I think I speak for most of my colleagues in saying that we dream that we could have some impact. If you ever do," he says, "it's just like the Holy Grail."

Robert Colapinto is a Toronto-based writer

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YOU LIKE BIKING, SWIMMING AND THE COLOUR BLUE but you're not so fond of e-bikes and off-white. These and other fun facts emerged from an informal READER SURVEY

By Margaret Craig-Bourdin & Lorie Murdoch

A few *of* **YOUR** favourite things



IT'S A FRIGID MORNING IN WINNIPEG — -42°C WITH THE WIND CHILL

— but Paul Labossière couldn't be toastier as he sits in his office talking about his passion for all things orange. "Bright blaze orange is my favourite colour," says the 28-year-old accountant, who works as a controller at BioChambers Inc. "I have orange glasses, orange shorts, orange T-shirts, orange sweaters and jackets, an orange toque, and recently added bright reddish orange Adidas running shoes. As a matter of fact, I'm wearing my favourite orange zip-up hooded sweater today. And when I go outside I wear my orange toque to keep my noggin warm."

Much as he loves his favourite hue, Labossière also has a closet full of suits in what he

calls funky tones such as canary yellow, forest green and baby blue. One is a merlot-type purple, with bright (you guessed it) orange stitching. "What I lack in vibrant personality, I make up for in colourful clothing choices," he says. We'll have to take Labossière's word for it on his personality. But because of his choice of orange as a colour favourite, he was the clear standout in a light, informal online survey *CAmagazine* recently conducted to find out what readers like to do and what makes them tick when they're not on the job.

illustration by KAREN GREENBERG



Our methods would have made any statistician flinch. We tossed together 40 questions on everything from preferred types of transportation to favourite actors, music, books and wine. Some — such as How would you describe your personality? — were intentionally a little bit out there. We produced the identical survey in English and French and interviewed a few readers for good measure.

Understandably, some respondents were downright irritated: one commented, “Weird survey!” But others got right into it. “Neat survey,” said one. “It’s invigorating to do something new,” said another. “Will be funny to see the results!” said yet another. And then there were the wise souls who took a more holistic

view, with comments such as “Life is short — live it to the full” or “The most important pastime open to everyone is learning.”

We cannot be sure just how closely your responses might resemble those of other professions — or even the general population. But even with our rudimentary methods, we were able to notice some obvious trends. For example, many of you seem to like similar colours, hobbies and vehicles. You tend to like the same kinds of music, too.

One interesting byproduct of the survey was the chance to compare our anglophone and francophone results. While some of your choices (for example, types of pets) were almost eerily similar, cultural differences cropped up in other areas, such

as your tastes in wine or your favourite shopping haunts.

Below, we've grouped together some of our major findings. But what does it all mean? We'll have to ask for your creative input on that. For more results — and a chance to guess at others (see "Play our 'favourites' guessing game," p. 37) — go to camagazine.com/favourites2013. See you there.

WHO ARE YOU?

Our typical respondent was female (approximately 60%), came from a large city in Quebec, Ontario, Alberta or BC and fell into the 40 to 54 age group. While the majority have at least one brother or sister, more than half are pet-free and upwards of 46% have no children. Of those who do, two is the magic number (see "Respondent profile," p. 36).

We asked you to describe your personality, offering choices such as "serious and rational," "full of jokes" and "sensitive." The most common choice for both language groups was — serious and rational. Does that mean there's an "accountant personality" that overrides language differences? You decide. In any case, differences between the two language groups emerged with the

second most popular choice. For anglophones, it was "calm and laid back," while for francophones, it was "lively and energetic."

As a sporty, bilingual anglophone who lives by a lake in the crisp mountain air of the Laurentians, Donna Salvati fits the energetic profile to a T. "I always try to be in a good mood and to project that good mood onto others," says the founding co-partner of Oligny Salvati Inc., a firm that she and her husband run from their home. "Even in April, in the heat of things, I always try to answer the phone energetically. Who wants to talk to someone who is tired?"

YOU GET AROUND

For the most part, you are not small-car or sporty-car fans. When asked what kinds of transportation you use most often, sedans and SUVs topped the list for anglophones at 30% each. (Francophones were a little less enamoured with SUVs, but did like their sedans.) But before anyone starts tut-tutting about gas guzzling, it's worth pointing out that you're not blind to vehicular fashion. When asked what you would get if you were to buy a new car in the next year, a tiny but perceptible minority chose hybrids and electric cars.

An even smaller number chose even smaller vehicles. For example, Salvati uses a scooter to tool around her neighbourhood and to ride into Val-Morin, Que., the nearest town. "It's good for the environment," she says, "and fun to ride." She and her husband also have a Subaru Forester, a Jeep Liberty and an all-terrain vehicle (ATV). The ATV is used mostly for work on the mountainside portion of their 100-acre forested property, which is five minutes from their home. "We use it to transport the logs from the dead trees that we cut down and chop and to transport rock for the trails that we build. We also use it to take the docks and boats in and out of our lake." (We think congratulations are in order for Salvati. Just reading about all this would be enough to cover us off in the sports category.)

TRUE COLOURS

We offered a palette of 19 choices — including three shades of pink — and asked you to name your favourite colour. The most common choice? Navy blue. In fact, blue in all its shades (turquoise, light blue, etc.) was the overall winner.

Blue is also No. 1 for Labossière's wife, Chenelle. And in fact, it makes for a harmonious combo when combined with his favourite. "I wore an orange bow tie on my wedding day, the colours of our wedding were orange and blue, and we got married in October, which is a very popular time of year for orange," he says.

Long before Labossière walked down

Standout stats

- 26 Percentage of anglophones who do not drink wine
- 12 Percentage of francophones who do not drink wine
- 53+ Percentage of respondents with no pets
- 60+ Percentage who play no musical instrument
- 33+ Percentage with three siblings or more

Favourite favourites

- Most unusual set of pets: LEOPARD GECKO AND TWO TEENAGERS
- Most exhausting hobby: PARTYING
- Favourite book of all time: CICA HANDBOOK
- Best spelling mistake for favourite song: GAGNAM STYLE*
- Most unusual response for favourite actress: DENZEL WASHINGTON
- Most unusual response for favourite actor: KEIREN KNIGHTLY [sic]
- Most precise answer for favourite indulgence: THE KEG'S filet mignon with monte carlo potato [sic], sauteed mushroom [sic] and a nice glass of wine

*For Gangnam Style

the aisle, his family knew of his love for orange. One year, his sister gave him a children's book called *I Feel Orange Today*. The book attributes emotions and feelings to different colours — for example, feeling gray means you are feeling lazy; red means you are impassioned. Orange is sitting at the beach, hot and salty with juicy, sticky fingers, waiting to go swimming. "It's like summer vacation," says Labossière. "And that, for the rest of the world who isn't like me, is how you can best understand what it is like to 'feel orange.'"

TO SHOP — OR NOT

Clear cultural differences surfaced when it came to clothes shopping. A full two-thirds of francophones said they shop in specialty boutiques — a preference that Labossière shares. (His favourite haunt is a store in the southern US where he gets "pretty much all" his colourful suits. "They are pretty hard to come by in Canada," he says.)

Although some anglophones also sought the personal attention of boutique shopping, they were more likely to head for the outlet mall. Some showed an even greater predilection for simplicity and economy with responses such as "Costco" or "Superstore." (The latter added an apologetic "Sad, I know.")

Lowest on the shopping enthusiasm scale were those who steer clear of the activity entirely. Salvati belongs to this group. "I avoid it as much as possible," she says. Some of her colleagues get around the problem by delegating: one person typed, "I hate shopping — I rely on my wife to keep me clothed." Another didn't bother explaining: "Wife" was the simple answer.

WHINING AND DINING

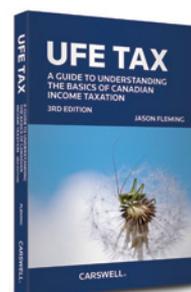
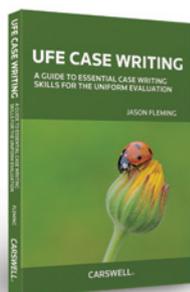
If you were alone and cooking for yourself, what would you do? To go by the survey, more than a third of you would look in the fridge and try to be creative. Another third would heat up leftovers. Perhaps it's the creative artists who leave the leftovers for the others — or perhaps people eat leftovers when they have been creative the night before.

Then again, creative means different things to different people. One respondent said he would take advantage of his wife's absence to eat grilled cheese sandwiches.

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Respondent profile*

AGE		Anglophone %	Francophone %
19-29		14	14
30-39		32	22
40-54		34	50
55-64		15	11
65+		5	2
PROVINCE OR COUNTRY			
Alberta		12	0
Bermuda		0	0
British Columbia		17	0
Manitoba		10	0
New Brunswick		3	0
Newfoundland and Labrador		1	0
Northwest Territories		1	0
Nova Scotia		2	0
Ontario		44	2
Prince Edward Island		1	0
Quebec		2	98
Saskatchewan		3	0
Yukon		0	0
Other		5	0
NUMBER OF CHILDREN			
0		48	46
1		13	16
2		28	20
3+		11	19
SIBLINGS			
0		3	7
1		39	26
2		25	35
3+		33	33
YOUR PERSONALITY			
Calm, laid back		23	12
Serious, rational		29	29
Lively, energetic		8	19
Full of jokes		3	2
Leader		3	7
Follower		2	6
Outgoing, friendly		20	7
Compassionate, empathetic		8	9
Sensitive		5	10

*Because of rounding and individual answers, percentages might not add up to 100

Another confessed, “I always try to make sure my family has a well-balanced meal, so if they aren’t home, I dive for the junk!”

But what about eating out? Here, cultural differences came into play. Francophones showed a slight preference for casual and high-end establishments, while anglophones were more likely to find their inspiration in international aromas. That is certainly the case for Shiraz Ings, who works as manager of compliance audits at the Canadian Food Inspection Agency in Nepean, Ont., a suburb of Ottawa. Her favourite cuisine is Indian, particularly Parsee. “That’s my heritage!” she says. “I typically go [to one of the Indian restaurants in town] with friends who want an Indian meal — and then we have the discussion about whether butter chicken is really an Indian dish or a westernized pseudo-Indian dish. You can probably guess where I stand on that one,” she says.

FUN AND GAMES

For better or worse, watching TV was the favourite hobby for both language groups. And in sports, power walking marched into No. 1 for francophones, while biking took the lead for anglophones. Golfing, swimming and running were also top-five contenders for both groups.

When we came up with our lists, we thought we had imagined most possibilities with 11 hobbies and 21 sports. But we were way off base. One obvious omission was soccer — a favourite of Louis Kan, associate director of technical services at ICAO. In fact, Kan once dreamed of being a goalkeeper for England’s national soccer team. Now he still schedules his vacations around the soccer season; a few years ago, he went to a game in Amsterdam. (That particular jaunt had a side benefit for Kan: “At the Amsterdam Arena, I was introduced to a Frikandel, a sort of hot dog made with deep-fried skinless sausage of chicken, pork and beef served with curry ketchup. YUM!!”)

For Ryan Whittle, it’s not so much the enticing flavours and dull roar of the stadium that beckon; he’d rather swerve and screech around tight corners on his Suzuki SV650 motorcycle. “I’ve been road racing since 2005,” says the 31-year-old senior manager, assurance services at BDO Canada’s Vancouver office. In 2009, he was the SV Cup champion at his home track

in Mission, BC, with seven wins from eight starts.

Despite his successes, Whittle has had his moments. “The silliest thing I ever did was go through a whole race with one of those big black coat hangers stuck inside the back of my jacket. Before the race, I’d hurriedly tossed on my leathers and rushed out to the track. It wasn’t until I came back that I realized the hanger was still there!”

BEST FOR LAST

To top off our survey on an appetizing note, we asked you to tell us about your favourite indulgence. And by far the most popular response was chocolate, in all its forms. One person was careful to specify “Belgian chocolate mousse.” Another couldn’t decide between the dark allure of the cocoa bean and the seductive ring of the wine glass: “Chocolate. No, wine. No. Chocolate with wine.”

Not all choices fit with the flow, however: other mentions included corn bread with lots of butter, Cape Cod potato chips and poutine. But just as Labossière was a standout for his colour choices, David Fleming, a professor of accounting at George Brown College in Toronto, took the prize for indulgences. He says he sometimes likes to eat a Southeast Asian fruit called durian. “It has a very unique taste and smell that people either love or hate — or cannot stand,” he says. “If you dare, try it yourself sometime.”

On Fleming’s recommendation, we turned to Wikipedia for

the lowdown on what is sometimes referred to as the king of fruits. We learned that “the durian is distinctive for its large size, stomach-churning odour and formidable thorn-covered husk. The smell ... has been described variously as almonds, rotten onions, turpentine, raw sewage and gym socks.”

Is anyone still there?

Margaret Craig-Bourdin is editor, online edition, at *CAmagazine*.

Lorie Murdoch is a freelance writer in Hamilton

Play our “favourites” guessing game

You have far more favourites than we could possibly cover here. So we decided to give you a chance to see how well you know yourself and your colleagues. Go to camagazine.com/favourites2013 to guess the most common results for questions such as favourite music, pet and day of the week. We’ll post the results next month.

Also on the web: Shiraz Ings on Parsee food; Ryan Whittle on what he looks for in his crème brûlée.

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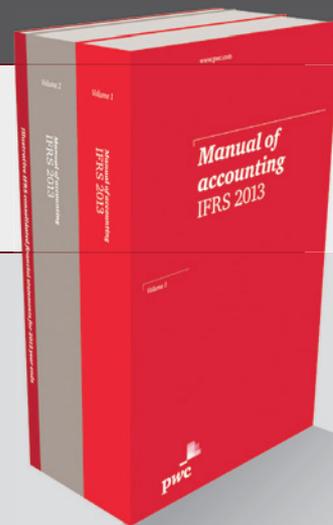
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WHEN MARY CLARE EGBERTS TOOK ON A CONSULTING GIG AT ONTARIO'S

North York General Hospital in 2003, her job was to eliminate a \$23-million deficit on a budget of approximately \$300 million. Not only did she balance the books within a year, she also ensured the hospital stayed on track for the next seven years, first in the position of vice-president of finance and CFO and later as chief operating officer.

Egberts' tactic was twofold: help management — mostly clinicians — better read and fully comprehend individual budgets and financial statements, and figure out which hospital processes could work better. “We performed benchmarking against like-size hospitals and helped [management] understand that more efficient operations were possible while maintaining quality care,” she

says. For instance, they determined their nursing units were too generously staffed in anticipation of patient volumes that never materialized.

These days, Egberts continues to keep costs and resources in check as president and CEO of Quinte Health Care (QHC), where she leads an integrated system of four hospitals in southeastern Ontario.

With a healthcare system that's buckling under the pressure of an aging population and a lack of resources, putting accounting professionals at the helm of healthcare service delivery may be just what the doctor ordered. In fact, more and more healthcare organizations are recognizing that their best clinicians and traditional leaders aren't necessarily best equipped to run what is still ultimately a business.

photography by PAUL ORENSTEIN



Under Mary Clare Egberts, Quinte Health Care has balanced its \$198-million budget for the past three years

“The thinking was that the Ministry of Health was there to bail out deficits. That’s just not the case anymore”

According to a report from policy think-tank the Fraser Institute, Canada’s current tax rates cannot sustain our health-care system and if things don’t change quickly, Canadians will have to swallow the bitter pill of higher taxes. Entitled *The Unfunded Liability of Canada’s Health Care System*, the report shows the system faced a \$537.7-billion shortfall at the end of 2010, up 2.1% from 2006. “Both the provincial and federal governments pay for medicare out of general revenue and neither government has assets or reserve funding to pay for promised future benefits,” says report coauthor and economist Nadeem Esmail.

The major difference between Canada’s system and those of top-performing countries such as Japan, Sweden and Australia is their reliance on user fees and private competition, with governments taking a more appropriate regulatory role rather than monopolizing funds, says Esmail. “What’s central is a business approach to healthcare when it comes to finances.”

As Egberts discovered, even the healthcare professionals who provide frontline services understand that a financial prescription is necessary to cure our ailing system. “I was very well accepted by the physicians and staff because they were looking for someone with financial acumen,” she says. “The thinking before was that the Ministry of Health was there to bail out deficits and that’s just not the case anymore.”

Indeed, prior to her arrival at QHC in 2010, the organization was running annual deficits of almost \$8 million. The ministry appointed a supervisor to remove the board and other roadblocks so Egberts and her management team could implement a financial recovery plan. “We have overhauled our entire budgeting process and hold managers accountable to deliver on their budgets,” she says. “They must report on why

variances are occurring and develop recovery plans for getting on track.” The end result: QHC has balanced its \$198-million budget for the past three years.

Of course, with an endless demand for health services, there has to be different decision-making criteria in health-care compared with commercial enterprises, says Karl Ellis, president and CEO of Listowel Wingham Hospitals Alliance, a partnership between two 50-bed hospitals in southwest rural Ontario. “In healthcare, you can’t refuse to remove an appendix because you happen to be over budget,” he says. “Protecting and expanding services, and providing timely, safe and appropriate care to as many people as possible is still the desired outcome.”

And that’s where the unique qualities of an accounting professional — including an analytical and strategic approach to finding new avenues for cost containment and resource allocation — come in. Those skills proved invaluable to Ellis, particularly for the partnership of two rural acute-care hospitals that now share administrative and support functions. By coordinating the two budgets under one process, he could change the staffing model to attract a higher level of talent, including professionals with designations to handle particular roles such as accounting and human resources.

Ellis, who completed the Advanced Health Leadership Executive Program at the University of Toronto’s Rotman School of Management in 2009, says his training in public accounting is a significant asset in an industry where the demand for compliance and accountability is increasing. However, he also sees opportunities to be creative and bring in a fresh perspective. “We’ve become very rules driven in a time when the industry needs to take some risks and try

A NEW PRESCRIPTION FOR PRIVATE CARE

WHILE THERE IS CLEARLY A NEED for financial expertise in the public healthcare sector, entrepreneurs such as Ken Sim prove that accounting professionals are well-positioned to improve the quality of care in the private sector as well. Twelve years ago, Sim left a lucrative post at CIBC World Markets to cofound Nurse Next Door, a home healthcare service for seniors based in his native Vancouver.

The former investment banker made the leap to health-care after reading *Boom, Bust & Echo* by David Foot, which got him thinking about Canada’s changing demographics and the growing healthcare needs of aging boomers. He also got a taste of the industry’s shortfalls firsthand when hiring

a caregiver for his pregnant wife who was on emergency bed rest. The woman sent to his home by a local homecare service, he discovered, had been hired the day before and hadn’t even met her employer. “She could have been the best caregiver in the world but the company hadn’t taken the time or effort to vet her first,” he says.

“Many of our competitors treated their employees as independent contractors because it was cheaper; we had an advantage simply because we screened our staff and did criminal checks,” he says. “We went from nothing in revenue to a million-dollar-plus business within a year and then we started to win awards.” Today, Nurse Next Door employs some 4,000 employees in more than 60 locations coast to coast, including 10 in the US.

— RS

different things,” he says, citing novel governance and funding structures as well as new models of care as possibilities. “We tend to make wholesale changes to the system that take years to implement, rather than experimenting with smaller groups and projects.”

Brian Schoonbaert, former CEO of Manitoba’s Brandon Regional Health Authority, agrees that strategic analysis is a definite advantage he brings to the table as an accounting professional. When the organization underwent a multimillion-dollar redevelopment in 2004, for example, Schoonbaert (who was then vice-president of finance and information services) identified additional operational costs needed for the project that hadn’t been allotted for. “It got us that additional funding of more than \$10 million annually that we may not have secured, or would have had to try to get after the building was opened,” he says.

Another financial skill that Schoonbaert, who is now vice-president of finance and chief operating officer of the larger Brandon Regional Health Centre of Prairie Mountain Health, attributes to his successful 23-year career in healthcare: steering decisions based on sound evidence. “Being able to show the executive team and the board what is really driving costs and what is going to make a difference is key,” he says. “There are lots of opportunities for improvement, but we have to pick the items that are going to give us the biggest bang for our efforts.”

“It’s the ability to see all the components of the business

and see how things interact and what’s required to make it successful — because people tend to see only their part of the puzzle,” says Donna Ellis, another accounting professional who chose to devote her business skills to the healthcare sector.

After obtaining a master of Health Science in Health Administration from the University of Toronto in 1992, Ellis landed a job as administrative director at Vancouver General Hospital (VGH) in 1993. It wasn’t long before she proved her value. By supporting standard protocols around the types of services provided for common procedures, and creating operating-room schedules that optimized the use of hospital beds, Ellis helped VGH maintain the number of surgeries for hip and knee replacements while reducing inpatient resources by more than 25%.

Now CEO of KinVillage, a nonprofit housing, healthcare and recreational complex for seniors in Tsawwassen, BC, Ellis says people are often surprised to learn she doesn’t have a clinical background, even though it makes perfect sense in a field where the ongoing mantra is to cut resources without decreasing service levels.

“In healthcare you deal with extremely intelligent people but finance is not their niche,” she says. “My financial expertise has become my ‘in’ because a lot of clinical folks aren’t confident about financial management.”

Rosalind Stefanac is a freelance writer based in Toronto

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The jig is up, or is it?

While no system can ever weed out all sham marriages, regulations on sponsored spouses may give victims a stronger voice

In April 2007, Lainie Towell of Ottawa married Fodé Mohamed Soumah in Guinea, West Africa. The dance artist, who was in her mid-30s, first met Soumah in 2004 when she visited his home country to study traditional Guinean dance. He was a musician with a native dance troupe and they connected through their mutual passion for the art form.

Towell revisited Guinea three times during the years before they were married. The wedding day was a joyous celebration that included hundreds of people dancing in the streets of Conakry, the capital city where the ceremony took place. Soon after, Towell began the application process to bring her husband to Canada. He arrived in Ottawa on New Year's Eve 2007.

Thanks to the immigration laws of the time, the minute Soumah entered the country he had full permanent residency status. That included access to all social and health benefits available to any other legal resident. This

was not the case in countries such as the US and Australia, said Julie Taub, an immigration lawyer based in Ottawa, in an interview with the CBC. In those countries couples have to prove they've been married for two years before being entitled to those rights.

Towell, as his sponsor, was financially responsible for her husband for the first three years he lived in Canada. There was no onus, however, other than a moral one, for Soumah to remain with his new wife.

Not long after the couple had reunited in Ottawa Towell discovered a secret that began the quick dissolution of their marriage. She came across an email, she later told CTV's investigative program *W5*, that revealed Soumah had been involved in an affair with a 15-year-old dancer in Guinea while he was engaged to Towell. That relationship had produced a child. When she confronted Soumah with the evidence, he admitted it was true. "That was the worst day of my life," she said.

What ensued was even more heartbreaking.

A scant three weeks after having stepped off the plane in Canada, Soumah disappeared. He left his wedding ring on Towell's dresser and a note saying he never loved her.

Frantic and heartbroken, Towell eventually reached him by cellphone, for which she was paying. He said he wanted a divorce. He also threatened to collect welfare. He knew that under Canada's immigration rules, if a marriage such as Towell's failed, the sponsor was legally responsible to pay back any social assistance the partner was able to acquire.

"It's very disturbing. The government is re-victimizing these victims, so the policy has to be changed," Raj Chouhan, NDP MLA for Burnaby-Edmonds, told the *Ottawa Citizen*. He noted that some people who had come to him for help were on the hook for more than \$60,000 that their former spouse had obtained once in Canada.

A feisty woman, Towell was deeply disturbed by what she perceived as a calculated betrayal by the man she had once thought was the love of her life. But unlike many of the estimated 1,000 victims of marriage fraud



in Canada each year, some of whom felt too embarrassed to admit they'd been used, she decided to fight back. In doing so she almost certainly inspired a change in the law. She also demonstrated that fraud victims, especially those who find the existing legal and bureaucratic systems weighted against them, can sometimes make a difference.

Towell took two major steps. First, she informed the Immigration and Refugee Board of Canada that Soumah had lied on his application form to enter Canada by not declaring he had a child with another woman in Guinea. This triggered an investigation that could result in his being deported. In early 2009 he was found to have misrepresented himself and was ordered to leave the country. But, as a permanent resident, he was allowed to appeal, a process that could take several years.

His right to an appeal infuriated Towell, who later told *W5* that the government wasn't concerned about marriage fraud but only that he had lied in his documentation. She decided to go public, in a very demonstrative way, to protest what she, and so many others, believed were the lax regulations governing marriage shams.

In April 2009 (and in October of that year, for a TV appearance), Towell put on quite a show in Ottawa. She donned her strapless wedding dress and attached a large red door to her back. A sign on the door read: "Mr. Immigration Minister, it's getting heavy." The door, she said, symbolized how fraudsters use marriage as an easy entranceway to Canada.

Towell walked and cycled some 15 km from the Ottawa airport parkway to Parliament Hill. At the same time, a man dressed as a groom, but wearing a wolf mask on his head, rode alongside in a large white limousine. Instead of the traditional "Just Married" sign on the limo there was one that said "Just Landed."

"I'm using art as a vehicle for communication and I believe it's extremely effective," Towell told reporters covering the performance. Effective it was. The stunt garnered a lot of media attention. It also came at a time when more and more victims of marriage fraud were organizing to fight against a system they found offered them little or no justice.

One group, Canadians Against Immigration Fraud, had filed a class-action lawsuit against Citizenship and Immigration Canada (CIC) and the Canada Border Services Agency a few months earlier. "Immigration Canada has used various tactics to silence [marriage fraud] victims by victimizing them," the nonprofit group wrote on its website. "They have done this by delaying the process of justice and

by [a] lack of information. They have denied them their rights by turning a blind eye to this problem and by pretending it doesn't exist." The federal court, however, did not accept the lawsuit.

But Towell's flamboyant protest did achieve results. Not only did it produce numerous stories in the media on the day of her protest, it likely inspired subsequent documentaries such as *True Love or Marriage Fraud?*, which was broadcast on CBC TV's program *The Passionate Eye*, and *Broken Vows: Marrying for Immigration Not for Love*, on *W5*.

In these programs, viewers watched stories of women and men (not all victims are female by any means) who had been conned into marrying a foreigner whose sole intent, it seemed, was to gain permanent residency for themselves and their families. Once a person gained permanent residency it was "almost impossible to get rid of them," Taub told *The Passionate Eye*. She noted that their families could also enter the country even if they spoke no English or French or had no education. Once they landed, they too would have access to Canada's social and healthcare benefits.

W5 exposed another aspect of the story: Canadian-based agencies willing to arrange scam marriages for a fee. One undercover reporter, posing as a student from Hong Kong who wanted to remain in Canada after her visa expired, was told by a Toronto-area firm that it could connect her with a person willing to marry her so she could acquire Canadian residency. The cost? \$40,000.

Reporter Victor Malarek took the undercover video to Citizen-

Accounting Standards Oversight Council

The Accounting Standards Oversight Council (AcSOC) is pleased to announce the appointment of Linda Mezon, CPA, CA, MBA, CPA (MI), CGMA, as the new Chair of the Accounting Standards Board (AcSB), effective July 1, 2013. Until her appointment as Chair becomes effective, Ms. Mezon is serving as the AcSB Vice-Chair to facilitate the transition. She also previously served as an AcSB member from 2004 to 2012.



Linda Mezon

Ms. Mezon is the Chief Accountant at the Royal Bank of Canada (RBC), where she is responsible for the interpretation and application of IFRSs and US GAAP. Ms. Mezon also monitors compliance with Canadian regulatory requirements on financial disclosure, in addition to being responsible for auditor independence.

She is a frequent speaker on the topic of IFRSs, representing both the preparer and standard setter points of view. Previously, Ms. Mezon held senior positions in such other companies as Nortel Networks, Bell Mobility, Glaxo-Wellcome Inc., Motorola Cellular Canada, Ltd., and Federal Mogul Corporation. She also has four years combined experience in public accounting, with Coopers & Lybrand in Canada and Price Waterhouse in the U.S.

The **Accounting Standards Board (AcSB)** establishes financial accounting and reporting standards for use by Canadian entities outside of the public sector and participates in the development of International Financial Reporting Standards (IFRSs). Final standards are issued in the CICA Handbook – Accounting.

The **Accounting Standards Oversight Council (AcSOC)** is an independent, volunteer body established by the Canadian Institute of Chartered Accountants in 2000. It serves the public interest by overseeing and providing input on the activities of the Accounting Standards Board (AcSB), which sets financial reporting standards for profit-oriented enterprises and not-for-profit organizations in the private sector, and the Public Sector Accounting Board (PSAB), which sets 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. Additional information is available at www.frascanada.ca.



ship, Immigration and Multiculturalism Minister Jason Kenney. The minister said what he viewed was “outrageous” and “totally unacceptable.” He also said he was not surprised. “I hear these reports all the time.” And he made a significant promise: that he was soon going to be coming out with “a more robust regulation” to deal with what he called ghost consultancies such as the one exposed in the program. When pressed about the general issue of marriage fraud, however, he noted that people who entered the marriages had to bear some responsibility for the failed relationships. “At the end of the day, the government is not responsible for people’s individual decisions,” a perception that some Canadians shared, as evidenced by comments, often nasty, posted at the end of online stories about Towell and other victims. One example post following an article on Towell that appeared on www.OttawaXpress.ca: “I don’t get it; this woman get [sic] dumped by a man, and she cannot stop telling the world about it?! For God’s sake, get over it and leave everyone, including yourself, in peace.”

Kenney’s comment to Malarek suggested the existing rules that granted a newlywed instant permanent residency would not change. But the mountain of evidence suggesting change needed to occur was getting higher.

Kenney embarked on a two-year information-gathering process that included town hall meetings and an online questionnaire. The results convinced him to act.

In October 2012, CIC unveiled new rules. In a news release headlined “‘The Jig is Up on Marriage Fraud,’ says Minister Kenney,” CIC introduced “a new regulation that requires certain sponsored spouses live in a legitimate relationship with their sponsor for two years or they risk losing their permanent resident status,” and can be deported.

During a news conference, Kenney “cited Canadian officials in Hong Kong who unmasked a southern China-based Triad gang charging ‘vulnerable’ young women up to \$60,000 each for arranged marriages and citizenship with co-conspirators here,” Sun Media reported.

The *Toronto Star* quoted Sam Benet, president of Canadians Against Immigration Fraud, as saying the new measure was a “bold step” that “sends a strong message to all the fraudsters that Canadians are very generous, but we are not fools.” His organization, the paper said, “estimates there have been at least 15,000 cases of marriage fraud over the past several years.”

Not all reaction to the new regulation, however, was positive. On the website www.rabble.ca, Maria Kari, a writer and law student in Vancouver, raised concerns that the new regulations could be harmful for women. “While the regulations exempt victims of abuse and neglect, the abused partner still faces several obstacles,” she wrote. “These include shouldering the burden of proof of abuse, information and language barriers, and paying for providing evidence of abuse and cohabitation.

“There is simply no evidence a probationary period will deter marriage fraud. Sadly, the recent trend in Canada’s immigration policies has left our nation as a shimmering shadow of its once

best self. And in addressing this troubling phenomenon, neither complacency nor panic were the right response. Substantiated evidence, proportionality and evenness were dispensed with when these changes were made.”

Concerns were also raised that overzealous government officials, mindful that the government wants to crack down on sham marriages, might now be inclined to reject legitimate applications. In *True Love or Marriage Fraud?*, former visa officer Rhonda L. M. Williams, now president of Canadian International Immigration Consultants, noted, “Officers don’t always make the right decisions.”

Kenney’s decision, however, seemed to usher in a new approach to tackling marriage fraud. In August 2012, “a man alleged to have posed as an immigration consultant appeared in court in Montreal, charged with multiple counts of misrepresentation in a bogus marriage scam aimed at helping North African men stay in Canada,” the CBC reported. “Amadou Niang, 56, is suspected of arranging at least 315 marriages of convenience involving 630 people, most of them North African men seeking Canadian citizenship and Montreal-area women recruited to marry them. In all, 39 people face 78 charges under the

Concerns were raised that overzealous officials, mindful that the government wants to crack down on sham marriages, might be inclined to reject legitimate applications

Immigration and Refugee Protection Act — mostly for making false declarations or for marrying under false pretences.”

While victims of marriage fraud generally applaud the new regulations, some are concerned that it’s still too easy to exploit the system. Canadians Against Immigration Fraud, for example, calls for “additional measures to deter individuals who might otherwise use a relationship of convenience [to circumvent] our immigration laws.”

But no system could ever weed out all sham marriages. At the best of times it’s a complex and difficult relationship to make successful, as Towell found out. But she did have the last laugh. She believes that her former husband was sent back to Guinea some time in 2012. She doesn’t know for certain because the government wouldn’t release that information, citing privacy rules.

Although the new regulations might have come into effect without the public antics employed by Towell in 2009, it seems they played an influential role. Fraud investigators and victims should take note. Too often victims of fraud have no voice. Or the reaction by regulators and the justice system appears to be too lenient or sometimes unsympathetic. The Towell case, and that of many thousands of other well-meaning souls who were manipulated by seemingly loving partners, shows the power that going public can sometimes have.

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Good judgments

Threats of inherent bias in making judgments can be overcome if processes include appropriate safeguards

Professional skepticism and judgment are two hot-button issues in the audit world. Many experienced auditors are finding the mounting questions vexing, with the implied criticism of their judgment process. "I have been auditing for years. My judgments are just fine, thank you very much," is a common refrain.

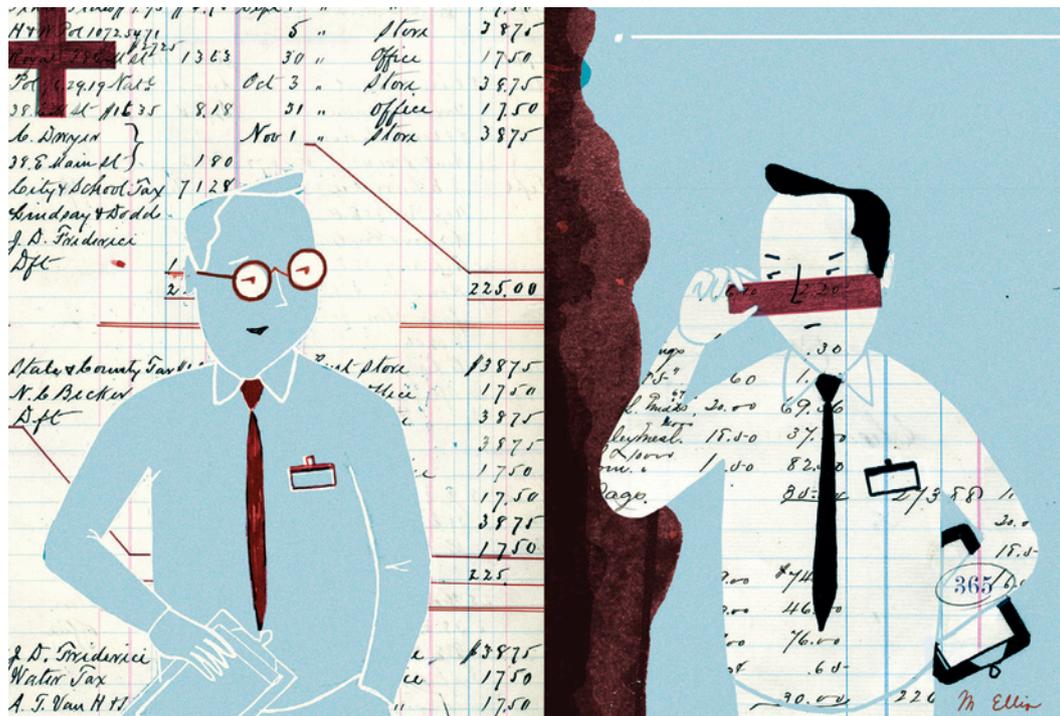
This attention to auditor judgment and skepticism comes at the same time as advances in cognitive psychology. There is increased attention on the way our brains are programmed to make judgments: it turns out that making good judgments is not intuitive and is much more difficult than initially realized. Specifically, our brains are programmed to make snap judgments, often based on little evidence and guided by strongly built-in unconscious biases. While the ability to react quickly

and decisively may be vital to survival in life and death situations, it is not usually helpful in conducting an audit.

Many larger firms have developed sophisticated strategies for overcoming our unconscious biases and promoting sound processes for making judgments. These methodologies work well in team environments where auditors can question each other's process and judgments. But the audit team on a micro-entity, defined as a low-risk engagement with client revenue less than \$1 million, a small client staff and no onsite CFO engagement, is often one person. It can be a real challenge for one person to overcome the threats of inherent bias in making judgments, but it can be done if your judgment processes include appropriate safeguards.

Inherent unconscious bias in the judgment process

A recent spate of books on unconscious bias in the judgment process (Daniel Kahneman's *Thinking, Fast and*



Slow, Dan Ariely's *Predictably Irrational*, and Richard Thaler and Cass Sunstein's *Nudge*) shed light on our conscious and unconscious thinking processes and the challenges in making good judgments. Some of the factors auditors may not be conscious of include:

- **The power of first impressions:** our brains quickly make unconscious judgments based on first impressions. And first impressions unconsciously colour subsequent thinking, which affects how a person thinks about issues. Unconsciously looking through rose-coloured glasses can inhibit the skeptical attitude that is required in every engagement. Snap judgments based on first impressions and the barest of facts may be an advantage when being chased in the wild by an animal, but they aren't helpful when facing a difficult issue on an audit such as assessing the ability of an entity to continue as a going concern in a turbulent market.

- **Taking the easy route:** we unconsciously default to easy judgments. Our brains evaluate situations and, based on our past experiences and recent impressions, unconsciously take the route requiring the least mental effort. It is important to note that easy does not equal lazy; this is just the way the human brain is wired. Unfortunately, unconsciously making easy judgments does not bode well for the auditor facing a new set of circumstances or a complex situation requiring various perspectives.

- **Believing what we are told:** if first impressions are positive, people are unconsciously inclined to believe what they are subsequently told. While this trait may be a marketer's dream, it poses a direct threat to an auditor's skepticism.

- **Believing what we want to:** we unconsciously discount evidence that contradicts our beliefs. This is a well-understood failing of many investors. Once they believe an investment is a good buy, they will heavily discount any contradicting evidence. The same is true for auditors. Once they head off in one direction, it takes conscious effort to be persuaded to change — even in the face of contradictory evidence.

- **The influence of the initial position:** the starting point of any decision has a big influence on how people unconsciously view probable outcomes. An auditor's consideration of a range of outcomes of an estimate varies significantly depending on management's initial estimate (Kinney, W.R., Jr., and C.M. Haynes, *Analytical Procedure Results as Substantive Evidence*). If the initial estimate is \$10,000, then the auditor may consider a range of \$5,000 to \$20,000 as reasonable, whereas if that initial estimate is \$100,000, then the auditor may consider a range of between \$50,000 and \$150,000 as reasonable. To avoid this unconscious bias, the auditor should be stepping back to see what the estimate should be — regardless of the starting point provided by management.

These are a number of serious unconscious threats to an auditor's ability to make good judgments. What auditors are not capable of is changing their very nature. Auditors are human after all and cannot change the basic workings of their brains. What auditors can do is introduce safeguards to protect against unconscious bias. This is also essential to ensure a skeptical attitude.

However it's managed, auditors need to make good judgments on every engagement.

Barriers to making good judgments in micro-entity audits

Larger firms in Canada have developed sophisticated safeguards to shield the judgment process of audit teams from unconscious bias (e.g. *Elevating Professional Judgment in Auditing and Accounting: The KPMG Professional Judgment Framework*). These mechanisms include:

- using formal decision-making frameworks that result in questioning management's judgments;
- engaging external experts where necessary; and
- becoming aware of and uncovering bias in auditor judgment at every level in the team hierarchy.

These safeguards are designed primarily for an engagement executed by a team of auditors.

There are, however, a number of complications that make eliminating bias in the judgment process in a micro-entity audit a challenge. The audit team on a micro-entity engagement is typically one person and, in some cases, two people, such as a junior staff person and the engagement partner.

Safeguards take time and effort and will work only if they are implemented diligently. The better news is the process of conscious decision-making gets easier with practice

Also, management is often not knowledgeable about accounting and financial reporting, which makes the initial identification of issues all the more difficult. Second guessing one's own judgment is especially hard when it likely involves unconscious bias. Implementing excessively formal and rigid judgment processes is not conducive to an efficient or effective micro-entity engagement where flexibility is essential.

Develop a process to reduce unconscious bias

The good news is that there are safeguards you can implement in even the smallest audits to significantly reduce the impact of inherent and unconscious bias in judgment.

Safeguards take both time and conscious effort, and they will only work if the professional implements them diligently. The even better news is that the process of conscious decision-making gets easier with practice. Documenting the process, a valuable safeguard in its own right, means you will have complied with the documentation requirements for significant judgments as you make them — an added bonus.

The following 10-step process should help an auditor working on a micro-entity audit reduce bias in making significant judgments:

- **Clearly state the issue.** Overcome the power of first impressions by clearly stating an issue. This can clarify the problem and allow the auditor to focus attention on the real concern. For example: is the issue one of uncertainty regarding an estimate, or rather the implications of that issue on debt covenants and a possible

calling of a demand loan? This is the time to stand back and expand your perspective.

- **Document which stakeholders will be affected by the judgment.** Get away from the unconscious tendency to take the easy route initially presented. Focus on the more complex picture. Are the stakeholders primarily creditors, management, members and/or the client's customers? It's important to understand who could be affected, as groups could have different tolerances for the outcome and have their own biases. For example: in a not-for-profit organization, a modest change in an estimate could result in an unexpected surplus requiring repayment to a funder. In this case, the impact on management and the funder need to be considered.

- **Determine the possible outcomes and whether they differ for various stakeholders.** Looking at an issue from more than one perspective avoids unconscious influence from the initial position presented. Given the principal stakeholders involved, how will various outcomes be perceived? Think of the impact of various possible outcomes and how they compare to management's estimate.

- **Evaluate the process management has gone through to develop the issue, what evidence it has provided, and what you have done to verify it.** This is instinctively done by trained auditors. Unfortunately, it is often the only step auditors perform in making a judgment and is subject to the threat of unconsciously giving inordinate weight to supporting evidence. Consciously review the evidence management has provided. Has it explored a range of options or just looked at one? Are its assumptions reasonable and can you obtain evidence to corroborate them?

- **Obtain evidence from other sources and evaluate its quality.** Safeguard against the unconscious bias to give greater weight to evidence confirming management's assertion and less weight to that contradicting it. Have you looked for evidence that refutes management's assertion and if so, was it persuasive? If not, are you letting your unconscious take the easy route? If you can't find any evidence at all to refute management's assertion you should at least document where you looked.

- **Determine whether consultation with someone else is necessary.** In most cases in micro-entity audits, consultation will not be needed as the engagements are by definition low risk. If consultation is not necessary when evaluating a significant risk, document why you believe this is the case.

- **State and document your conclusion and the impact on your audit.** Documentation proves time and again to drive quality judgments and quality audits. A few minutes taken to document your process is time well invested.

- **Document why you believe your conclusion to be correct.** While it is important to document the outcome you believe is true, it is

just as important to document why you disagree with the other outcomes identified. Why, for example, were you not persuaded by evidence you found contrary to the judgment you made? Why were other options not considered or, if they were, why were they discarded? Again, this is a safeguard against unconsciously giving inordinate weight to evidence that supports your case.

- **Evaluate the cumulative effect of management's judgments for evidence of bias.** By assessing the combined impact of judgments, you may see evidence of management consistently leaning one way.

- **Consider revisiting your judgment in next year's audit.** How well did you do? This will provide feedback on the quality of your judgment process and is a requirement in every recurring audit.

Audits of micro-entities may be low risk by definition, but significant judgments are still necessary and auditors must still approach these engagements with a skeptical attitude. Unconscious biases can have a detrimental impact on auditor judgments. Regardless of the size of the audit team, it is important to have safeguards to protect against these unconscious threats. A rigorous process to help reduce unconscious bias in making judgments is essential in even the smallest of audits.

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Corporate or personal?

There are a number of reasons to hold a life insurance policy in a corporation rather than personally — one being the tax treatment

The proposed changes to the exempt test for life insurance policies announced in the 2012 federal budget will likely create a flurry of insurance proposals aimed at grandfathering the old preferential tax treatment to be accorded policies issued by the end of 2013. Many of these proposals will pertain to corporate-owned life insurance, which provides substantial tax benefits that are sometimes overlooked or inadequately understood by accountants and other financial advisers.

A lack of familiarity with the tax treatment, alternate structures and the insurance product itself can impede their ability to provide professional advice to their clients.

This is a review of the tax treatment of corporate-owned life insurance.

The most basic tax fact regarding life insurance is that the death benefit is always paid tax-free to the beneficiary. To maintain the integration concept — the notion that the tax system should be designed and tax rates set so a taxpayer pays the same amount of tax irrespective of whether a form of income is earned directly or via a corporation — a death benefit paid to a corporation creates a credit to the capital dividend account (CDA) equal to the death benefit less the adjusted cost basis (ACB) of the policy to the corporate beneficiary. Consequently the death benefit can flow out substantially tax-free as a capital dividend to the intended beneficiaries who may be direct sharehold-



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ers or beneficiaries of a trust or an estate that holds the shares.

The next basic tax fact is that an exempt policy is not subject to annual taxation on the increase in the cash value of the policy. This allows the corporation to tax-shelter capital paid into the policy as premiums. The growing cash value typically gives rise to a growing death benefit, allowing a larger sum to be paid tax-free to the corporation on the death of the insured, which then receives the capital dividend treatment described above. Even where the death benefit does not increase, there is an implicit sheltering in that the difference between the total premiums paid and the eventual death benefit is not treated as income or as a capital gain.

In the situation of a holding company, where a significant portion of the capital is expected to be passed on by the shareholders to their beneficiaries, the corporate-owned policy can serve as a tax-free conduit for this purpose. Simply put, dollars paid into the policy grow to a larger value tax free and then are paid out of the corporation to the beneficiaries tax free. Though this may seem too good to be true, it is in fact the way the tax rules are written and applied.

Using corporate cash to invest in life insurance premiums compares very favourably with the alternative of putting cash into taxable investments such as fixed income products, which accrue income that is subject to annual taxation. Further tax is payable when a dividend is paid to beneficiaries. Lastly, taxable investments contribute to the capital gains tax liability on the deemed disposition of the deceased shareholder's shares.

By contrast, the death benefit is not considered a corporate asset for the purpose of the share valuation, thus saving capital gains tax. (However, the cash surrender value [CSV] of the insurance policy, if any, is included in the fair market value [FMV] of the shares.) The result of this preferential tax treatment is the creation of a larger estate using life insurance than is generally created using alternative corporate investments of similar risk and funded with the same deposits.

The last basic tax fact is that life insurance is not a capital property for tax purposes, nor is it eligible property for the purposes of a Section 85 rollover. Rather, the transfer of an existing policy to a corporation is considered a disposition.

Ironically, the tax treatment of this transaction can be particularly beneficial where the existing policyholder is a shareholder because the proceeds of disposition are deemed to be equal to the CSV, which may be nil or less than the ACB, resulting in no taxable policy gain.

On the other hand, the transfer of the policy to the corporation gives the shareholder the right to receive, in exchange, a payment equal to the FMV of the policy, which may be tax free. The FMV, which is best established by an actuary, can be a very significant number, especially for a long-established policy or when the life expectancy of the insured is impaired.

As a final benefit, the ACB of the policy to the corporation is the CSV, not the FMV, which can result in a lower ACB to the cor-

poration than the ACB was to the existing policyholder, thereby reducing the portion of the death benefit, which is distributed to the shareholder as a taxable dividend rather than a tax-free capital dividend.

There are several other reasons why one may want to hold a life insurance policy in the corporation rather than personally. First, the corporation may be in a better position to pay the premiums, especially where capital is effectively trapped in the corporation by the tax cost of getting it into the shareholder's hands.

Paying the premiums with after-tax corporate dollars is in virtually all cases cheaper than paying the same premiums personally. (The corporation must use after-tax dollars because premiums are nondeductible except to a limited extent if the coverage is required by a lender for a corporate loan.) More fundamentally, the death benefit may provide liquidity that can be used to redeem the shares of the deceased pursuant to a shareholders agreement or to meet operating requirements where the insured is a key employee whose death would cause a disruption to the operations and thereby the cash flow of the corporation.

Using corporate cash to invest in life insurance premiums compares favourably with the alternative of putting cash into taxable investments such as fixed income products

Notwithstanding the advantages, there may be reasons not to own the life insurance in a corporation, such as:

- the corporation may be an operating company where the death benefit and CSV could be subject to the claims of creditors (in contrast, if the policy is personally owned, the death benefit is protected from the owner's creditors as long as there is a named beneficiary and further where a beneficiary designation is made in favour of a member of the preferred family class, the policy itself, including the CSV, is protected from creditors under provincial insurance legislation);
- there is an intention to access the cash value of the policy for personal cash-flow purposes and corporate ownership could give rise to a shareholder benefit; or,
- there is a desire to sell or wind up the company before the death of the insured and the expected tax cost of transferring the policy at that time is considered prohibitive.

The second part of this article, in the next issue, will discuss some of the common corporate-owned insurance structures designed to achieve the retirement and estate objectives of shareholders in a tax-efficient manner.

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Problems even for the innocent

Fraudulent conveyance acts may not be in keeping with the needs of a complex business environment and too often favour creditors



Most people do not pay attention to their provincial fraudulent conveyance acts.* Why should they? It sounds as if FCAs apply to criminals, not to commercial matters. But FCAs can affect people when they do not expect it — impacting aspects of tax planning and family law matters. FCAs could come into play especially if you are a business owner or have significant personal assets.

You may think if you are solvent you can plan your financial affairs as you see fit: if you want to transfer your house to a spouse (as many unincorporated professionals do) you can do so; if you want to gift assets to a children's trust you can do so — with the same reasoning applying.

Similarly, you may think a corporation can reorganize its affairs when there is no prejudice to its creditors at

that point in time. But *Abakhan & Associates Inc. v. Braydon Investments Ltd.* (2008 BCSC 1547; affirmed 2009 BCCA 521) clearly demonstrates that assets innocently transferred away may ultimately be claimed by creditors years later; worse, in the case of *Abakhan*, by creditors who were not even creditors at the time of the transfer. Talk about unjust enrichment.

In the *Abakhan* case, William Botham was the directing mind of Botham Holdings Ltd. BHL had been incorporated years earlier and had accumulated substantial worth such that its equity in real estate was worth about \$20 million at the time of the attacked transaction.

In 2004, BHL sold a real estate asset at a profit and paid a large amount of capital gains tax. In 2005, Botham was looking for an opportunity to invest the funds realized by the sale of the asset. A friend who had experience in the car-leasing business encouraged Botham to invest



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in a new business. Together they formed JW Auto Group and acquired a portfolio of leased vehicles. The proposed investment would have the tax benefit of generating capital cost allowance deductions. This would enable BHL to obtain refunds of capital gains tax, which it had previously paid. But BHL had to become a general partner in the new business, and the new business had to be its major source of revenue. As a general partner of JW Auto Group, BHL would be responsible for any debts incurred by the partnership.

Botham was advised by legal and accounting professionals that he could both protect BHL's assets from creditors' claims and qualify for the tax benefits by transferring BHL's assets to a new corporation and then using BHL to invest as a general partner in JW Auto. Braydon, the new corporation, was duly incorporated in October 2005 and the valuable assets were transferred from BHL to Braydon. BHL received preferred shares as consideration.

The auto-leasing business failed and in 2007 both the partnership (of which BHL was the general partner) and BHL were assigned into bankruptcy.

The trustee of BHL attacked the transfer of the assets from BHL to Braydon as a fraudulent conveyance, invoking the British Columbia FCA. Section 1 of the BC FCA, at the time, stated: "if made to delay, hinder or defraud creditors and others of their just and lawful remedies

- (a) a disposition of property, by writing or otherwise,
- (b) a bond,
- (c) a proceeding, or
- (d) an order

is void and of no effect against a person ... whose rights and obligations by collusion, guile, malice or fraud are or might be disturbed, hindered, delayed or defrauded, despite a pretence or other matter to the contrary." (BC's FCA has since been amended to remove the words "by collusion, guile, malice or fraud.")

There were many arguments made by the trustee and Botham as to the application of the FCA in this case, but the two key issues the court had to determine were whether the act was applicable in the absence of lack of dishonest intent on Botham's or BHL's part and whether subsequent creditors could avail themselves of the FCA.

For starters, even the trustee agreed that Botham had no mala fides in structuring the transaction the way he did; while the issue of creditor proofing was discussed, the main impetus was tax planning.

In the end the court determined that in order to invoke the FCA, it is not necessary to demonstrate that a transferor had a dishonest or morally blameworthy intent. The fact that BHL's assets were conveyed away to shield them from creditors was enough. This is in fact consistent with the wording of other FCAs (such as Ontario's), which do not include the words "by collusion, guile, malice or fraud" or similar wording implying a requirement of bad faith.

The issue the court then had to decide was whether the transferred assets were put out of reach of BHL's creditors, particularly creditors who did not exist at the time of the transfer. The court

ruled that even future creditors could attack the transfer. It based this conclusion applying the definition of who can invoke the FCA being "creditors and others." The court felt subsequent creditors fell into the "others" category. As a result, the Braydon transaction was declared void with the effect that Braydon's assets were turned over to the trustee of BHL for distribution to its creditors.

The creditors of the auto leasing business were not creditors of BHL when the assets were transferred out. BHL was solvent at the time; no creditors were pressing for payment although BHL did have ordinary course creditors. Tax planning was the main motivation for the ultimate corporate structure. Even the trustee acknowledged that there was no dishonest intent on the part of Botham.

More recently, BC's Court of Appeal ruled in the case of *Mawdsley v. Meshen* (2012 BCCA 91). Mr. Mawdsley was the common-law husband of a woman with considerable net worth, which she had acquired before their relationship. As part of estate planning, just before her death, she transferred the bulk of her assets to an inter vivos trust in favour of her children and brother-in-law. Her will reflected the same distribution of assets. Upon her death, Mawdsley challenged the transfer saying the settlement of the trust was void, contravening the FCA.

Professionals routinely convey away their residences to a spouse not exposed to litigation. Later a creditor can claim it was a fraudulent conveyance and attack the transfer

The court in this case referred to the Abakhan case by stating that Botham had admitted one purpose of transferring assets was to protect BHL's assets from creditors. But this was not the case in Mawdsley. The court dismissed Mawdsley's claim stating there had to be an intention to "delay, hinder or defraud creditors" for the FCA to apply. In other words, just the effect of transferring of property is not enough to invoke the FCA; there has to be intent to prejudice creditors.

The court also dealt with the concept of "others" invoking the FCA. Certainly, in a family-law context the court rejected that a noncreditor at the time of a transfer can invoke the FCA.

There effectively is no time limitation as to when the FCA can be invoked, as provincial limitation periods only start running when creditors are deemed to have discovered the conveyance. This could be many years after the transfer. (Ontario's FCA does have a 15-year absolute limitation but the transferor is still exposed for a seemingly inordinate amount of time.)

So consider where this can impact innocent, run-of-the-mill transactions — tax planning transactions and certainly creditor-proofing attempts. Professionals — lawyers, doctors, accountants — routinely convey away their residences to a spouse who is not as exposed to litigation. Years later a creditor can claim that it was a fraudulent conveyance and attack the transfer.

Another example: a bank asks a business owner to purchase key-person insurance. The policy is placed in the borrowing

entity. This makes the premiums tax deductible. Years later the company fails and the cash surrender value goes to the company's creditors. The policy could have been placed in a separate entity with the bank as the beneficiary such that if the bank debt is repaid from other assets the business owner gets the CSV. Of course the premiums would not be tax deductible. This is another example of the natural tension between tax planning and creditor proofing.

The FCA (as interpreted in *Abakhan*) certainly forces a decision to be made between optimum tax-planning strategies and creditor proofing.

If asset protection is the goal, assets should be put in the name of a new corporation (or a spouse, or trust) from the start of ownership, thus there is never a conveyance. Risky activities should be conducted in a clean new entity. If *Botham* had used a new company for the auto-leasing business, the real estate would not have been exposed to the auto-leasing business's creditors.

If tax or estate planning involve asset transfers, there should be no discussion about creditor proofing. Easier said than done.

There should be some modernization of FCAs. There should be a limitation period for when the FCAs can be invoked running from the time of the transaction, similar to the Bankruptcy and Insolvency Act where, for example, under Section 96, a nonarm's-length, undervalue transaction can only be attacked within five years of its occurrence. The important take-away is that creditors lose their ability to attack transactions at a defined point in time.

Another change might be to reintroduce (or legislate) the

notion that the FCA is designed to prevent dishonest intent, not just intent. There should be an intent test, perhaps using the badges of fraud as a guide, factors such as the timing of the transfer, consideration received and so on. The origin of FCAs was the Statute of Elizabeth circa 1571 in the UK. It was enacted as a criminal remedy, not a civil one. The title does have the word "fraudulent" in it, yet it has successfully been argued, as in the *Abakhan* case, that this is not meant to infer that in modern times it means dishonest intent.

It would be good to have clarity that FCA can only be invoked by creditors existing at the time of the conveyance, not subsequent creditors. The theory is that creditors are making decisions as to whether to supply credit to a counterparty based on current financial data provided by the counterparty, not on unknown events that took place years ago.

FCAs are too broad and not in keeping with the needs of a modern society and complex business environment. They have been interpreted in a manner that heavily favours creditors. Corporations and individuals should be entitled to arrange their affairs as they wish at a time when they have no issue with their creditors. FCAs should be amended to reflect this reality.

(All common-law provinces have such acts; in Quebec, creditors' rights are encompassed in the Civil Code.)

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Shedding light on negotiations

There's more to an auditor-client relationship than just handing over completed financial statements

Auditors have always had to negotiate with client management for adjustments to financial statements. Yet this fact of life has only recently been acknowledged in auditing standards, textbooks and by audit researchers. Until recently, the standard depiction of auditor-client management interaction was one where the client CFO handed a complete, or nearly complete, set of financial statements to the auditor shortly after year-end. That both auditors and client management influence the content of the financial statements is completely missing from what was then the standard portrayal of the auditor-client management relationship.

In recent years, audit research has shed considerable light on this previously obscure negotiation with significant studies of auditor-client management negotiations carried out in Australia, Canada, Singapore, the UK and the US. The key findings of this research include:

- the audit committee does not get involved in monitoring this negotiation process that can result in material differences in financial reporting;
- audit partners need to recognize that developing a negotiation strategy is a professional response to dealing with discovered potential adjustments to the financial statements;
- audit firms need to support audit partners and others with training in accounting negotiations about strategies and approaches to negotiations that are most effective;
- audit firms need to understand that reports of “personality differences” between the audit partner and the client CFO might be symptoms of deeper issues (i.e., aggressive client accounting positions) that affect the quality of the financial reporting and the consequent risk to the audit firm.

The beginning

The first article to directly discuss auditor-client negotiation was by Antle and Nalebuff (1991), but it drew little interest, even from academics.¹ In the mid-1990s two research teams, unknown to each other, began to study

auditor-client management negotiations through the eyes of audit practitioners. In a series of interviews and surveys with hundreds of auditors and CFOs in Canada and the UK, researchers documented the fact that negotiations took place on a regular basis between auditors and client management.² As might be expected, the audit partners with their multiple clients reported experiencing accounting negotiations more frequently than CFOs.

Researchers noted several key aspects of these negotiations. First, audit partners and CFOs report a relatively low involvement by the audit committees in overseeing these highly material accounting negotiations (and such reports continued to be made well into the first decade of this century). Second, there exists a high desire of both parties to reach a negotiated agreement to accounting issues

On the bright side for audit partners, research finds that they can be trained to negotiate more effectively with client chief financial officers

with an emphasis by the CFOs on the final effects on the financial statements, not necessarily the outcome of a particular accounting issue. Third, there is little evidence of client opinion shopping with other audit firms. While audit partners and CFOs mostly agreed about what took place in the negotiation process, audit partners tended to look at any negotiation as part of the overall relationship, whereas CFOs viewed each issue as something that they could win or lose on. The latter characterization has significant impact on how negotiations are carried out.

The negotiating dyad

Within the negotiating dyad, researchers found that the audit partner's overall role, as seen by partners and CFOs, was to manage the relationship so it would be considered good by both parties.³ Two principal types of relationships between CFOs and audit partners were labelled by researchers as a “proactive” and a “reactive” relationship.

In proactive relationships the CFO initiates consultations with the audit partner before transactions are undertaken or disclosures drafted to ensure that the accounting

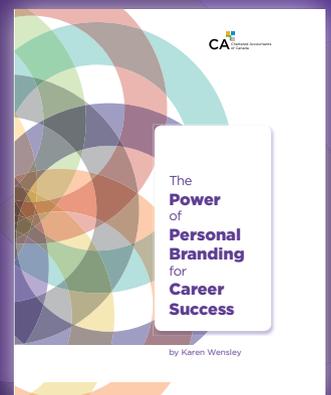
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in the financial statements is of high quality. Expert-adviser auditors in proactive relationships are given the responsibility of ensuring that the financial statements are beyond reproach, with CFOs somewhat ceding responsibility for high-quality financial reporting to the audit partner.

In contrast, reactive relationships feature CFOs who wait to see if the auditor discovers the accounting issue that the CFO knows exists or who inform the auditor of the issue at the last minute. In these relationships, the CFO views the financial statements as being his or hers and actively contests any proposed accounting changes. These police-officer auditors are charged with ensuring their clients' financial statements comply with minimal technically correct GAAP. Research finds that auditors in this role identify a smaller set of issues requiring resolution and are more reluctant to enter into negotiations with the CFOs. Hence, there are potential real effects to the financial statements from the CFO's attempts to create a reactive relationship with the auditor.

Research finds that in many cases where the audit partner attempted to transform the relationship from reactive to proactive the CFO complained to the audit firm's higher management or, in the extreme, threatened to put the audit out to tender. These CFO responses always led the audit firm to replace the engagement partner with a partner willing to accept the reactive relationship while the firm claimed the change was due to personality differences.

Research on auditor-CFO negotiation strategies

Audit researchers then began to look at ways that accounting negotiations could be improved. One of the most intriguing findings of the early research was that audit partners do not enter negotiations with client management with any thoughts of formulating a negotiating strategy. They believe they know the correct answer and that developing negotiating strategies would be unprofessional. Further, while audit partners may have more experience in accounting negotiations CFOs exhibit stronger negotiation skills, perhaps as they are involved in daily negotiations with suppliers, vendors, customers and others due to their managerial roles. Further, and unlike auditors, CFOs clearly see themselves in negotiations and strategize accordingly.⁴ CFOs are more likely to use negotiation tactics such as start high/concede later and to trade off one reporting issue for another than auditors are willing to do. Finally, research finds that CFOs are able to determine the auditor's goals and limits entering negotiation more accurately than auditors are able to determine management's goals and limits.

On the bright side for audit partners, research finds that audit partners can be trained to negotiate more effectively with client CFOs. Audit partners and managers who took part in an interest-based negotiation exercise where they role played the CFO's position before going into a negotiation achieved a 50% higher concession from client management for changes to the financial statements than auditors who had not undertaken such preparation.⁵ Further, partners achieved a higher rate of agreements with CFOs (90% versus 67% of negotiators reached agreement) and left CFOs feeling more satisfied with the negotiations than those in

negotiations with audit partners who had not learned about the CFO's interests through the role-playing exercise.

Researchers have looked at a variety of strategies that auditors or CFOs might employ in negotiations. Reciprocity is a strategy where the auditor explicitly tells the CFO of the potential adjustments that are found by the auditor, but that are waived due to their lack of consequence.⁶ CFOs in this scenario are more willing to accept material adjustments when they are informed of the waived adjustments than when the discussion centres solely on potential material adjustments. CFOs are also more likely to be satisfied with the negotiation process and to want this audit team to continue on the audit the following year when the inconsequential adjustments waived are disclosed to the CFO early in the negotiations by the auditor.

Another negotiation strategy that researchers have investigated is the so-called "high-low" strategy where the parties start with a more conservative position than the one they are willing to accept. Client CFOs often enter negotiations employing this strategy. Using this strategy CFOs are effective at reducing the size of the final adjustment agreed on with the audit partners.⁷ Audit partners entering negotiation try to be

In many cases where the audit partner attempted to transform the relationship from reactive to proactive the CFO complained to the audit firm's management

reasonable in their initial requests for adjustments to client management rather than starting with a more conservative interpretation of GAAP. This approach leaves auditors with little or no room to make concessions that are shown to make the negotiation process work smoother and also makes it more difficult for the auditor to obtain a final accounting adjustment that is acceptable to them.

Researchers have also studied if the timing of the auditor's concession to the CFO affects the negotiated outcome. Research finds that the CFO's final offer to adjust financial statements toward the accounting preferred by the auditor is highest when auditors offer gradual or delayed concessions and lowest when auditor concessions are given early in the negotiation process.⁸ Also, CFOs' happiness with the relationship with the auditor was higher under the strategy of gradual or delayed concessions.

Another negotiation strategy that researchers have investigated is an appeal to a quasi-independent authority (i.e. the national accounting consultation unit) as a basis for justifying an auditor's negotiation position.⁹ Employing the audit firm's national office as a reason to require accounting adjustments has been shown to lead to significantly higher concessions by the client CFO than negotiations that did not employ that resource. However, recent research has also found that auditors making proposals to client management and audit committees in competitive bidding for audit work are willing to concede this potential negotiation approach in order to win the engagement. Specifically, some audit firms are promising the client manage-

ment that the national technical accounting office will only be consulted on a limited basis and that the final decision about client accounting acceptability will be made by the local office audit partners.¹⁰ By giving up this bargaining position to win the audit engagement, the auditor is giving up a highly effective negotiation approach with the client management without even knowing whether it might be needed.

Finally, research on audit committees' oversight of the negotiation process shows that audit committee members, even those with technical accounting expertise, are reluctant to get involved with monitoring such negotiations.¹¹ While regulators hope that audit committees would act as countervailing weights to management, and research shows they have some effectiveness if they do so, generally audit committees are not fulfilling that role.¹²

The way forward

There are three key messages from academic research on auditor-client management negotiation. First, despite nearly a decade of regulatory change that seeks to involve the audit committee more deeply in such auditor-client negotiations, the committee prefers to leave these issues to the CFO and auditor. Second, audit partners need to overcome their reticence to learn how to strategically negotiate accounting issues with client management. Third, audit committees and regulators and audit-firm management need to clearly understand that reports of personality differences between an audit partner and client management may mask a much deeper issue: that the CFO doesn't want his or her ability to manage the financial statement numbers to be challenged by an activist auditor. Research continues on these issues and more, but enough research has been done to suggest that substantial gains can be made by enhancing the auditor-client negotiation process.

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AND FINALLY...

HOW THEY DO IT IN...



ICELAND

Although retirees in one of the smallest, most remote countries in Europe have plenty of recreational activities to keep them busy, many age 60-plus also choose to work.

As well as golfing, fishing, hiking, socializing in outdoor thermal pools or travelling, more than half of Icelanders between the ages of 60 and 70 are still on the job. About one in five 65 and older earns a paycheque past 70.

For the average worker, pension payments are calculated based on retirement at age 67, but employees can start collecting payments — and settle for less — if they choose to retire at 65; at 70, they'll get more.

Retirement income is based on three pillars: tax-financed public pension schemes, occupational pension schemes and voluntary private pension funds.

The occupational plan requires employees to contribute 4%

of their salary until age 70; the employer puts in 8% — more for public workers and in some industries. Those who pay 2% into a private fund receive an equal amount contributed by their company.

Thorvardur Gunnarsson, managing partner and CEO at Deloitte's Reykjavik office, says that although the official retirement age is 62, most of the staff continue working for five more years, but in a more limited role.

"[Staff] typically get 50% to 60% of their salary per month from the pension funds, depending on how much their contributions to the pension fund system have been," he says. Gunnarsson had planned to retire at age 62 in 2016, but the 2008 financial collapse took its toll on his savings and pension funds. "My plan now is to leave the firm where I've worked for 38 years and pursue a second career. When you think about it, 62 is pretty early to stop working when you're in good health."

Recent rules that can cut up to 60% in pension payments for extra-income earners, however, may tarnish workplace longevity. Extra earnings above 140,000 krona (approximately \$1,093.40) a year can reduce pension payments.

Lorie Murdoch

Where are they now? PATRICK MARTIN



A thrilling challenge

Patrick Martin loves being a controller — and being in the Canadian military. When *CAmagazine* interviewed him nearly five years ago ("He's in the army now," August 2008), the then captain had just returned from a seven-month tour in Afghanistan. After a few

weeks off, he returned to his role as controller at Canadian Forces Base Valcartier, northwest of Quebec City.

Transferred to Montreal in 2009 and promoted to major in 2012, the 42-year-old is now the controller of finance for Quebec and manages an annual budget of close to \$200 million. "I'm responsible for the kitchen, military housing, all the facilities and vehicle maintenance, as well as the Canadian military's building construction and maintenance. I have to track each project before authorizing any expenditures," he explains.

Despite his many responsibilities, Martin never loses sight of his primary duty. "Missions are the Forces' top priority," he says. For example, he was sent to Haiti in January 2010, a week after the country was hit by a devastating earthquake. He was the controller of a contingent of 2,500 soldiers from the army, navy, air force and the Canadian Forces Disaster Assistance Response Team, which provided aid to the population. "The deployment happened rather quickly and with little means. I slept in a tent for two months. The living conditions in Haiti were very rough, even worse than in Kandahar," Martin says. He recounts that he had to take antimalaria medication every day and suffered an allergic reaction to insect bites. But he does not regret his involvement in the humanitarian mission for a minute. "I witnessed the suffering in Haiti firsthand, as I was in direct contact with the people," he says. "This type of experience takes me out of the world of finance and accounting, which I could never do if I worked at a firm."

So what are Martin's career ambitions now? Is he aiming for the Armed Forces' highest-ranking position in his field? "Why not?" he says with enthusiasm.

Marie-Josée Boucher



On my desk

by Jaclyn Law



JOHN CURRIE

is executive vice-president and CFO of lululemon athletica inc. He oversees a wide variety of functions at the Vancouver-based athletic-apparel company, including accounting, financial planning and analysis, real estate, information technology and asset protection, working closely with CEO Christine Day to manage growth. Before joining the company in 2007, Currie worked at Intrawest Corp. for 17 years, most recently as CFO. He played a major part in the growth of the company, a provider of leisure travel and destination resorts such as Club Intrawest in Whistler, BC. Prior to Intrawest, Currie held senior financial positions within the BCE group and specialized in international taxation at a major accounting firm. He earned his CA designation in 1980 while articling at KPMG. Here's a rundown of some favourite items he keeps on his desk.



DONALD TRUMP DOLL

"It's about the size of a Barbie doll. He has a button on his back that, when pressed, has 10 different sayings to fire someone. My favourite: 'I should fire myself just for having you around.' When I joined lululemon six years ago, there was no human resources department, so I like to joke that I brought

The Donald in to help me evaluate staff."

FIRST NATIONS WOOD-CARVING

"I have a passion for Coast Salish carvings. Wandering through a gallery a while ago, I found a piece that resembles an inverted lululemon logo, so I couldn't resist buying it for my office."

iPHONE 5

"It's never out of arm's reach. I use it to read *The Wall Street Journal* and *The Globe and Mail* every morning, text my kids, check stock prices and get the latest snow conditions at Whistler Blackcomb."

CALCULATOR

"It's my HP 12c calculator. It's kind of vintage. When I bought it 25 years ago, it was

state of the art, with functions nobody ever figured out how to use. I just can't bring myself to get rid of it."

NOTEPAD

"I'm an obsessive maker of lists. It's simple but it helps me get organized and set priorities, and when I'm busy, writing out my to-do list makes it all feel more manageable. Any notepad with lines will do."

RICK ETIKIN/APIX

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Outlook

BY MARCEL CÔTÉ

WHERE ECONOMICS AND POLITICS MEET

The challenges of progress

Ten years ago, US journalist Michael Lewis published *Moneyball*, which detailed the Oakland Athletics' success in baseball in the early 2000s, even though the team paid the lowest salaries in major league baseball. The team's success was based on sabermetrics, a system devised to identify and scout the minor league's most promising players using sophisticated statistical analyses. By adopting this strategy, the A's were able to pay their best players less than what big stars on other teams were earning.

However, the release of *Moneyball* sounded the death knell for this winning strategy, since all other major league teams adopted sabermetrics within a few years. Scouting young players is now the main source of value creation for team owners in all professional sports, since top athletes generally cost more than they generate.

The prevalence of sabermetrics in baseball reflects the pace of progress in the private sector, where what's best easily wins out. Any innovation is quickly copied and becomes the new norm.

The same cannot be said of the public sector. Trapped by ideologies, politicians often refuse to learn from progress. For example, there are no high-speed trains in North America, even though they are highly efficient for medium-distance travel. But there is no clearer example of political short-sightedness than the decline of Great Britain's economy during the past four years.

Like all industrialized countries, Britain fell into a recession in 2008 following the US financial crisis. Like Canada, Britain was well positioned to weather the storm, mainly because it had two of the same assets as Canada: government debt under control and its own currency.

To offset the recessionary pressure, the Canadian government launched a \$40-billion stimulus program in 2009. Britain did the exact opposite. In response to the growing deficit in public finances caused by the economic downturn, the British government chose to implement tough austerity measures, on the premise that to restore

investor confidence, repairing public finances had to be given top priority over stimulating demand through fiscal expenditures.

The economic impact of this policy was devastating, resulting in economic stagnation, growing unemployment and a GDP that is still below its 2008 level. What's more, in 2012 the government's deficit represented 8% of the GDP, twice that of Canada's. That's what Britain got from four years of budget cuts.

Under analogous economic conditions, Japan introduced a similar austerity policy in the '90s that yielded equally disastrous results. The British government did not care to learn from Japan's situation. London maintained that deficits were bad and that a balanced budget had to be attained at all costs. Yet, economist John Maynard Keynes

Canada maintained macroeconomic stability in the financial crisis. In other areas, it has a long way to go

taught us 75 years ago that when demand is weakened by a recession, governments should stimulate the economy.

But no country is immunized against short-sighted politicians. In fact in other areas, Canada made similar mistakes, demonstrating that our politicians can be just as myopic. For instance, Canada spends more on healthcare than most industrialized nations, yet we have one of the most mediocre systems. Our politicians refuse to emulate Europe, where the healthcare systems are much more efficient and less expensive, thanks mainly to the private sector's contribution, an alternative that is anathema in Canada.

Blinded by their ideologies, our politicians don't want to learn from the best. They are as stubborn in this respect as they are with the high-speed train solution.

To its credit, the Canadian government maintained macroeconomic stability during the financial crisis. But in other areas, the country still has a long way to go. Government must learn to better manage progress.

Marcel Côté is a strategic adviser at KPMG SECOR, Montreal

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