



[www.camagazine.com](http://www.camagazine.com)

# MOBILE SOLUTIONS

Tech your office in new directions with these tools



Publications Mail Agreement No. 40062437 R09829



The changing demands and nature of professional development for CAs give new meaning to the term "continuing education" P. 24



CCH ACCOUNTANTS' SUITE  
INTEGRATED | INTELLIGENT.



Mary  
Female

- Over 65 years old
- Married
- Medical expenses
- RRSP contributions
- Rental income
- Self-employed

- Childcare expenses
- Tuition expenses
- Disabled
- RRSP contributions

Simon  
Male

- Over 65 years old
- Married
- Caregiver
- Homeowner
- Disabled
- Self-employed

Paul  
Male

- Over 65 years old
- Married
- Childcare
- Tuition
- Disabled
- RRSP cc

Nancy  
Female

- Over 65 years old
- Married
- Moving expenses
- Homeowner
- First time home buyer repayment

## How much time do you spend on collecting client info for personal tax preparation during tax season?

The new *Taxprep® T1 Tax Organizer* from CCH Canadian can bring your productivity to a new level. Unique in Canada, this innovative solution lets you sprint ahead during tax season with pre-filled client questionnaires. They integrate seamlessly with *Personal Taxprep*, making it easy for you to collect your clients' most up to date tax information.

When you combine *Taxprep T1 Tax Organizer* with *Personal Taxprep*, you get:

- **Significant time savings.** Populated with the previous year's data, the questionnaires take no time at all for you to generate and for your clients to complete.
- **Enhanced T1 accuracy.** *Taxprep T1 Tax Organizer* is updated each year to include any new claimable items. Automatic import function in the digital version helps reduce data errors.
- **Improved client service.** With more time to review your clients' information in advance, you can maximize claims and prevent filing delays.
- **Reduced printing and mailing costs.** *Taxprep T1 Tax Organizer* works with *CCH Portal®*, a Web-based solution that allows you and your clients to securely share tax questionnaires and other client files.

Your time is precious.  
Stay ahead this tax season.

Contact your CCH Account Manager or Customer Service at **1.800.268.4522**. Or visit [www.taxprep.com/personal](http://www.taxprep.com/personal)

December 2011 Volume 144, No. 10

**Editor** Okey Chigbo  
**Art director** Bernadette Gillen  
**Associate art director** Kevin Pudsey  
**Senior editors** Bernadette Kuncevicus  
 Tamar Satov  
 Yvette Trancoso  
**Associate editor** Marie-Josée Boucher  
**Assistant French editor** Margaret Craig-Bourdin  
**Editor, Web edition** Alan Vintar  
**Magazine Web producer** Harriet Bruser  
**Editorial assistant** Suzanne Mondoux  
**Director of translation** Steve Brearton  
**Contributors** Jim Carroll, FCA  
 Michael Burns, MBA, CA John Tabone, MBA  
 Marcel Côté  
**Technical editors and advisers:**  
**Assurance** Yves Nadeau, CA  
**Business valuation** Stephen Cole, CBV, FCA  
**Education** Karim Jamal, PhD, FCA  
**Finance** Peter Hatges, CA, CBV, CF  
**Fraud** David Malamed, CA-IFA, CPA, CFF, CFE, CFI  
 Peter Farkas, CBV, CIP, FCA  
 Jo-Anne Demers, BA, LLB  
 Carolyn Cohen, MSW, CA  
 Garnet Anderson, CFA, CA  
 Stephen Rosenhek, MBA, CA, CIRP  
 Ron Salole, vice-president, Standards  
 Jay Hutchison, CA  
**Insolvency** Yves Godbout, CA-IT, CA-CISA  
**Legal issues**  
**People management**  
**Personal financial planning**  
**Practice management**  
**Studies & standards**  
**Taxation**  
**Technology**  
**Publisher** Cairine M. Wilson, MBA  
**Sales and marketing manager** Brian Loney (416) 204-3235  
 brian.loney@cica.ca  
**Advertising sales manager** Bruce Feaver (416) 204-3254  
 bruce.feaver@cica.ca  
**Quebec advertising representative** Serge Gamache (450) 651-4257  
 sergegamache@videotron.ca  
**Advertising representative** Darcey Romeo (416) 204-3257  
 darcey.romeo@cica.ca  
**Advertising coordinator** Michael Marks (416) 204-3255  
**Circulation manager** Annette DaRocha (416) 204-3367  
**CAmagazine Editorial Advisory Board**  
 Doug McPhie, FCA, Chair Blair Davidson, FCA  
 Margaret Albanese, CA Phillip Gaunce, CA  
 Nancy Cheng, FCA Michel Magnan, FCA

CAmagazine is published 10 times a year (with combined issues in January/February and June/July) by the Canadian Institute of Chartered Accountants. Opinions expressed are not necessarily endorsed by the CICA. Copyright 2011.

Toronto: 277 Wellington St. West, Ontario M5V 3H2  
 Tel. (416) 977-3222, TDX 103, Fax (416) 204-3409.  
 Montreal: 680 Sherbrooke St. West, 17th floor, Quebec H3A 2S3. Tel. (514) 285-5002, Fax (514) 285-5695.

Subscription inquiries: Tel. (416) 977-0748 or 1-800-268-3793  
 Fax (416) 204-3416

On the Internet: <http://www.camagazine.com>

E-mail: [camagazine@cica.ca](mailto:camagazine@cica.ca)  
[letters.editor@cica.ca](mailto:letters.editor@cica.ca)  
[advertising.camagazine@cica.ca](mailto:advertising.camagazine@cica.ca)

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, Canadian Institute of Chartered Accountants, 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 Canadian Institute of Chartered Accountants, 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.



## Gearing up for tomorrow

Whether it's about education or the latest in gadgets, keeping up with developments is vital to keeping current

In our fast-paced, rapidly changing world, the person who stands still educationally is likely to be left very far behind. Today, it's not enough for CAs to just take professional development courses; to get to the next level they have to take that extra step in education to be competitive in these difficult times. And this may include taking such courses as social networking and business etiquette.

We sent writer Mary Bitti to find out what CAs who want to continue educating themselves are doing these days.

She writes: "The new reality is that what a CA needs to know goes well beyond the expectation that he or she will stay up to speed with changing standards and new tax rules." See "Education continued," p. 24, to learn more about what other CAs are doing to get an educational edge.

We live in an age of gadgetry — cell phones, laptops, iPods, iPads and cameras that can do all sorts of things. Many of these electronic knick-knacks are mere toys for adults. But some are useful tools that can assist chartered accountants who are not tied to the traditional office. CICA tech expert Mark Hinkley examined the most useful of these on the market today and reviews them in "Gadgets to go" (p. 32). "Today's portable gadgets offer a lot that their predecessors didn't," he writes, "better battery life, higher quality and sturdiness. Not to mention that every year gadgets get faster, stronger and smaller." Even if you are not always on the move, this interesting examination of the best tech tools out there might reveal an unrecognized need.

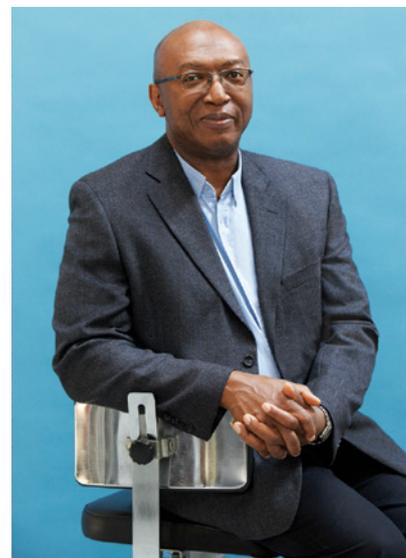
The case for a merger between CAs and CMAs has been eloquently stated by the CEOs of the respective national bodies, Kevin Dancey of the CICA and CMA Canada's Joy Thomas. In "The changing accounting landscape: uniting Canada's accounting profession" (p. 14), journalist Deirdre McMurdy speaks to prominent voices in the business world who further explain why this dialogue is vital.

Columnist Marcel Côté is in fine form this issue (Outlook, p. 52). He argues that Canada's slow productivity growth does not stem from a lack of investment or deficiencies in the workforce; he says it is due to a dearth of innovation, something that governments are aware of but have failed to address effectively.

For the regulars this issue, we have taxation, which analyzes the implications of transfer pricing for taxpayers and authorities (p. 36); fraud (p. 39) is on how forensic accountants decipher codes in correspondence; standards gives us an update on financial reporting frameworks for not-for-profit organizations (p. 42); and legal issues is about price-adjustment clauses (p. 44).

Happy holidays and happy reading.

Okey Chigbo, Editor



## upfront

### 4 MAILBOX

### 6 PEOPLE

During his regular workday, Vancouver CA Errol Lipschitz has a subdued demeanour and might wear a three-piece suit. But when it comes to his Shriners work, he steps into big shoes, dons a red shiny nose and a perma-smile to clown around cheering up sick kids at local hospitals

### 6 NEWS AND TRENDS

California targets delinquent taxpayers  
• Optimism only slightly dampened  
• How can I maximize my productivity when I'm working from home?  
• Numbers game • Going concern

### 10 BITS & BITES

Budget overruns total \$82 billion  
• Does birth order dictate pay? • Tablets take off • Mad men it's not • Danish tax

## columns

### 1 FROM THE EDITOR

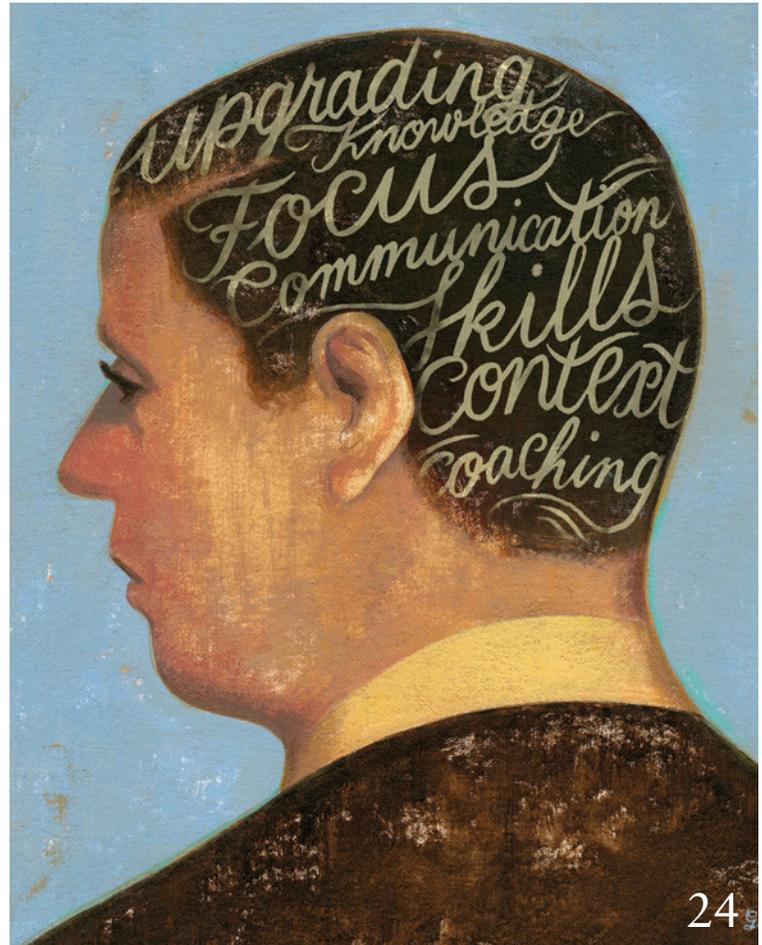
Gearing up for tomorrow

### 12 WORK IN PROCESS

The complex art of estimating

### 52 OUTLOOK

New ideas about innovation



## features

### 24 Education continued

Professional development has always been a condition of keeping a CA designation current and in good standing. But continuing education is not what it used to be. So what do CAs need to brush up on and where and how do they get further training and education?

BY MARY TERESA BITTI

### 32 Gadgets to go

Today, working from home, from a hotel room or on a plane is easier than ever thanks to tech tools that facilitate working on the go. If you're a road warrior, find out what tech aids are out there, or about to be on the market, to make your job easier

BY MARK HINKLEY

## regulars

### 36 Taxation

Transfer-pricing implications: treasury-related transactions pose problems in applying arm's-length pricing

By **Andrei Tarassov + Jaime Nemeth + Thomas Tsiopoulos**

### 39 Fraud

The 411 on the 420s: deciphering codes and arcane references is all in a day's work for forensic accountants

By **David Malamed**

### 42 Standards

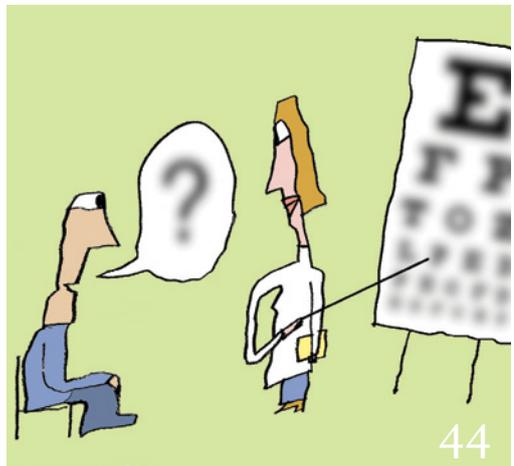
New standards for NFPOs: the AcSB and PSAB joined forces to update financial reporting frameworks for NFPOs, which have diverse needs

By **Brian Barrington + Jim Keates**

### 44 Legal issues

Passing comments on PACs: the tax and legal communities may have to wait to get a clear picture of appropriate PAC provisions

By **Manu Kakkar**



## news

14 MERGER UPDATE

18 NEWS FROM THE PROFESSION

21 STANDARDS DIGEST

## professional directory

47 PROFESSIONAL DIRECTORY

49 CAREER OPPORTUNITIES

50 CLASSIFIED

Breaking news, tax updates, job postings, archives, more articles: you'll find them all at [www.CAmagazine.com](http://www.CAmagazine.com)



# Mailbox

## MERGER CONCERNS

In “Strength in letters” (Discussion, August), Joseph Petrie gives a good overview of some of the major issues concerning the proposed merger with the CMAs. However, he — and CICA president and CEO Kevin Dancey — ignores the elephant in the room: the matter of the standards of admission, education, examination and practical experience of the two accounting bodies. This is not mentioned, although it is, I think, the primary concern of all CAs.

There have been several attempts in the past to merge the CA designation with

other designations, the most successful of which was the Ontario CA-CPA merger of the 1960s.

This was a successful merger because the examination and other standards of the then Ontario CPAs were equal to that of the CAs and the practical experience requirements of the two bodies were very similar. I speak from firsthand knowledge as I was the Institute of Chartered Accountants of Ontario’s first director of education and was responsible for putting out the CPA exams during a three-year transition period.

Another, but unsuccessful, merger at-

tempt was in 2004 when the CICA, ICAO and the other provincial institutes tried to merge CAs and CMAs (formerly registered industrial and cost accountants) into one body. Ontario rejected this move despite huge pressure from the ICAO Council, which included province-wide meetings with sophisticated sales-talk presentations promoting the idea. The opposition was so strong that the proposal was quietly dropped. Why? Because, in my view, unlike in the CPA merger, this was not a merger of equals and members saw through the expediency of the effort. Also, Quebec would have no part of it.

# it takes one to know one



jennifer splaine CA

jennifer mazzarolo CA

jon nagamatsu CA

alex barker CA

jonathon morris CA

carmela tersigni CA

jeff campin CA

mark frankel CA



The Mason Group specializes in the recruitment and placement of finance and accounting professionals because that’s the world we come from. For permanent or contract searches – for all levels from Financial Analyst to CFO – we know what it takes to help our clients and candidates find their perfect fit.

t 5 f g h n a 7 i  
q p r v 2 u % t l  
n w t h e a s v h  
1 e f x m a s o n  
c t b g r o u p m  
+ o q z 1 f e 3 u  
a 0 e 8 c n d o t

Discover yours at [www.masongroup.ca](http://www.masongroup.ca)

Mississauga 905-804-1100

Toronto 416-733-9393

( strategic search partners )

# Mailbox

The title of the article raises the canard that there are so many accounting designations in Canada that the public is confused. I have yet to see a shred of empirical evidence to support this assertion. Further, the proponents of the merger plan to add to the “confusion” for 10 years, during which time designations such as CPA-CA and CPA-CMA would be acceptable. This makes no sense.

**Brian Galvin, FCA**  
North York, Ont.

## HOMO OPTIMISTICUS?

In “Homo innovaticus” (Outlook, October), Marcel Côté makes all the right points about the effects of the application of economic theory. What he does not address is the more serious impact of the acceptance of the advice of economists within ministries of finance over that of accountants.

We CAs tend to be somewhat conservative in our fiscal outlook. Government economists tend to be somewhat optimistic. In my many years as a financial executive within the Ontario public service sector there were occasions when I foolishly asked ministry of finance economists why the government did not increase taxes to pay for significant new programs. The answer was invariably that economic growth would result in the extra taxes required and/or the politicians did not want to raise taxes. Big joke!

As the chair of a school’s finance committee, I continued the practice of my predecessor by ensuring fees were raised by a nominal amount each year in those years when we could have managed without an increase. This cushioned the impact of subsequent years’ required increases and sensitized parents to the fact that costs go up, never down.

**Stephen Dreezer, CA**  
Toronto



**Make this tax season  
your best ever!**

**Save processing time and complete  
more returns.**

With **DT Max**, you get:

- Bulletproof EFILE
- Automated optimization including pension income splitting
- Complete data conversion
- New advanced review features
- Expert telephone support

**... and a company that  
cares about your success**



**See for yourself!**

Download your **FREE** demo copy at [www.dtmax.ca/eng](http://www.dtmax.ca/eng)  
or call us at **1-800-663-7829** (Option 4).

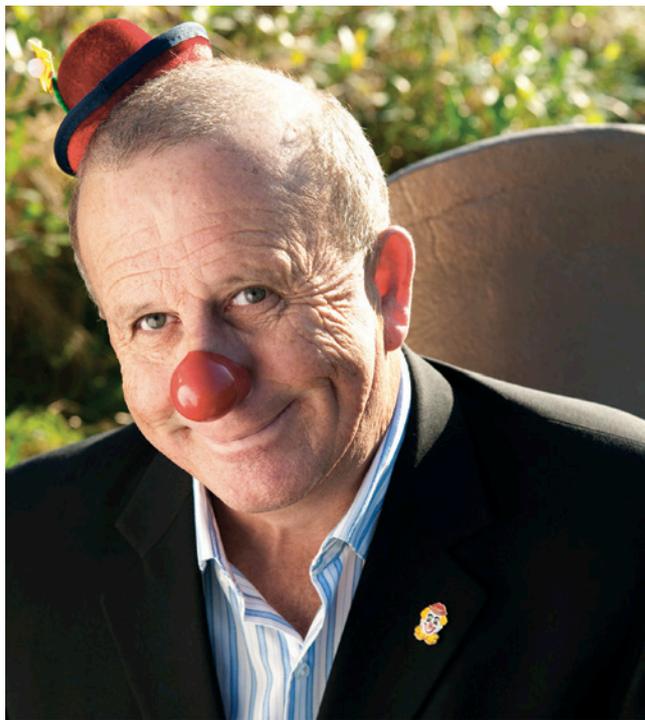
[www.dtmax.ca](http://www.dtmax.ca)

DT Max is a professional tax product from  **DRTAX**  
Canada's tax software company

# UP FRONT

News, people, briefs, trends + tips

## Make 'em laugh



**Behind the makeup: CA and Shriners clown Errol Lipschitz has heartfelt reasons for donning the red nose**

When Vancouver CA Errol Lipschitz got the nickname “Lippy” in high school, he had no way of knowing what a fitting nom de guerre it would be for his future alter ego: a boisterous clown volunteering at local hospitals, events and parades on behalf of the philanthropic Shriners organization. “Behind the mask, you can say and do outrageous things you’d never think of doing in a three-piece suit,” says Lipschitz, 60, who — when he’s not wearing his perma-smile and red shiny nose — is the perfectly professional vice-president of marketing and operations (Western region) for LaunchLife International Inc., the franchisor behind career and business college Academy of Learning.

But the opportunity to shed his normally subdued demeanour isn’t the CA’s primary reason for stepping into such big shoes. “My motivation is for philanthropy,” he says. Giving back was something he learned as a child. “My father was a physician who had that affinity toward helping people who were less fortunate,” says Lipschitz, who had started medical school himself before switching studies and earning his CA designation in South Africa in 1977.

After moving to Vancouver in 1979 to flee the apartheid regime, he joined the Shriners with the understanding that he’d join one of their volunteer units. “The one that attracted me the most was the clown unit,” says Lipschitz, who has become a pro at balloon twisting and performing a little magic.

Lippy has even clowned around with dignitaries, including former BC premier Gordon Campbell. But his most meaningful moments as a clown have been cheering up sick kids at local hospitals. “The best part is bringing a smile to a [sick] child,” he says. “To take their mind off their discomfort, and seeing the relief on the parents’ faces, that’s the best reward.” Margaret Jetelina

### Résumé

- 1979** joins Ernst & Whinney (Vancouver)
- 1982** obtains CA designation (BC)
- 1994** hired at Academy of Learning (Vancouver)
- 2003** becomes volunteer clown with Shriners
- 2010** awarded a “red nose” by the International Shrine Clown Association

### California targets delinquent taxpayers

Some of the most egregious tax deadbeats in the US may soon lose their ability to make a living. Under new California legislation, officials can suspend the professional and/or driver’s licences of the state’s top 1,000 tax debtors until they arrange to pay their back taxes or prove financial hardship.

California Governor Jerry Brown signed the Delinquent Taxpayer Accountability Act in October, which also allows state officials to work with other jurisdictions and the IRS to locate debtors who have transferred their money out of state. According to California State Assembly member Henry Perea, who authored the bill, US\$6.5 billion in California taxes go unpaid annually. News reports list a Hollywood celebrity, a dot-com millionaire, former professional athletes, doctors, lawyers, dentists, realtors and major builders among the worst offenders.

RICK ETKIN/KLIXPIX

## OPTIMISM ONLY SLIGHTLY DAMPENED

Despite the challenges of the current economy, most owners of Canadian CA firms remain optimistic not only about the economic prospects for their firms, but also for the country as a whole.

In a CICA survey conducted on behalf of the International Innovation Network, 69% of partners and sole practitioners said they were optimistic and 29% were neutral on the economic outlook for their firms. Six in 10 respondents were optimistic on the economic outlook for their province and Canada overall.

Although optimism is down across all three measures from a similar survey conducted in 2007, the decline is small.

The positive outlook is supported by expansion plans by most practices: 55% expect to expand over the next year and 66% over the next five years. A majority of others expect to remain the same.

The survey also looked at how key financial indicators, expenses and head count would change from year to year. Practice owners expect most measures to increase during the next 12

Outlook of practice owners			
Head count, income, expense	Expecting increases 2011	Expecting increases 2007	% difference
Total firm profits	66%	74%	-8
Total firm revenue	70%	78%	-8
Number of employees	33%	41%	-8
Total compensation	56%	59%	-3
Skills training/staff-development budget	36%	50%	-14
IT spending	39%	44%	-5
Prices charged	73%	81%	-8
Marketing spending	24%	28%	-4
Compensation of nonprofessional staff	63%	68%	-5
Compensation of other professionals	55%	55%	0

Source: CICA, 2011

months. Firms are most likely to expect increases in prices they charge (73%), revenue (70%) and profit (66%), though all three of these are down 8% from 2007. The most notable decrease is in staff development and training, down 14% from 2007. While the expectations for practice owners have softened a little since 2007, their outlook remains positive overall.

John Tabone is CICA's manager of member value and research services



### ASK AN EXPERT

#### HOW CAN I MAXIMIZE MY PRODUCTIVITY WHEN I'M WORKING FROM HOME?

The autonomy of working from home can be very rewarding as long as it doesn't diminish productivity. Here are a few tips to help telecommuters work as efficiently as possible:

**Keep a normal morning routine.** If there's one good thing about a commute, it's the mental transition between home and work life. Get out of bed, dress up, grab breakfast — do anything that will get your mind in the right place.

**Stay connected to colleagues.** If you're struggling to stay motivated at home, schedule an update meeting or call and talk shop with an office peer to get your mind back on work.

**Plan your breaks.** You should never feel like a prisoner in your own home. Plan short breaks to take care of chores, play with pets, exercise or

run a brief errand. You'll be less likely to succumb to quitting work early if you structure the perks of being at home appropriately into your schedule.

**Find the best spot to work.** If you don't have a dedicated home office, find the least distracting place in your home. Don't be tempted by the entertainment system or the recliner.

**Take your work to a coffee shop.** A lot of workers don't like telecommuting because they're accustomed to working around others. Working at home can be lonely. If your job allows it, try spending an afternoon in a coffee shop or library. At many spots, you'll likely find contract workers or other telecommuters toiling away as well.

Rosemary Haefner is vice-president of human resources at CareerBuilder ([www.careerbuilder.com](http://www.careerbuilder.com))

# #NUMBERS Game

**4** New Canadian franchises, including teams from Saskatoon, Toronto, Ottawa and Hamilton, said to be participating in a “global league” according to a 1989 report. Moscow, St. Petersburg, Helsinki and Stockholm were also expected to ice teams.

**16** Sale price in millions of US dollars to move the Atlanta Flames to Calgary in 1980. “The visitors’ dressing room is only two cubicles with three showers for 25 people,” says new owner Nelson Skalbania of its temporary rink. “I hope this will aggravate the visiting team.”

**40** Losses in millions of US dollars suffered in the Winnipeg Jets’ final two seasons before relocating to Phoenix in 1996.

**7,317** Number of subscribers pledging a total of \$6.2 mil-

**League of our own** The newest incarnation of the Winnipeg Jets played their first regular season National Hockey League game in October. A recent history of professional hockey in Canada:



lion in deposits for season tickets for an unconfirmed NHL franchise in Hamilton in 2007. RIM co-CEO and prospective team owner Jim Balsillie’s drive would prove unsuccessful.

**20,000** Planned seats in a new arena demanded to keep the Nordiques in Quebec City in 1995, according to owner Marcel Aubut. The provincial government balks on an adjacent casino floated to fund the rink and the Nords move to Denver that year.

**1979** Year the NHL agreed to absorb four World Hockey Association teams including the Edmonton Oilers, Winnipeg Jets and the Quebec Nordiques. Teams paid US\$6 million each. The Toronto Maple Leafs voted against the expansion.  
Steve Brearton

## Going Concern



**GREGORY ROBERTS, CA  
CEO, MARY BROWN’S  
FAMOUS CHICKEN & TATERS!**

**COMPANY PROFILE:** The chain has 85 franchised outlets in Ontario, Alberta, Nova Scotia and Newfoundland and Labrador

and is now No. 2 among Canada’s largest quick-service chicken restaurant chains. When Roberts bought it in 2007, it was No. 5. Mary Brown’s is the largest and best known of the six enterprises in Roberts’s holding company, Pilley’s Island Enterprises Group, which has 1,150 employees including about 20 management staff.

**HOT FACTOR:** Roberts, 39, was among this year’s Caldwell Partners’ Top 40 Under 40 outstanding Canadian leaders. In 2008, he received the Ernst & Young Entrepreneur of the Year Award in Atlantic Canada for the services sector. In 2007, the Institute of Chartered Accountants of Newfoundland and Labrador honoured him with its CA Early Achievement Award.

**COOL PROJECTS:** In June, the chain launched a quick, casual-eating format called Mary’s Diner with an 80-seat outlet in Glovertown, NL, about three hours west of St. John’s. The new template will serve as the basis for Mary Brown’s first international foray, with a 400-seat location opening in central Georgetown, Guyana, in early 2012. Roberts is also negotiating with prospective franchisees in emerging markets including Eastern Europe, the Middle East, South Asia, the Caribbean and North Africa.

**IN HIS OWN WORDS:** “People in Newfoundland and Labrador have taken control of their own destiny and are now reaping the rewards of our own resources. When I started out 13 years ago running a rural business with four employees, it was very difficult to get outside investment. But all that has changed. Newfoundland is now a positive place to do business. Everyone here realizes that success leads to success. I am just a product of these new times.”

Ken Mark



# Don't get lost in the shuffle

The learning you need  
in the time you've got

Finding time for quality professional development isn't easy.  
With the Deloitte Learning Academy, you can complete courses  
quickly and easily, anytime, anywhere.

Visit [www.deloittelearningacademy.ca](http://www.deloittelearningacademy.ca) for more information.



**Deloitte.**



Find what you're looking for—quickly,  
easily and for less money  
than you would expect

If you do tax research  
you need CICA's Tax Suite

[CAstore.ca/taxsuite](http://CAstore.ca/taxsuite)

**CA**  Chartered Accountants  
of Canada

### Budget overruns total \$82 billion

Saskatchewan has the worst record among Canadian provinces for keeping its budget promises, according to a report by the C.D. Howe Institute. In a ranking the policy think-tank tellingly calls the Pinocchio Index, Saskatchewan spent nearly 30% more than it budgeted for over the past 10 years. Alberta and Prince Edward Island were also among the worst performers and total budget overruns for federal, provincial and territorial governments totalled \$82 billion in the past decade (see chart below).

“Fiscal pressures and sovereign debt concerns around the world are intensifying scrutiny of government finances,” says William Robson, one of the authors of the report. “Even in Canada, where these pressures and concerns are less acute, federal and provincial fiscal controls could be better.”

The authors say legislators and citizens should hold governments more strictly to account when year-end results are badly out of line with budget plans.

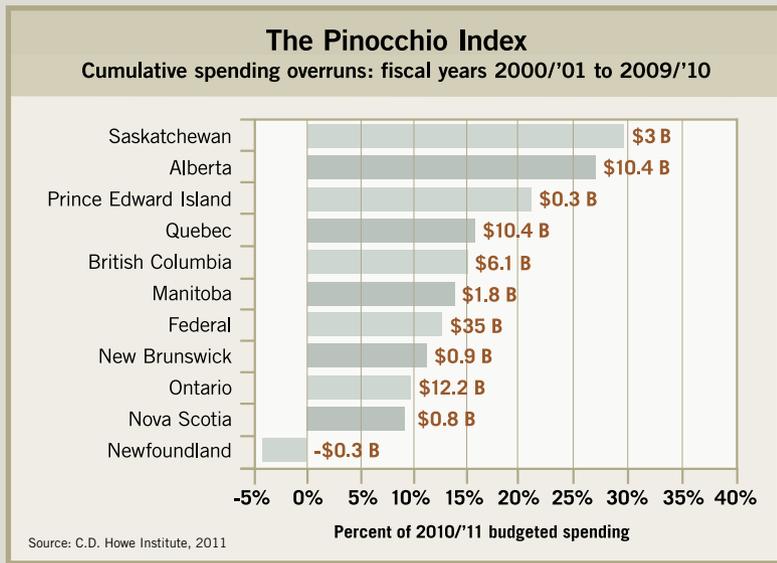


### Does birth order dictate pay?

Your position at work may be linked to your position in the family, according to a study from US recruiter CareerBuilder.

In the survey of more than 5,700 full-time employees, only-children were most likely to earn six figures and hold a C-level position (CEO, CFO, senior VP, etc.), followed by first-born children. Middle children were the most likely to hold entry-level positions and earn less than US\$35,000, while last-born children were most likely to work in middle management. Overall, respondents with siblings were more likely to be satisfied in their jobs than workers who have no brothers or sisters.

As for type of work, only-children tended toward technical and health-related fields and protective services; eldest siblings were drawn to science and government; middle kids leaned toward public service and caretaking roles, and the youngest preferred creative roles and technology.



### TABLETS TAKE OFF

The use of tablets in the workplace is exploding, finds a study by Forrester Research. Of the nearly 5,000 US information workers surveyed, 11% are using tablets to do their jobs. “Despite a tablet market that’s barely a year old, this is astounding growth,” says Matt Brown, vice-president and practice leader at Forrester.

### MAD MEN IT’S NOT

We’ve come a long way from the three-martini lunch of a generation ago. One-third of North American employees don’t take a lunch break, or do so only occasionally, according to a survey by human resource firm Right Management. Of the two-thirds of workers who do regularly take lunch, half don’t leave their desks.

### DANISH TAX

Denmark has introduced the world’s first tax on saturated fat, with a levy of about \$3 per kilogram on fats such as butter or oil in food. The move, which is intended to increase the life expectancy of Danes to 82 from 79 over the next decade, is estimated to cost the country’s businesses \$28 million to implement in the first year.

“One of the most important consequences of using SYSPRO is that our inventory control has tightened considerably, without having to add additional people or increase anybody’s workload.”

*Blair Stunder, General Manager, Arctic Manufacturing*

## ERP Software Helps Trailer Manufacturer Ride Out Recession

Established in 1974, Arctic Manufacturing is a private company situated in Prince George, British Columbia. With 25 employees, working out of a single, 35,000-sq. ft. facility, Arctic fabricates a variety of stock and custom-designed commercial trailers for heavy transportation. “It’s class 8 equipment,” says Blair Stunder, the company’s General Manager, “mostly for log transportation.”

The bulk of Arctic’s product is made for companies in British Columbia, Alberta, and Northern Saskatchewan. Over the past few years, outside market forces have been unkind to Western Canada’s forest workers, and the current housing crisis in the States has decreased demand for forest products dramatically. “The market’s not what it should be,” admits Stunder, “but everyone’s in the same boat. On the positive side, the Chinese market for timber is starting to open up.”

Like most companies in the global marketplace, Arctic relies on efficient business processes to maintain its competitive edge in difficult times. Having an appropriate enterprise resource planning (ERP) system can help a business integrate its key operations, and synchronize, plan and optimize its available resources. An ERP also offers a wealth of real-time information that can greatly enhance the insight of company decision makers.

For the past 16 years, Arctic has been run on SYSPRO enterprise resource planning (ERP) software. “In the ‘70s,” says Stunder, “we did the books by hand. In the ‘80s we switched to computers, and worked with a custom software vendor. In 1993, we realized that our business had outgrown the capabilities of our software. When you start getting into manufacturing, supply chains, bill of materials, etc., the field of appropriate software narrows considerably. We looked at other systems, but at the time there weren’t many ERPs that had everything we needed. SYSPRO was clearly the best choice, and to make it even better, their support was in the same time zone.”

Working with a SYSPRO VAR, Arctic’s ERP implementation went smoothly. “We went live during our busiest season,” says Stunder. “There were a few long days and evenings, but no major hitches. In retrospect, we spent time making modifications that might not have been necessary. Next time around I would probably go with SYSPRO’s default company set-up. With all the flexibility built into SYSPRO, it pretty much fits our business needs right out of the box.”

These days, Arctic uses most of SYSPRO’s inventory, manufacturing, tracking, reporting, analysis and accounting modules.

“One of the most important consequences of using SYSPRO,” says Stunder, “is that our inventory control has tightened considerably, without having to add additional people or increase anybody’s workload. Whenever you can increase your access to data without adding to staff or work levels, it’s a good thing. In general, with SYSPRO, we’re getting more accomplished, with fewer people, than has ever been possible before.”

Tapping in to SYSPRO’s flexibility, Arctic uses the Work in Progress (WIP) module for overall expense tracking. “Because of the ability of the WIP database to track labour, as well as stocked and non-stocked parts for job costs,” says Stunder, “we can set up a piece of equipment in the WIP and track its maintenance throughout the year. Similarly, at the end of the each month we can look at our building maintenance and cleaning costs, and it gives us an almost live look at our real expenses.”

Not only has SYSPRO helped to keep Arctic competitive, it’s done so within a framework of simplicity. “Many of our employees have worked with other ERPs,” says Stunder, “and are impressed with SYSPRO’s ease of data retrieval. Our employees also appreciate how simple it is to customize the interface. At the warehouse level, the user has manipulated the screen set so he sees strictly what’s important for his job. In the accounting office it’s completely different. It’s great to see employees customize the user interface to optimize their workflow.”

Stunder also credits SYSPRO with improving the company’s relationships with suppliers and customers. “Over the last few years we’ve switched to e-mailing our Purchase Orders in MS Word format. Not only has that cut down on long-distance phone calls, it’s greatly reduced the number of order entry errors.”

In the future, Arctic is considering the implementation of bar codes and scanners. “There’s also a great deal of data entry on the manufacturing side,” says Stunder. “Scanning job tickets would streamline things considerably. As an additional benefit, the printed barcode labels would allow for much better tracking.”

For Arctic, SYSPRO has given 16 years of sterling service. “We’ve had no problems to speak of,” says Stunder. “SYSPRO is a stable, reliable, low-maintenance ERP system, and it does what it’s supposed to do six days a week, every week of the year.”

For more information on Arctic Manufacturing please visit: [www.arcticmfg.com](http://www.arcticmfg.com)

Delivering  
high-end  
solutions  
mid-size  
companies  
can afford.

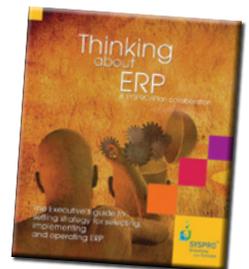


**SYSPRO**<sup>TM</sup>  
Simplifying  
your Success

Contact SYSPRO today for  
your free book:

**Thinking About ERP**  
**An Executives  
Guide to Selecting,  
Implementing and  
Operating ERP**

Written by *iPlan*  
**Industrial Engineers**



Toll-Free in Canada  
1-888-259-6666 x228  
[info@ca.syspro.com](mailto:info@ca.syspro.com)

[www.syspro.com](http://www.syspro.com)



# Work in process

BY MICHAEL BURNS

USING TECHNOLOGY TO IMPROVE THE WAY YOU DO BUSINESS

## The complex art of estimating

**F**ew complex projects are undertaken without some estimating being done. Whether it's a construction company that needs to do a custom project or an accounting firm that needs to prepare a proposal for a complex audit engagement, someone (often several people) will have to take a stab at calculating the effort and cost required to finish the job.

As common as it is, estimating is a complex art. I know this from experience, because I have been doing it ever since I worked in a software firm many years ago. At the time, I was responsible for estimating the time needed to develop a new program or set of programs. In the early stages, when we had only a high-level specification or a conceptual design, we would offer a broad range of times to get the job done. But once we had detailed specifications, we could provide a more precise estimate. We did this based on both our experience with similar programs and the complexity of the specification. We used a number of criteria in the specification to arrive at the time it would take.

Today I use a similar method when providing quotes to review a company's business processes and/or help it choose a new system. I base my figures on history as well as on one complexity metric — namely, how many interviews will be required. The number of interviews is a good metric to judge complexity and it can be easily measured. This comes in handy as our projects are billed on a fixed-fee basis according to the number of interviews. We would only request a change in fees if many more interviews were required than originally estimated.

In our system selection projects, our clients naturally want to know the total cost of ownership, which includes the licence and the vendor's implementation services. The licence is relatively easy to estimate based on the number of users, but implementation fees are harder to pin down. In their quotes, vendors usually calculate them as a ratio of licence fees. For a relatively straightforward implementation, the fee would be about the same as the licence cost; if customizations are expected, it could be

double that amount. Often, however, vendors don't know enough to assess the complexity of the implementation. They might provide a fairly low estimate but qualify the number based on assumptions. For example, they might assume they will be implementing best practices, which is code for no customizations or variations.

To help assess the reasonability of implementation estimates, we often ask our shortlisted vendors to break out the costs of their services by module and by tasks. Modules would include general ledger, financial reporting and accounts payable. Tasks would include training, project management, setup, reporting, customization, integration and conversion. We also ask them to estimate over five years, as there can be additional costs when a

**No one wants to find that the costs to complete a project will be much higher than estimated**

new version is released and an upgrade is required.

Once we have decided on one vendor or solution, we try to nail down all the costs for the implementation. This is not easy, as the vendor will still have questions about requirements and who will be doing what. We typically recommend the preferred vendor be paid a fee to conduct a needs analysis before any licences are purchased to ensure they understand the project requirements. The vendor will then be able to prepare a firm quote and project plan.

No one wants to find that the actual fees to complete a project will be much higher than estimated. It's clearly not good for the customer, but it's also not good for the vendor. An unhappy customer is unlikely to give a good reference in future. My advice is to prepare an accurate estimate based on specific criteria that are agreed upon in advance. This will help avoid cost overruns and delays.

Michael Burns, MBA, CA•IT, is president of 180 Systems ([www.180systems.com](http://www.180systems.com)), which provides independent consulting services, including business process review, system selection and business case development. Contact 416-485-2200; [mburns@180systems.com](mailto:mburns@180systems.com)

# Designed for Accountants, by Accountants

**Electronic payments make you faster and more efficient, increasing your control over cash flow and the accounting process. Any questions?**

Thousands of CAs across the country already know that electronic payments cost less and can help you to get more done. Payments can be authorized from anywhere your signing officers can access e-mail and you can make any supplier payment, CRA remittance, payroll deposit or international payment. Your transition to electronic payments is easy as we collect the banking information from suppliers on your behalf and we offer unlimited customer support. Join the 5,000 progressive businesses across the country who have the power to pay 100% of their invoices electronically.

**Welcome to the better way to pay.**



To find out more, visit us at [telpay.ca](http://telpay.ca)  
or call us toll free at 1.800.665.0302

The Better Way to Pay.



# The changing accounting landscape

Uniting Canada's accounting profession by Deirdre McMurdy

Over the course of a distinguished career, Ed Waitzer has been involved in more than his share of complex business mergers.

When it comes to the proposed creation of a Canadian chartered professional accountant (CPA) designation, the former head

of the Ontario Securities Commission, Canada's largest securities regulator, firmly believes the proposal makes sense.

The national CA, CMA and CGA organizations, along with some of their provincial counterparts, are exploring the possibility of uniting under the Canadian CPA banner.

## Is Canada keeping pace?

"If professional accountants in Canada want to stay relevant, they're going to have to edge out of their comfort zone," Waitzer says. "They have to understand that the world around them is changing fast — even if they're reluctant to keep pace and come together."

Waitzer, a corporate lawyer, director and governance adviser, knows what he's talking about: he played a key role in restructuring the International Accounting Standards Board and was a member of the Independent Review Panel on the Modernization of Comptrollership in the Government of Canada. He was also a participant on the Canadian Institute of Chartered Accountants' (CICA) Task Force on Standard Setting and a public director of the American Institute of Certified Public Accountants (AICPA).

Historically, says Waitzer, the solid reputation of Canadian accounting standards has been sufficient.

"Canada has always punched above its weight in international accounting circles," he says. But in the current global context, "professional fragmentation is increasingly fatal and we will quickly lose our clout."

Tom O'Neill, FCA, chairman of BCE and Bell Canada and former CEO of PricewaterhouseCoopers, puts it rather more bluntly: "Canada is a rounding error in the world economy.

As accountants, we need the strongest possible voice if we want to be heard on key issues."

Certainly, the pressure to play a role on the international stage has intensified with Canada's recent adoption of international financial reporting standards

for publicly traded entities. To have an influential role in the shaping of international standards, Canada's voice must be heard.

Paul Tellier, a former clerk of the Privy Council and former president and CEO of both CN Rail and Bombardier, agrees it is important for the profession to maintain its influential voice. He now serves as a trustee with the IFRS Foundation based in London. "When it comes to shaping standards, a single body — as lawyers and doctors have in Canada — would be much easier and much more credible," says Tellier.

## Winds of change gaining strength

There is intense competition among international accounting bodies looking to grow their own global brands and market share.

Even the planned use of chartered professional accountant in Canada is gaining attention elsewhere. Two accounting organizations in the UK have filed for use of the chartered professional accountant name and CPA designation.

But the challenges facing the accounting profession involve more than maintaining a strong international presence. Factors such as consolidation or eroded self-regulation are other possibilities.

In the UK, a jurisdiction with multiple accounting designations, a House of Lords' committee noted that the "regulation of accounting and auditing is fragmented and unwieldy." The committee is expecting the profession to provide impetus for "rationalisation and reform," but if things take too long, it has recommended "that the government stand ready to impose a remedy."



In Canada, specifically Quebec, the CA, CMA and CGA orders announced in October that their respective boards of directors have recommended moving forward with a merger of their organizations. The provincial government is expected to introduce legislation to establish the new organization in early 2012, and it is expected to come into force in April 2012.

#### **Confusion about accounting designations**

Furthermore, research indicates that the lines of distinction between the accounting bodies in Canada are blurring. As a for-

mer regulator, Waitzer is emphatic that the growing private and public sector confusion about the different domestic accounting designations — CA, CMA and CGA — and what they mean is weakening the profession at a critical time.

“If Canadian accountants want to maintain the argument for self-regulation they have to present a strong, united front,” he says.

That warning is echoed by Jack Mintz, a tax expert who currently chairs the University of Calgary School of Public Policy.

“Self-regulation is a practice that’s really waned over the last few years, in part because governments stepped in to bolster



Find what you're looking for—quickly,  
easily and for less money  
than you would expect

If you do tax research  
you need CICA's Tax Suite

[CAstore.ca/taxsuite](http://CAstore.ca/taxsuite)

**CA**   
Chartered Accountants  
of Canada

consumer confidence in the aftermath of various scandals,” he notes, pointing specifically to the experience in the US.

“You need a strong, credible, unified body to reinforce the case for self-regulation. It’s the ultimate ‘trust me’ at a time when trust is rare.”

Former senator and business executive Michael Kirby concurs that the accounting profession’s vulnerability is as pronounced domestically as it is internationally.

“Going back to the late 1990s, the Senate was asking why there were so many accounting organizations and bodies in Canada,” he notes. “Those aren’t questions that actually have a positive answer — especially more than a decade later.”

A clearer picture about the Canadian accounting profession would benefit the business community.

“Owners of small and medium-sized companies want things as clear, simple and efficient as possible. They don’t want to have to figure out all the differences between CAs, CMAs and CGAs — they just want it done,” says Catherine Swift, CEO of the Canadian Federation of Independent Business.

### Attracting the next generation of accountants

“We do a lot of recruiting right out of universities, and there’s no question that the competition between the various accounting designations adds to the confusion,” says Michael Burch, a CA and managing partner at Welch LLP in Ottawa. “The fact that we are battling one another and trying to push our designation over another doesn’t really serve anyone well. Not them, not us. And it’s also a waste of money and energy.”

O’Neill heartily agrees.

“Over my career, my most effective partners have had degrees in history, political and social sciences. The accounting profession hurts itself by not encouraging a more eclectic background,” he says.

“There’s a real demographic squeeze and it’s going to get worse. Even with immigration, the Canadian labour force is stagnant,” says Mintz. “It’s going to be harder to recruit and to retain than ever before.”

This is particularly challenging because regulated professions, such as accounting, have a responsibility to maintain standards to protect the public interest. The credentials of internationally trained accounting professionals must be fairly assessed but there must also be efficient and accessible routes for these individuals to join the Canadian workforce.

### The bottom-line impact

A united accounting profession should produce cost savings and improved efficiencies — something dear to the heart of any accountant.

“There are just so many obvious efficiencies with one set of standards, one oversight body and a national reach,” says Randy Garvey, FCMA, executive vice-president at Canadian Western Bank in Edmonton. “The bottom line is that the world just isn’t the same as it was when three accounting organizations were established.”

That said, the effort to unite Canada’s accounting bodies

has been a tough sell over the years.

“Mark Twain once said that everyone’s in favour of progress; it’s change they don’t like,” says Kirby. “And that’s what we’re dealing with here.”

Furthermore, he notes, “Emotional arguments are always the hardest to overcome.”

Both Kirby and O’Neill agree that “CAs tend to have an attitude of superiority about their credentials and want to preserve that perception” and that “misplaced elitism” is a serious stumbling block.

### Maintaining specializations

Roger Martin, dean of the Rotman School of Management at the University of Toronto, doesn’t agree that such an ingrained hierarchy is entirely out of place. Nor, in his eyes, is a merger and the creation of a single designation a panacea for addressing the issues at hand.

“The process of unification will succeed only if there’s an acknowledgement of the differences,” he insists.

“In medical practice, they are all doctors but some are general practitioners, some are brain surgeons,” Martin argues. “Levels of specialty are clear and are helpful to the end-user: you don’t call a brain surgeon when you have a cold.”

“The training is very different for CAs and CMAs and they have different purposes,” says Don Lewtas, a CA and CFO at Onex Corp., in response to comments made during the CA-CMA consultation process. “But can we live together under one umbrella? Yes.”

In fact, Lewtas suggests that overall, governance of the profession could improve through a unification that creates an organization more broadly reflective of the accounting profession.

“I think that new breadth would diminish the influence that’s inevitably exercised by a few large players. It would create a more sustainable balance,” he says.

As for the view held by some CAs that a merger would dilute their professional brand and status, Lewtas insists that perspective is too narrow.

“In many businesses, there are different accounting skills sets that represent the greatest value to an operation,” he states. “In manufacturing, for example, people who do cost accounting and analysis can bring far more value than the ones who focus on external financial reporting.”

The conclusion based on his experience? “We can and should live together.”

It appears that Canada’s accounting profession does not have the luxury of time if it wants to control its own destiny. Change is coming. But just how and when that will happen will be determined by a process subjected to multifaceted scrutiny.

Note: In an effort to provide both CA and CMA members with an external, informed perspective on the proposed merger, both magazines are running shared content. Deirdre McMurdy, a well-respected Canadian business writer, prepared a similar article for *CMA magazine*



**Kevin Dancey, FCA,  
CICA president and CEO**

## Setting the record straight

The planned use of a Canadian CPA designation, known as chartered professional accountant, is attracting attention south of the border and overseas.

While the proposed designation is generating some buzz, one thing is clear: the unification concept being explored for the Canadian accounting profession is strictly a made-in-Canada solution.

An October article stateside by the media outlet *Accounting Today* was misleading by asserting that the American Institute of Certified Public Accountants (AICPA) has been part of discussions focusing on bringing the CPA designation north to Canada.

“It is important that the record be set straight,” says Kevin Dancey, FCA, CICA president and CEO. “There is no deal, there is no plan to combine or merge operations with our American friends south of the border. The Canadian CPA would be distinct.”

Dancey notes that the exploration of a merger between legacy accounting designations in Canada is intended to strengthen the Canadian accounting profession and sustain its value and independence in an increasingly competitive global professional environment.

Globally, a number of accounting bodies are looking to grow, such as the AICPA. The *Accounting Today* article touched on how the AICPA has been expanding its footprint internationally.

“An increased focus on international growth is precisely why it is so important for us to proactively take steps to strengthen the Canadian profession,” says Dancey.

“The goal is to build and sustain a strong, independent Canadian profession and designation under the Canadian CPA banner.”

In fact, a key aspect of the Canadian CPA designation

is continued alignment with key chartered bodies around the world. “This is not something that will be allowed to fade or become muddied,” stresses Dancey.

Barry Melancon, AICPA president and CEO, was quoted in *Accounting Today* as saying: “The world is sort of going back and forth between CA being predominant and the CPA being predominant, with the CPA nudging ahead.”

“We are not making the bet today on what will emerge as the global designation of choice — we simply want to be aligned with both CA and CPA,” says Dancey.

The framework being looked at to unify the Canadian profession would ensure:

- it becomes one of the world’s largest independent accounting bodies so it can control its own destiny in the face of global competition;
- it controls both the CA and CPA designations in Canada;
- it is large enough to have a strong voice to best represent the interests of Canadian businesses and members in international standard-setting processes and on policy, regulations and other issues that affect the accounting profession in Canada;
- it has relationships (mutual recognition agreements) with leading accounting bodies around the world; and
- it is aligned with the global designation of choice, should one emerge.

The proposed use of chartered professional accountant is gaining attention overseas as well. Two accounting organizations in the UK have filed for use of the chartered professional accountant name and CPA designation in Europe.

The designation may be a Canadian creation but it is definitely of interest internationally.



Byrd & Chen's

# CANADIAN Tax Principles

Professional Edition | 2011



Comprehensive  
guidance  
and easy-to-find  
solutions to your  
challenging  
tax questions



Internet • DVD • Download • Print

For more information or to order,  
visit: [CAstore.ca/CTP11-CA](http://CAstore.ca/CTP11-CA)

 Chartered Accountants  
of Canada

# News from the profession

A SUMMARY OF CURRENT CICA PROJECTS AND INITIATIVES

## Corporate Reporting Awards program celebrates 60 years of excellence

Fifteen publicly listed companies and Crown corporations were honoured in Toronto last month at a gala event that marked the diamond anniversary of the Chartered Accountants of Canada's Corporate Reporting Awards (CRA).

For 60 years, the CRA has been Canada's only national program shining a spotlight on the country's best corporate reporting models. The program offers publicly listed companies, and now federal and provincial Crown corporations, a unique opportunity to showcase their commitment to quality corporate reporting. Entrants demonstrate confidence in their reports by submitting them to an independent panel of judges, who are experts in their respective areas.

"Successful companies understand it is good business to get their story out in a useful, understandable, relevant and reliable way," said Kevin Dancey, FCA, CICA president and CEO. "The CRA program goes beyond identifying and honouring the best reporting practices; it aims to spread the best to the rest."

When the program started in 1941, the focus was the annual financial report. Over the years, it has evolved to keep pace with the capital markets and the expectations of Canadian investors for greater transparency and better information on which to base their investment decisions. Today's CRA includes separate categories for corporate governance reporting, sustainable development reporting and electronic disclosure. The criteria have helped drive the development of best practices in all these areas, which are now regarded as essential components of the corporate reporting model.

### 2011 Corporate Reporting Awards winners

#### BY INDUSTRY SECTOR

Overall Award of Excellence	TELUS Corp.
Forest Products	Catalyst Paper Corp.
Life Sciences/Technology	Newalta Corp.
Oil and Gas	Suncor Energy Inc.
Diversified Industries	SNC-Lavalin Group Inc.
Financial Services	BMO Financial Group
Mining	PotashCorp
Communications and Media	TELUS Corp.
Real Estate/Utilities and Pipelines	Enbridge Inc.
Consumer Products	Tim Hortons Inc.

#### BY JUDGING CATEGORY

Excellence in Financial Reporting	PotashCorp
Honourable Mention in Financial Reporting	BMO Financial Group
Excellence in Electronic Disclosure	Agnico-Eagle Mines Ltd.
Honourable Mention in Electronic Disclosure	PotashCorp
Excellence in Corporate Governance Disclosure	TD Bank Financial Group
Honourable Mention in Corporate Governance Disclosure	Nexen Inc.
Excellence in Sustainable Development Reporting	Suncor Energy Inc.
Honourable Mention in Sustainable Development Reporting	TELUS Corp.

#### CROWN CORPORATIONS

Federal Crown Corporations — Large	Canada Mortgage and Housing Corp.
Federal Crown Corporations — Small	Defence Construction Canada
Provincial Crown Corporations	Saskatchewan Telecommunications Holding Corp.

# Standards digest Want to be kept informed? Log on to [www.cica.ca/stds-subscribe](http://www.cica.ca/stds-subscribe)

## RECENTLY ISSUED PRONOUNCEMENTS

<b>CICA Handbook – Accounting</b>	<b>Date issued†</b>
<b>Part I</b>	
IFRS 10, Consolidated Financial Statements	September 2011
IFRS 11, Joint Arrangements	September 2011
IFRS 12, Disclosure of Interests in Other Entities	September 2011
IFRS 13, Fair Value Measurement	November 2011
IAS 19, Employee Benefits (revised)	November 2011
IAS 27, Separate Financial Statements (revised)	September 2011
IAS 28, Investments in Associates and Joint Ventures (revised)	September 2011
Amendments to IAS 1 Regarding Presentation of Items of Other Comprehensive Income	September 2011
IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine	December 2011
<b>Parts II and III</b>	
2011 Improvements to Part II	October 2011
<b>Part IV</b>	
Section 4600, Pension Plans (revised)	November 2011

## CICA Handbook – Assurance

Amendments to Sections 7110, 7115 and 7200 Regarding Securities Regulations	December 2011
---	---------------

## RECENTLY ISSUED DOCUMENTS FOR COMMENT (to November 30, 2011)

<b>Accounting</b>	<b>Comment deadline</b>
EDI Government Loans (proposed amendments to IFRS 1)	January 5, 2012
EDI Investment Entities	January 5, 2012
<b>Public Sector</b>	
ITC Related Party Transactions — Definition and Disclosure	November 14, 2011
IP Related Party Transactions — Recognition and Measurement	November 14, 2011

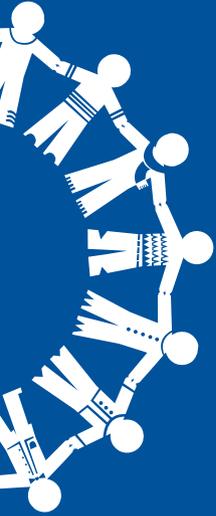
### WATCH FOR

<b>Documents for Comment</b>	IASB Exposure Draft Regarding Annual Improvements 2010-2012 IASB Re-exposure Drafts Regarding Leases and Revenue Recognition
------------------------------	---

#### Legend

CP – Task Force Consultation Paper	ED – Exposure Draft	IP – Issues Paper
DII – IASB Draft Interpretation	EDI – ED based on IFRS/ISA	ITC – Invitation to Comment

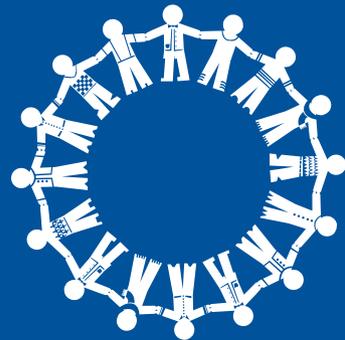
† Refer to each Handbook pronouncement for the effective date and transitional provisions.  
*The information published above reflects best estimates at press time. Please visit our website for the most recent information.*

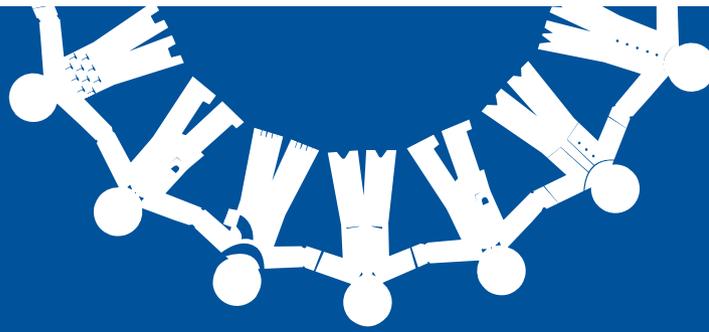


Why invest the time to get to know our clients?  
Because we care to fully understand what you're up  
against and where you want to go. We gain insight and real  
understanding so we can help you achieve your ambitions.

## **IT ALL STARTS WITH BUILDING A GREAT RELATIONSHIP.**

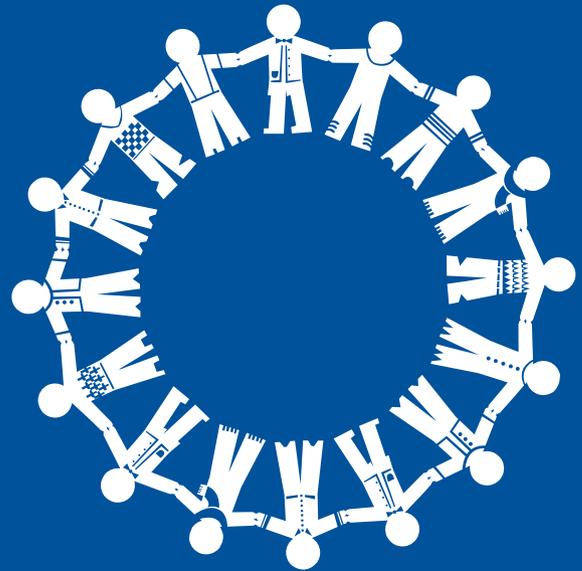
Strong relationships with over 50,000 business clients  
across Canada have proven our commitment.





We proudly welcomed 150 new partners and staff through mergers in 2011 to help us continue offering quality advice and customer service.

**BDO. MORE THAN YOU THINK.**



Assurance | Accounting | Tax | Advisory  
[www.bdo.ca](http://www.bdo.ca)

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.



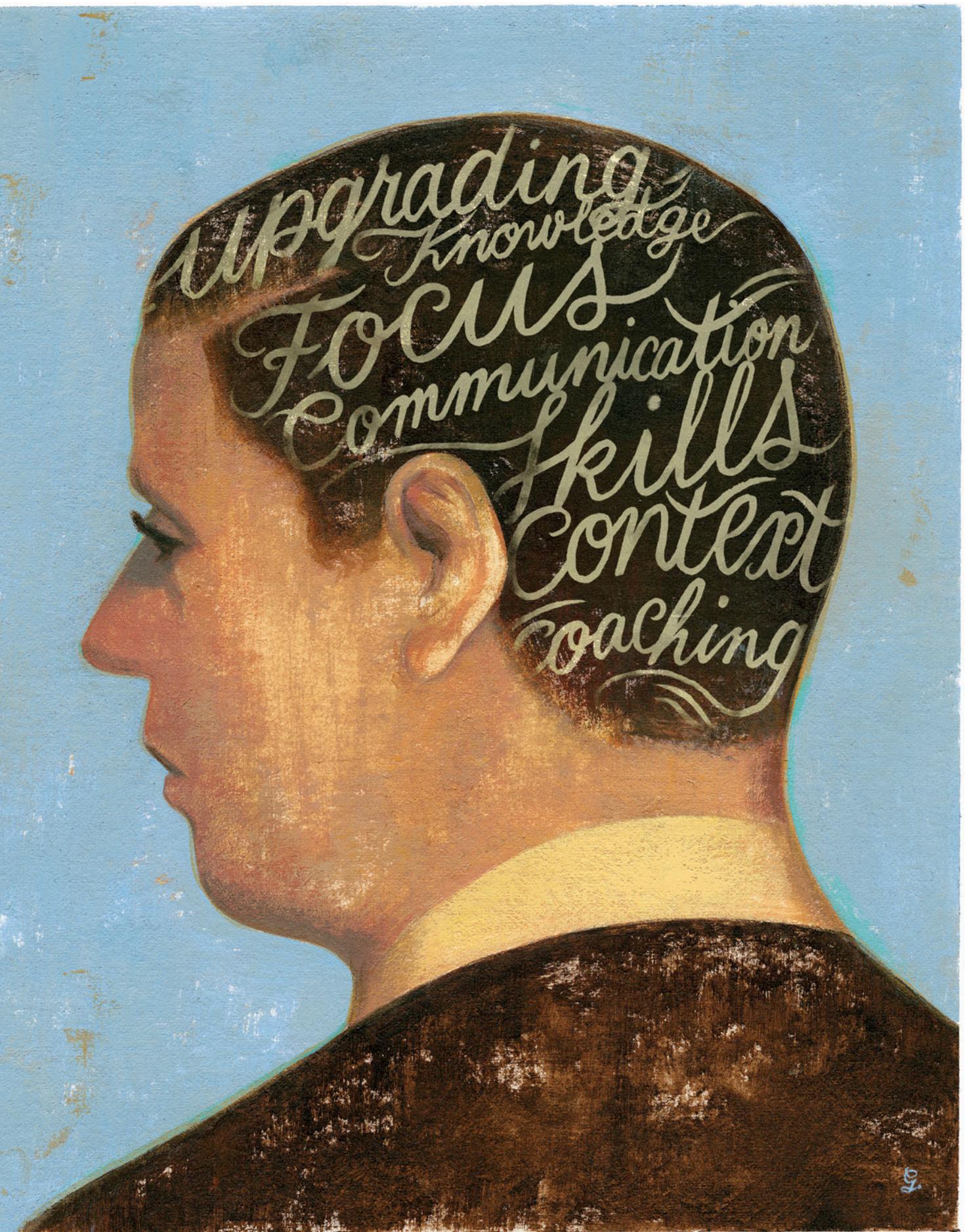
Professional development isn't what it used to be. Like the information it imparts, continuing education for CAs — and the type of knowledge that's in demand — is changing

by Mary Teresa Bitti

# Education CONTINUED

**AMANDA IACOVETTA WAS THE ONLY CA IN SALES AND ACCOUNT** management at HR consulting firm Morneau Shepell Inc. in Toronto (she has since moved to recruitment firm Madison MacArthur in Toronto). In addition to seeking out professional development to help her in her career, she is also interested in business etiquette and networking, and has looked into a social networking course through the CICA. “Social networking is

illustration by GÉRARD DuBOIS



on the rise; it's a way to promote anything and I think it's important," she says.

Welcome to the changing scope of continuing education for CAs. While ongoing professional development is now a requirement to keep the CA designation current and in good standing, the highly competitive economic climate and complexity of business in a global environment means that technical proficiency alone is not enough to be effective and help take a career or a practice to the next level. Throw in the rise of social media and networking, the need to keep pace with fast-changing technology and the fact that no one can rely on the last project to land them the next, and the new reality is that what a CA needs to know goes well beyond the expectation that he or she will stay up to speed with changing standards and new tax rules.

It was precisely for this reason that in October 2010, KPMG Business School was launched. Until that point, a large part of the firm's learning and development was focused on technical skills. "We were developing highly proficient technical practitioners but there was this thirst, this pent-up demand from our people who wanted to really understand their clients' business in order to be able to provide that value add," says David Connal, executive director of the KPMG Business School. "At the same time, there is so much time pressure on our practitioners we decided to look closely at the different modalities and the way we deliver training." The result: KPMG focused on weaving industry knowledge into the technical training. One example is the creation of industry knowledge podcasts that can be easily downloaded and divided into small pieces available any time, anywhere on any smart device.

What KPMG has done with its business school reflects what is happening in professional development in general. "There

are two kinds of professional development taking place," says Jeffrey Gandz, a professor and managing director of program design for the executive development division of the Richard Ivey School of Business at the University of Western Ontario in London, Ont. "On the one side is upgrading of knowledge and skills via shorter, more compressed efficient delivery systems. On the other, there is a growing focus on developing judgment and much more recognition that context and effective developmental experiences are critical."

As a result, the provincial institutes/ordres and the CICA have

**"There was this thirst, this pent-up demand from our people who wanted to really understand their clients' business in order to provide that value add"**

moved in the same direction with their course offerings. While technical courses are still their mainstay and the majority of the CICA's professional-development programs remain focused on income-tax training and financial reporting, the profession is seeing an increased demand for leadership training and all that encompasses: effective communication skills, the ability to give feedback, build relationships and help newer CAs move up the ranks. "With all our course offerings, our guiding principle is to blend academic rigour and real-life business application," says Frank Colantonio, director of continuing education at the CICA. "Context is key."

Historically, CAs have been required to maintain their professional competence, but it wasn't until the early 1970s that the provincial institutes looked at implementing mandatory continuing professional development. However, voluntary reporting

## Marketing 2.0: Learning how to build your personal brand

Paul Copcutt, founder of Square Peg Solution in Hamilton, Ont., describes himself as a personal brand architect. He is a speaker and consultant to professionals and executives and the teams they lead. "CAs spend so much of their time studying and training in technical areas," he says, "but very little on what will end up differentiating them in the marketplace and even in their own firms."

When it comes to marketing, says Copcutt, CAs want to know what they can do to ensure they get noticed for the right projects and job opportunities. The best way to differentiate? Build your personal brand. The key is to get clear about your personal brand, then communicate it effectively. "In the reality of today's world it is up to all of us to own the definition of who we are. Personal branding lets us do this," he says. Beyond technical skill sets it is important to identify and understand emotional attributes — those character traits that make you stand out and are the reasons

people will hire you, want to work with you and for you.

Here are Copcutt's five Rs of personal branding:

**Relevance** — is it right for your industry and vocation? What might be right for someone in advertising could be over the top for an accountant.

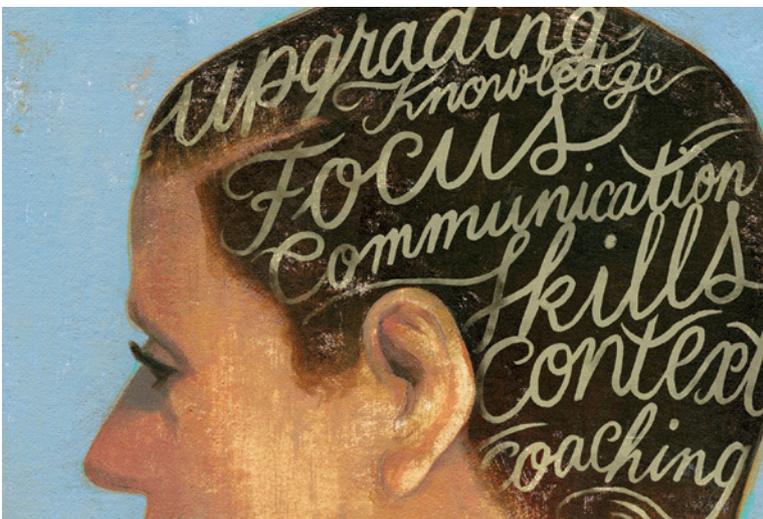
**Resonance** — does it make sense to your target audience?

**Relation** — is there a connection for everyone? This has to feel right not just for the target audience but also for you and the people who will be involved in delivering the work.

**Remarkability** — does it stand out? Will it get noticed? Are you leveraging your key skill and attribute differences? Dare to be different.

**Real** — does the personal brand come through? This is an opportunity to design the life/career you want. It is not asking you to do anything that you feel uncomfortable with or that compromises who you are; it's all about the real you.

— MTB



revealed that for the most part, CAs were already undertaking professional development far in excess of any standard and there was no apparent need to mandate continuing education. Fast-forward to the early part of the 2000s and the business environment had changed, lending itself to high-profile failures such as Enron and WorldCom. “It was no longer enough to simply say CAs were staying on top of things,” says Susan Cox, director of professional development at the Institute of Chartered Accountants of On-

tario. “We had to show that we were monitoring the profession.”

Today, harmonized requirements across provinces mean that all CAs must complete 120 hours of continuing education over a three-year period. Half that has to be verifiable continuing education (think a classroom setting or elearning modules with assessment built in) but the rest is wide open, as long as it is relevant to the work CAs do. As a result, it can be much more informal (think reading industry journals, accessing podcasts, teleconferences and webinars, for example) than traditional modes of education.

#### What CAs want

When it comes to professional development, the needs and wants of CAs depend on a number of factors — their unique role, the needs of the client, the sector they serve — and, on the most basic level, where they are in their career. Recognizing this, MacKay LLP, a midsize accounting firm in Western Canada with a staff of 250 including 43 partners, is in the process of developing a learning ladder with in-house workshops, external seminars and courses for staff. “When it comes to newer CAs, the demand is for courses on improving delegation skills and sales skills,” says Jackie Morton, the firm’s HR director. “If they want to become partners, they need to build a practice and they want help learning how to do that — how to get things done through others, how to build their network and start to establish a client base. So we are working on programs around how to promote your

You're not positioned to help business families.

**But we can help you change that. Be certified with a program designed for advisors working with family enterprise.**

The Family Enterprise Advisor Program augments your technical skills with a deeper understanding around business families and their unique challenges. Our multi-disciplinary approach will grow your skills—delivering better solutions to your existing clients while creating a niche for yourself in a marketplace with growing demand. Graduates of the program are well on their way to earning the Family Enterprise Advising (FEA) accreditation—the only designation of its kind.

Programs begin January 2012 in Vancouver and Toronto. Register today.

[www.FamilyEnterpriseAdvisor.com](http://www.FamilyEnterpriseAdvisor.com)

**“When you look at what it takes to execute a strategy, you need the right people on the bus, the right skill sets, the right culture, the right motivation. These are people issues that CAs need to be concerned with”**

business, capitalize on opportunities with existing clients and expand the work you do by cross-selling services.” MacKay also works with US-based training provider The Growth Partnership, sending future managers to its The Reluctant Salesperson course. “My weakness has always been in the marketing or sales side,” says Bill Gill, partner at MacKay. “How can I as an accountant develop clients? That’s the kind of sales training I’m looking for.”

Five to 10 years into a career, the focus shifts and becomes much more people-centric, says Jim King, national director of professional practice at Collins Barrow, an association of 21 member firms across the country, many of them smaller firms. “Now that we’ve been through the adoption of IFRS and private entity GAAP and we are becoming comfortable with them, we are seeing a growing demand for leadership training, communication and team-building skills training,” says King. “People who have a few years in practice under their belts want and need the so-called soft skills so critical in today’s business environment.”

For good reason. There has been an ongoing shift from the very hierarchical organization where the boss would say jump and you asked how high, to today’s organization, where the leader doesn’t decide everything and is much more of a coach, says Bill Greenhalgh, CEO of the Human Resources Professionals Association, which offers some 200 professional development

programs a year, including courses on project management, talent acquisition and retention, team building, coaching and performance management — all open to CAs. “How do you create the right organizational culture?” he says. “Twenty years ago employee engagement wasn’t of major interest. Today the best talent has an incredible number of options.”

This shift coincides with the evolution of the CA’s role, which is much more managerial today than it was 20 or 30 years ago. “CAs act as consultants to companies; they look at strategy and the implications of it,” says Greenhalgh. “When you look at what it takes to execute a strategy, you need the right people on the bus, the right skill sets, the right culture, the right motivation. These are people issues that CAs need to be concerned with.”

Beyond talent management, increasingly professional development is focused on what goes into decision-making. “We spend a lot of time talking about operational, reputational and quantitative risk and the impact of rapid change and turbulent environments on the kinds of business decisions being made in our executive programs,” says Gandz. “The time from 2008 to today has seen a lot of uncertainty, so we talk much more about strategic options rather than strategies cast in stone. Certainly there is more humility about being right and greater focus on making good decisions but recognizing that circumstances

## Where to turn for continuing professional development

In June, the CICA launched the CA Learning Centre ([www.calearningcentre.ca](http://www.calearningcentre.ca)), a web portal that is the central hub of all of its professional development activities. “We record most sessions at our conferences and most of our continuing education events and presentations and unbundle them so you can log in, create a profile and access what you need,” says Frank Colantonio, CICA director of continuing education. “You can also register for conferences and access articles and white papers. As well, we are going to keep your electronic bookcase for you, so the information is always there and you can stream it or download it whenever you like.”

The provincial institutes also provide an extensive suite of continuing education programs. And many universities and colleges offer continuing executive education programs both in residence and via distance learning. As well, many of the large and midsize accounting and law firms offer free seminars and webinars. In September, Deloitte launched the Deloitte Learning Academy, a web-based application that is open to the public for a fee.

Here is a sample of other continuing professional development sources:

CRA: [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)

Canadian Association of Family Enterprise:  
[www.cafecanada.ca](http://www.cafecanada.ca)

Conference Board of Canada: [www.conferenceboard.ca](http://www.conferenceboard.ca)

CIO Association of Canada: [www.ciocan.ca](http://www.ciocan.ca)

Federated Press: [www.federatedpress.com](http://www.federatedpress.com)

Financial Accounting Standards Board: [www.fasb.org](http://www.fasb.org)

Financial Executives International: [www.feicanada.org](http://www.feicanada.org)

Financial Management Institute of Canada: [www.fmi.ca](http://www.fmi.ca)

Government Finance Officers Association: [www.gfoa.com](http://www.gfoa.com)

Human Resources Professionals Association: [www.hrpa.ca](http://www.hrpa.ca)

Institute of International Auditors: [www.theiia.org](http://www.theiia.org)

IFRS Foundation and International Accounting Standards Board: [www.ifrs.org](http://www.ifrs.org)

International Federation of Accountants: [www.ifac.org](http://www.ifac.org)

IT Alliance: [cax.org](http://cax.org)

Treasury Management Association of Canada:  
[tmac-toronto.ca](http://tmac-toronto.ca)

— MTB

vary greatly.” In other words, he says, judgment is used.

When it comes to CAs, says Gandz, they are looking for a connection with their customers and to understand the business not just from their role as CAs but as their clients see it. “It’s the real connection to the broad world of business. They want to understand and feel what their clients are feeling and dealing with. The best accountants have always been wired that way.”

#### What the Big Four are doing

Alan Booth, associate partner, learning at Deloitte, agrees. “Clients assume you are going to be technically good. What they are looking for is your point of view and we are seeing demand for learning geared to helping them shape that point of view.”

As a result, Deloitte is developing programs to help its people build industry eminence. “Clients perceive themselves in terms of the industry they live in,” he says. “They are interested in more than an audit or risk assessment. At the more senior levels, industry eminence means you understand what the players’ agendas and strategies are and you get to the point where you can help clients make sense of the forces that shape the trends.” How do you gain industry eminence? “A CA needs to understand where the clients are going for information — industry associations and journals, websites, commentators — and connect themselves to the same sources,” says Booth. “That’s how you build the foundational knowledge of an industry. Beyond that, there are a lot of vendors out there that can deliver good learning around negotiating skills, communications skills and relationship-building skills.”

Another key component of leadership training is coaching and mentoring, and increasingly firms are tapping into their own knowledge base by positioning partners to be coaches to guide those on their way up. As a result, the ability to share knowledge to develop others and give feedback is important. “One of the pieces we are focused on is ensuring there is transfer of learning so that the learning lives and breathes on the job,” says Connal. “How do we arm everyone to support the application of learning on the job? How do we deliver learning so our people can get it when they need it?”

Ernst & Young offers internal courses to help its people improve their coaching abilities. “When CAs move into more

senior management positions, we have a three- or four-day training period to prepare them for this role,” says Charles Marful, director, Canada people team, assurance practice at Ernst & Young. “Everyone here has a counselor or coach and coaching is something that everyone has to be good at. We look at people development in three pillars: formal learning, which is the courses you take; experience; and coaching, which involves sharing insights and experiences with others so they can learn. Coaching is the glue that ties the formal learning and the experience together.”

And it goes hand in hand with another trend in professional

## Who is relying on you at tax time?

**UFile PRO** is PROFESSIONAL QUALITY TAX SOFTWARE specifically developed for **LOW-VOLUME** tax preparers, from Dr Tax Software.



- ✓ EFILE certified tax software
- ✓ Available for 20, 40, 60 & 100 returns
- ✓ Imports directly from TurboTax<sup>®</sup>
- ✓ Includes expert telephone support

Save up to **\$50** on your next purchase! Don't miss the UFile PRO early bird special available from **November 14th 2011** to **December 12th 2011**.

Buy online at [www.ufile.ca/PRO](http://www.ufile.ca/PRO)  
or call us at **1-800-663-7829** ext: **222**

For more info, visit  
[www.ufile.ca/pro](http://www.ufile.ca/pro)

UFile PRO from **DR TAX**  
Canada's tax software company

**“Rather than have someone attend a seminar or elearn session, we now have a structure and specific techniques we can use when an opportunity arises. So we’ve addressed the learning gap and provided support”**

development: the growth of on-the-job, informal learning opportunities. For example, PricewaterhouseCoopers (PwC) is using a structured, team-based approach to learning on the job. “It’s a way to capture teachable moments as they arise and in the process help accelerate the development of our junior people and reinforce learning on the job,” says Kate Hand, learning and development director for national assurance practice at PwC Canada. “Rather than stop and have someone attend a seminar or elearn session, we now have a structure and specific techniques we can use when an opportunity arises. So we’ve addressed the learning gap and provided feedback and support. As a result our junior team members have more opportunities to take on more rewarding work. As well, it improves communication across the team because you are coming together to address issues in a real-time, real-life, relevant way.”

For example, this fall PwC launched a program dealing with professional skepticism that blends a formal learning component with the team-based learning approach. “How do you teach judgment? By sharing war stories of near misses,” says Hand. “Our senior team members have these stories but they might not always think to share them with junior team members. Now, they can come together to talk about what professional skepticism means for the client, how to address it and assess it and what to do when something is unusual. Junior team members might not otherwise have the confidence to question a client.”

### Technology

Ray Desjardins, CA•IT, and his wife, Donna, set up Desjardins & Co. as a sole proprietorship in 1979 in St. Paul, Alta. It was the first firm in the region, if not the province, to embrace microcomputers for accounting and bookkeeping. “As accounting software for microcomputers started becoming available, we became certified consultants for Simply Accounting, QuickBooks, Busi-

nessVision, NewViews, etc.,” says Desjardins. “Many, many years ago, I attended one of the early CICA micro conferences, where the head speaker warned CAs that the ‘technology locomotive is coming down the track and if we don’t get on very soon we’ll be left behind.’”

Far from being left behind, Desjardins obtained his information technology specialist certification in 2004. Still, professional development in the area of technology, particularly as a specialist, is hard to come by, he says. “My IT professional development education has to come from seminars, conferences and webinars offered by vendors of software and hardware, online courses offered through, for example, CICA Extensions and SmartPDOnline, along with conferences of IT professionals who are not necessarily chartered accountants.” Additionally, he says there are a number of trade and other publications (many of them available at no charge) as well as websites such as [www.cnet.com](http://www.cnet.com) that offer good information relating to the latest trends and products.

Desjardins also makes extensive use of the IT Alliance CA-Xchange (CAX) ([www.cax.org](http://www.cax.org)), an online forum, where he also serves as a moderator and TechTips author, that helps CAs across the country access informal, shared-experience-type learning around technology.

It was at CAX that Desjardins met Dwayne Bragonier, CA•IT, of BAI Bragonier & Associates Inc. in Mississauga, Ont., which provides technology training to public accountants on the systemized use of tools and software. “CAX is a peer-to-peer online learning network where people can post questions and get answers from others who have dealt with the same issues,” Bragonier says. He points out that although CA•ITs need structured learning, now, thanks to technology, they have a forum to communicate their mistakes and successes. “We start with structure and then we talk to one another,” says Bragonier. “It’s what the large accounting firms have always done, but now that ability is available to CAs widely. That’s what CAX is about. The social net is providing us that forum and learning opportunity. From a professional development perspective, it’s going to be interesting to see what happens in the next 10 years. We are learning how to share and how to learn from people sharing — online.”

### Social media

Of course, the reach of the social net and social networking goes well beyond technology and how we learn. It also has implications for how business is conducted. “Talks around the water cooler were the earliest forms of social networking. It is relevant now to the areas of marketing, crisis management, reputational management, management of information and misinformation,” says Gandz. Social networking cannot be ignored and CAs have to be thinking about it and learning how to use it, he says.



Visit our website  
[camagazine.com](http://camagazine.com)



**WEB FEATURES** News and **exclusive items**  
of interest to all accountants

**WEB EXTRA** **Web-only** articles, also  
summarized in the print edition

**ARCHIVES** **Hundreds of articles** published  
in the magazine since 1994

"It is producing fascinating accounting questions, not the least of which is, how can LinkedIn be worth billions when it hasn't made any money?"

And CAs are thinking about it. "As a firm, we are looking at the options and re-evaluating where we want to go on this road," says Gill. "Most of our staff is savvy and thinks it's something we should be doing. The question is how to use it effectively."

Deloitte is also seeing a lot of interest in social media, particularly among newer CAs who have been much more connected and are comfortable using social media in their personal lives. "The trick is to discern useful insight from speculative commentary," says Booth. "At the moment social media is being used as an information tool to keep abreast of what's happening with clients and industry and within the profession."

That was exactly what drew Iacovetta to the CICA's social

networking course. "It's a personal interest and it is a great tool to help you stay connected," she says. And the fact that the course is one way to meet the continuing professional development requirement is fitting. "As a CA working in industry, the CPD requirement is my link to the broader CA community," says Iacovetta.

"Becoming a CA is a rigorous process and I know I bring depth to the table because of my training," she says. "The profession itself requires that you continue to move forward and prove yourself. Lifelong learning is part of that process and it's important to me personally. I see professional development as a way to stay connected to the profession and my colleagues and to continue to push myself in my own continuous learning."

Mary Teresa Bitti is a freelance writer based in Oakville, Ont.

## ONLY Intuit gives you the BEST of both worlds!

### Financial Accounting



### Support Your Clients Better. ProAdvisor Program.

An exclusive program designed for accounting professionals like you!

Join for **only \$25/month** & receive:

- QuickBooks Premier Accountant Edition
- QuickBooks Payroll
- **FREE** support<sup>1</sup>
- **FREE** online training & more!

**Join now for \$25/month.**  
Exclusive benefits + \$1500 in savings.<sup>2</sup>  
Visit [accountant.intuit.ca](http://accountant.intuit.ca)

### Professional Tax



### Increase Your Productivity. ProFile Tax Software.

ProFile delivers speed, accuracy & unbeatable value!

- Comprehensive, yet **easy** to learn and use
- Easy to **switch** from most other tax software
- **Time-saving** features that make you more productive

Let us show you!  [profiledemo.ca](http://profiledemo.ca)

**Buy now & save \$50!**<sup>3</sup>  
Plus, bundle and save even more!  
Call **1-877-616-4302**



Terms, conditions, pricing, features, service and support options are subject to change without notice. <sup>1</sup> Includes 12 support calls with a one-user membership and unlimited support calls with a five-user membership. <sup>2</sup> Amount based on MSRP of QuickBooks Premier/Payroll and Tech Support (1 User MSRP: \$1,819.92, 5 User MSRP: \$3,940.20) <sup>3</sup> Valid until December 15, 2011 on 2011 ProFile T1 or T1/TP1 products only. Excludes OnePay.



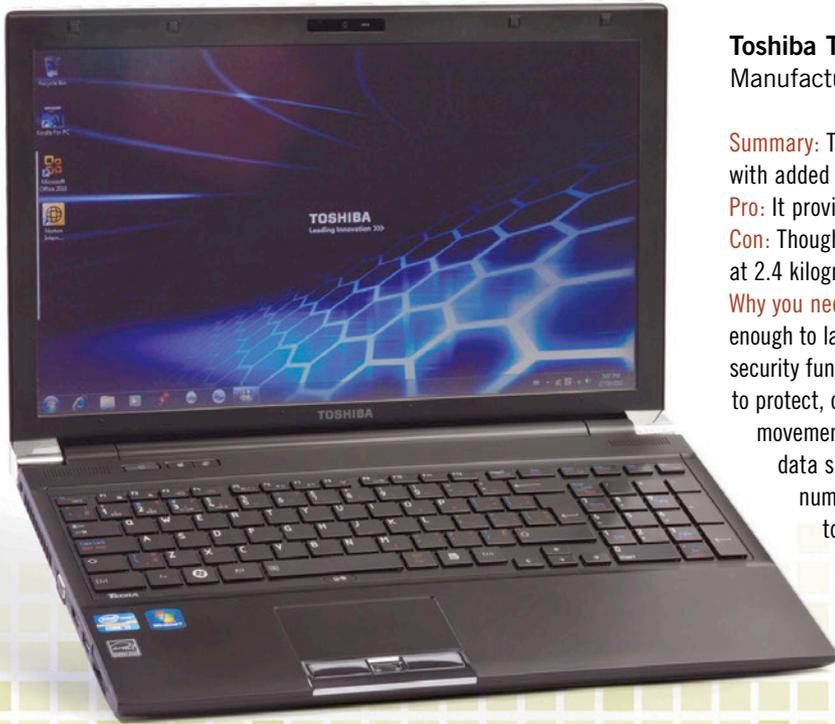
**intuit**  
ACCOUNTANTS

**Tablets, laptops, smartphones, portable printers:**  
if you are a CA who likes to work on the road  
you definitely want to look at these by MARK HINKLEY

# Gadgets *to GO*

**Modern technology has made it possible to work while on the move.**

Many CAs today work away from the traditional office: some are like house doctors of old and visit clients; others travel long distances and have to work while travelling; yet others may work from some beach or patio somewhere. What's out there for such CAs? Are there gadgets and tools on the market that serve the needs of untethered accountants? The answer is a resounding yes. Today's portable gadgets offer a lot that their predecessors didn't — better battery life, higher quality and sturdiness. Not to mention that every year gadgets get faster, stronger and smaller. Here are some of the best on the market for the CA running a mobile office.



### Toshiba Tecra R850 laptop

Manufacturer's suggested retail price (MSRP): \$1,199

**Summary:** This is a sturdily built, 15-inch, Windows 7 laptop with added safety.

**Pro:** It provides protection and function at the right price.

**Con:** Though forgivable, the Tecra is a slightly heavy device at 2.4 kilograms due to its built-in safety features.

**Why you need this:** This is a laptop with power that is advanced enough to last for years without becoming outdated. Its many security functions include a fingerprint scanner and a mechanism to protect, or "lock up," the hard drive when it detects sudden movement, preventing damage to the hard drive and its valuable data should it fall to the floor. The keyboard features a number pad, but not at the expense of shrinking the keys to an uncomfortable size. This is a very capable laptop for all your professional needs.

### Motorola ATRIX 4G smartphone MSRP: \$599

**Summary:** The Atrix is a smartphone with add-on capabilities to convert the device to a laptop.

**Pro:** This is a powerful phone, with a large four-inch touch screen and excellent battery life.

**Con:** As cool as the lapdock accessory (which turns it into a laptop) is, it may be cost prohibitive at \$329, given the power of other laptops on the market that can be had at a similar or slightly higher price.

**Why you need this:** You can send and receive email, edit documents and browse the web with the computer power of a laptop, all in a cellphone. The lapdock accessory provides a full keyboard, a large screen at 13.1 inches, two USB ports, a touch-pad device found on all laptops and its own rechargeable battery. The software comes with the ability to convert speech into text very accurately, making edits or composition easier. Just consider your neighbours when you're on a plane.

LYNNE FOX/KLIXPIX



**Fujitsu LIFEBOOK T901 tablet PC** MSRP: starting at \$1,899

**Summary:** This Windows 7, 13.3-inch device goes from tablet to laptop with a turn of the screen.

**Pro:** The Lifebook has a great deal of computer ability and versatility that is not found in many tablets or laptops.

**Con:** Though the laptop tablet is handy, it is not the ideal handheld to use for long durations of time due to its weight.

**Why you need this:** This device is made for power users who want their device to do just about anything and everything. It features plenty of USB ports, a flash-card reader, DVD-ROM and even a handy stylus with its own docking station below. For those looking to take advantage of the tablet, there are several buttons along the side of the screen to help you scroll through documents and turn pages.



**Olympus LS-20M Linear PCM video camera/audio recorder** MSRP: \$299

**Summary:** Versatile professional audio recording device with high-definition-video recording capacity.

**Pro:** Impressively small and lightweight, the Olympus LS-20M records audio as well as video in HD.

**Con:** Recording requires a steady hand or some guesswork when pointing at your subject. You have to hold it flat with the screen facing up.

**Why you need this:** This versatile device may be aimed at those looking for portable, professional-quality audio capturing; it can take high-resolution photos and capture 1080p HD video. The device can also be used as a web camera for those who already have a laptop or desktop computer. If you need to record a recital or a keynote speech, it has the ability to capture live audio via two microphones located on top of the device.

**Fujitsu ScanSnap S1500 and S1100 scanners**

MSRP: \$529 and \$289 respectively

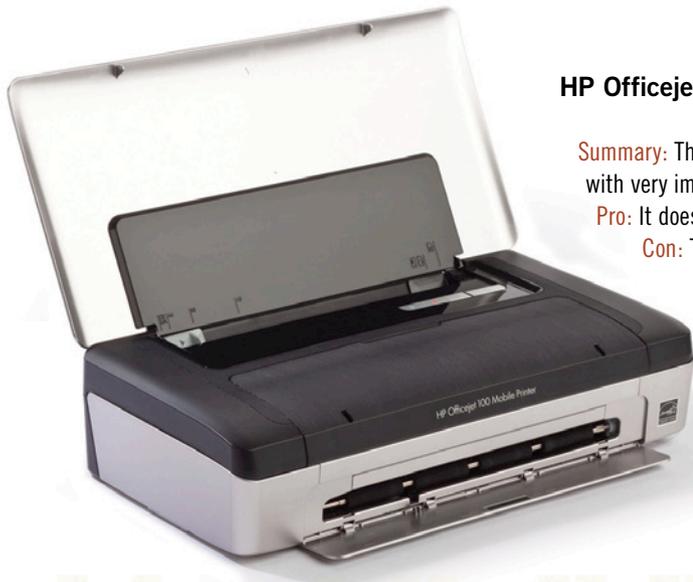
**Summary:** These scanners provide high-quality colour scans quickly in small packages.

**Pro:** The S1500 is fast and built to move. The S1100 is light enough that you wouldn't notice it in your bag.

**Con:** At three kilograms, the S1500 is large enough that its weight may be prohibitive. The S1100 is not the fastest device around, with a scanning rate of eight pages per minute, and each item to be scanned must be fed by hand.

**Why you need this:** The ScanSnap S1500 can handle bulk scanning at a rate of 20 pages per minute, scans double-sided, and can hold up to 50 pages in its document feeder. Its little brother ScanSnap S1100 is a powerful, light scanner that you could easily forget you have on you — it's as small as a one-litre carton of milk. It is powered by connecting to your computer via USB, eliminating the need for an often chunky power adapter in your bag. Image quality from both is excellent for all your electronic backup needs.





### HP Officejet 100 mobile printer MSRP: \$279

**Summary:** This portable colour printer is smaller than a shoebox, with very impressive connectivity capabilities.

**Pro:** It does exactly what you would want from a mobile printer and then some.

**Con:** The print quality of the Officejet 100 can be outclassed by printers aimed at the home or office.

**Why you need this:** This is a truly mobile printer for those who need one that can print almost anywhere. The Officejet 100 comes with a built-in battery providing a charge allowing you to print up to 500 pages before a recharge. No USB or power cable is required. Need to print a document from any Bluetooth-enabled device? Sync the printer to your smartphone, laptop or tablet and print away.

### BlackBerry PlayBook tablet MSRP: starting at \$499

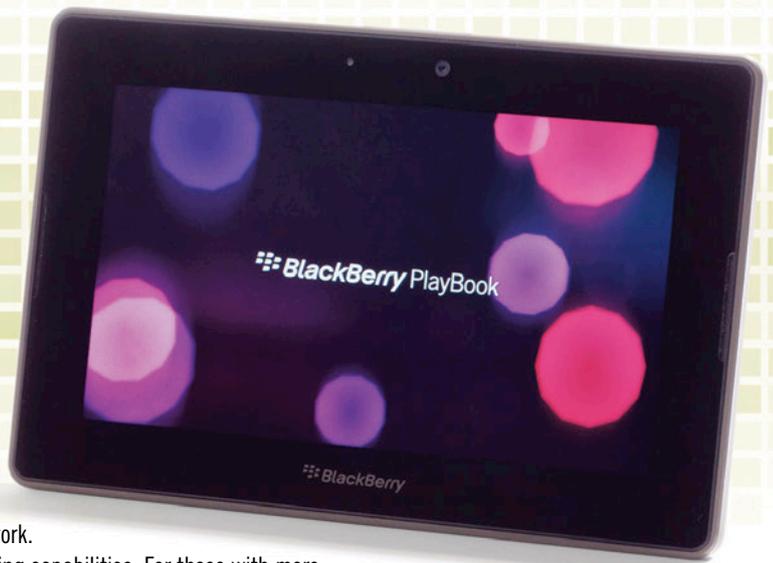
**Summary:** The PlayBook is a light and portable seven-inch tablet that can enhance your BlackBerry experience.

**Pro:** The size and weight are perfect for a carry-on bag. If you have a BlackBerry with a data plan, you can wirelessly link, or “tether,” the PlayBook to your phone for increased functionality.

**Con:** You get the feeling that if your smartphone is not a BlackBerry product you may be missing out on the tablet’s strengths.

**Why you need this:** If you like your BlackBerry but wish it had a larger screen, your wish has been granted. It easily extends the use of your BlackBerry phone in addition to being a very user-friendly tablet. Reading and editing attachments, as well as dealing with email, become easier on the larger screen. Battery life exceeds seven hours with regular email/browsing usage, which will suffice for most trips. WiFi is a breeze to connect to any network.

There are both front- and rear-mounted cameras for video-conferencing capabilities. For those with more multimedia demands, the PlayBook has the capacity to allow a linkup to a monitor, projector or HD televisions for videos or presentations. Though this is not a Windows-based device, the PlayBook had no trouble with any edits to any Microsoft Word, Excel or Powerpoint file thrown at it.



### Kobo eReader Touch MSRP: \$139

**Summary:** This e-reader is the latest iteration of ebook technology.

**Pro:** Light and sturdy with impressive battery life, the Kobo eReader Touch can carry a charge for up to a month.

**Con:** Loading documents onto the reader may require other types of software and research on how to do so online.

**Why you need this:** As a dedicated device for reading PDFs and other popular ebook formats, it is much lighter than any of the technical manuals and texts offered for the profession. Plenty of battery life and memory allow for a virtual library at your fingertips, all in the size of a personal organizer. The electronic ink screen uses very little power and allows the documents to be read under any lighting condition.

Mark Hinkley is a tech-savvy graphic designer at the CICA in Toronto

## Transfer-pricing implications

Treasury-related transactions pose problems for taxpayers and authorities in applying arm's-length pricing

Over the past few years, taxing authorities and certain judicial bodies have given considerable attention to intercompany treasury-related transactions — particularly loans and guarantees.

There are several reasons for this heightened concern over treasury-related transactions by taxing authorities and tax courts. One source of concern is the potentially large magnitude of many intercompany loans. Another is the complex nature of these transactions and the difficulties they pose for taxpayers and taxing authorities in interpreting and applying the arm's-length principle.

There are a variety of related-party treasury transactions that are common amongst members of a multinational group and a number of recent court cases and developments as they relate to the arm's-length principle to intercompany loans and guarantees.

### Common intercompany treasury transactions

Although not exhaustive, some of the more common intercompany treasury transactions that are entered into by related members of a multinational group include intercompany loans, guarantee fees (financial as well as performance), factoring arrangements, cash pooling, risk transfers through the use of options, swaps, reinsurance and trade finance. For our purposes, intercompany loans and financial guarantees will be discussed.

Perhaps the most common related-company treasury transactions are related-party loans. Intercompany loans are typically issued from one member of a multinational group that has excess capital to another related entity that is in need of funds. The primary operational reason why multinational companies enter into related-party loans is to maximize the efficient use of internal cash and to eliminate external funding costs. In many instances the lending entity is a centralized treasury entity that is mandated with the management of the consolidated funds for the multinational group.

Some of the more salient issues for taxpayers to consider when issuing intercompany debt include:

- the purpose of the debt from the borrower's perspective;
- the terms and conditions of the debt should be consistent with those that arm's-length parties would have entered into under similar facts and circumstances. Some issues to consider include decisions on the term of the loan, whether the interest rate will be floating or fixed, the loan's seniority, collateral, currency, frequency of payment and embedded options;
- capacity of the borrower to take on additional debt and the ability of the borrower to cover interest payments. Although controversial, consideration should also be given to the payment of the principal and the possibility of refinancing or rolling forward the intercompany debt;
- once the quantum of the debt is addressed the next issue for consideration is the set-



BLAIR KELLY

ting of the interest rate that will be applied to the loan. The process for setting the interest rate starts by evaluating the borrower's credit rating and adjusting it for the passive benefits of being part of a multinational group and for the specific terms of the loan. Once the credit rating is established, analysis is then required to determine equivalent current market rates given the terms and conditions of the related-party loan; and

- finally, consideration should be given to the interest rate that will be selected from the range of interest rates that will be obtained from the benchmarking analysis.

These issues are generally what should be considered but others may be important, depending on the specific nature of the intercompany loan in question.

Guarantees are also common among related companies. The main reason why guarantees are used among members of a multinational group is to reduce the group's financing costs when one member requires external financing. The savings arise when the guarantor, usually the parent, has a stronger credit rating than the borrowing entity. The guarantee provided by the guarantor, in most cases, reduces the borrowing costs of the borrowing entity by effectively substituting the parent's stronger credit rating with that of the subsidiary's lower rating.

Some of the more important issues for taxpayers to consider regarding the use of guarantees include:

- evidence that the guarantee provided a benefit to the recipient in terms of lowering its cost of external borrowing;
- consideration should be given to other related-party transactions that could affect the determination of the guarantee fee — especially related-party loans that reduce the borrowing capacity and lower the credit rating of the guarantee recipient;
- another issue for consideration involves the determination of the guarantee fee to be applied. The process for the guarantee fee is in many respects similar to the setting of the interest rate on a loan. It starts by first evaluating the guarantor and guaranteed entities' credit ratings and adjusting for the passive benefits of being part of a multinational. Once the credit rating is established, analysis is then required to determine the guarantee fee. The primary basis for determining a guarantee fee is to take the interest-rate spread based on the difference in credit rating between the parent and subsidiary; and
- consideration should be given to the rate that will be selected, taking into consideration the bargaining position of both the guarantor and the guarantee. Other methods to consider include credit default swaps and possibly actuarial analysis. When selecting a method it is important to account for all the risks and benefits that are provided to the guaranteed entity by the guarantor.

### Recent developments

There have been some recent decisions by judicial bodies and announcements by various taxing authorities relevant to the concept of arm's-length. The most notable court decision was *General Electric Capital Canada Inc. v. R.*, [2010] 2 C.T.C. 2187 (the Crown). At the core of this case is the definition of "arm's-length" for

the purpose of determining a payment for a guarantee that was provided by GE Capital US to its subsidiary GE Capital Canada.

The more salient facts surrounding this case are as follows. During the years under appeal (1996 to 2000), GE Capital Canada was a financial services company that conducted a number of businesses in Canada, including equipment, vehicle and real estate financing, and technology-management services. GE Capital Canada was a wholly owned, indirect subsidiary of GE Capital US. It financed its operations by borrowing funds from capital markets through the issuance of debt in the form of commercial paper and unsecured debentures. GE Capital US began guaranteeing the Canadian taxpayer's debt in 1988, but only started charging guarantee fees, calculated at a rate of 1% per annum of the principal amount of debt outstanding, in 1995.

On December 4, 2009, the Tax Court of Canada allowed the taxpayer's appeal, vacated all of the Minister's assessments and rejected the taxpayer's argument that its credit rating should be determined on a stand-alone basis. In reaching this conclusion, the court consulted with relevant authorities on the meaning of "arm's-length" and concluded in its decision that the concept refers to "how independent parties negotiating with each other

## When selecting a guarantee method, it is important to account for all the risks and benefits that are provided to the guaranteed entity by the guarantor

in the marketplace would behave for the purpose of achieving the best terms" in respect of the purchase or sale of goods and services (para. 196). In this context, the "implicit support" of the parent company could not be ignored.

In determining the arm's-length price, the court considered significant expert advice. These experts stated that there were three models that could be utilized to determine the arm's-length guarantee fee that would apply to the tested transactions. The three models were: (i) the yield approach, (ii) the insurance approach and (iii) the credit default swap approach. The court accepted that the yield approach put forward by the Crown to assess the guarantee's value was the most appropriate. However, the court also determined that the proper application of this approach, in consideration of the facts and circumstances of the case, favoured the taxpayer.

The court concluded that the taxpayer's final credit rating, without explicit support, would be in the range of BBB- to BB+. This is significantly below AAA (the rating achieved with the guarantee in place) and one to two notches higher than the stand-alone credit rating (BB), excluding implicit support from GE Capital US. The interest cost savings to the taxpayer, based on the differential between BBB-, BB+ and AAA, was determined to be about 1.83% (based on one of the expert reports). Therefore, the 1% guarantee fee was found to be below an arm's-length price in these circumstances. Although GE Canada's initial deduction wasn't denied by the court, it did confirm the Crown's argument that implicit support when determining the credit rating of a subsid-

ary of a multinational group should be considered and adjusted for when determining an arm's-length price for the guarantee.

The decision of the court was appealed by the Crown. On December 15, 2010, the Federal Court of Appeal released its reasons for dismissing the Crown's appeal in *GE Capital*, 2010 FCA 344. In so doing, the appeal court agreed with the Crown and the tax court judge that the "halo" effect, or "implicit support," of a parent corporation is a relevant factor in transfer pricing cases, at least those involving financial transactions such as guarantees or loans between nonarm's-length parties.

Another relevant development was the issuance of a white paper by the Australian Tax Office (ATO) in June 2008 and most recently, a series of draft tax rulings on intercompany debt and guarantee fees. The white paper considers four possible funding scenarios. As part of this analysis, three broad principles and key factors should be considered.

The commercial rationale should be considered as part of the analysis from a regional as well as a consolidated perspective. Incidental benefits should be considered as part of the analysis when determining the price of the financial transaction. The extent and impact of this aspect will depend on whether the borrower is considered to be a core and strategic subsidiary. And considerations should be given to the financial state of the borrower.

Based on the above criteria, the white paper considers two multiple scenarios for determining an arm's-length price for either a

guarantee or a loan: whether the subsidiary is financially viable (independent) and whether it is deemed to be a core and strategic subsidiary. In the event that the subsidiary is not deemed to be financially independent, the white paper concludes that the quantity of intercompany debt needs to be considered — meaning the intercompany debt should be adjusted to place the subsidiary in a position of financial independence. Then, to the extent that the subsidiary is a core or strategic subsidiary, the stand-alone credit rating should be moved a notch up to be closer to the parent's. The white paper also indicated that the proposed economic approach to pricing related-party debt and guarantees should take precedence over the country's thin-capitalization rules.

### Conclusions

As taxing authorities continue to aggressively review and audit all intercompany transactions, taxpayers are advised to determine and use arm's-length transfer-pricing policies and to contemporaneously document all material transactions.

Andrei Tarassov is a senior manager, Jaime Nemeth is a manager and Thomas Tsiopoulos is a partner with Ernst & Young's international transfer pricing services practice in Toronto

Technical editor: Jay Hutchison, tax managing partner, Canada, E&Y

## the CA Member Savings Program



**FedEx**  
Up to 35% off your  
FedEx Express®  
shipments.



**Hertz**  
Save 5-15% on daily,  
weekly and monthly rates.



**The Utility Company**  
Virtualizing your IT  
can save you up to 50%.



**Medcan**  
Save 25% off the  
Comprehensive Health  
Assessment retail rate.

Take advantage of these offers and more including CA Research Plus, InterCall, Tempo and VIA Rail by visiting [www.camembersavings.ca](http://www.camembersavings.ca)





The lead forensic accountant analyzed the massive volumes of emails, PDFs, spreadsheets and other files the CIO had produced. He instructed them to use a word-indexing program that would search all types of documents exchanged by the suspects to identify unusual words, words that came up frequently and word combinations. Although that process made it somewhat easier to delve into the unwieldy amount of communications, it required several team members to visually slog through a seemingly endless amount of printouts.

Before doing so, the lead forensic accountant gathered his group to go over some of the acronyms and code words they might encounter as they read the emails. The youngest member considered this unnecessary. “UG2BK [you’ve got to be kidding],” she said. “I’m not kidding,” he replied. “You know what that means but I don’t think the others do.” His comment was met with nods of agreement. Most knew that LOL meant “laughing out loud.” No one decoded WAI as “what an idiot,” a phrase that could be used by a colluder.

One reference no one knew was “420,” a frequently used term for marijuana. Popular theory has it that 420 is a section of the US penal code for marijuana possession. Another is that 420 is the number of a bill put before Congress to legalize pot. Yet another explanation claims there are 420 chemical compounds in cannabis.

“To the best of my knowledge,” the lead forensic accountant said, “none of these is accurate. They’re all urban legends. The actual story dates to the early 1970s when a group of teenagers in California decided to search for some abandoned marijuana crops they’d heard about. They met every day at 4:20 after classes. Then some guy wrote an article about it years later and from that 420 evolved into a code for smoking pot.”

“Fascinating,” the youngest member said. “You learn that from personal experience?”

“No,” he replied. “Wikipedia.”

The team did indeed come across several 420 references in emails between two suspects, one male and one female, in the accounting department. It seemed evident the pair, both of whom were married, were having an affair and liked to enhance their time together with some soft drugs.

“Got some 420, as promised,” the male said in a message to the woman. “Should be a great celebration tomorrow. TBC!”

The message in itself was not indicative of anything fraudulent; and the forensic team had no interest in reporting a possible affair or references to possible drug use. What did get their attention, however, was the mention of a celebration. And the “TBC,” or “to be continued.” A quick check showed that neither had a birthday around that time, nor did the company have any events planned or functions scheduled that would constitute a reason to celebrate.

They knew the email might just be about a couple enthusiastic over the opportunity to spend time together now and in the future. “But what if it’s more than that?” the lead forensic accountant asked. He ordered the team to do a meticulous search

of messages among all the suspects for a one-month period before and after the day of the “celebration.”

One reference caught their attention. They came across several mentions of “once again dipping into the cookie jar” in emails sent just before the date of the supposed celebration. They were distributed among several people the team had identified as the most likely suspects. Some of the responses played off the theme. “Love cookies so much!!!!” one wrote. “Can’t get enough cookies from the jar!!!!!!” another wrote, using even more exclamation marks. However, one was especially revealing: “Made some more cookies last night. When you work late it’s amazing how much you can cook up.”

The date of that email was incredibly helpful to the team’s investigation. It was able to match it to the timing of some suspicious entries the other group had found that, when analyzed, seemed to expose the reporting of substantial revenue that was backed up by what appeared to be falsified documentation. When the “cookie jar” phrase was run through the rest of the emails, several references came up that corresponded to questionable entries.

In the end, the multinational’s legal counsel used the forensic accounting findings to justify conducting interviews with the

## **A group of teens in California met every day at 4:20**

**after classes to look for abandoned marijuana crops.**

## **And from that, 420 evolved into a code for smoking pot**

key suspects. When confronted with the evidence and knowing that criminal charges might be laid against him, one man confessed. His testimony exposed a major collusion involving small groups in three North American cities.

“How did it come about that so many of you did this?” counsel asked.

“We met at a company conference a couple of years ago,” the man said. “We were put together on some stupid, humiliating team-building exercise. None of us wanted to do it. We went drinking instead. And we were all pissed off at the company because it was putting so much pressure on us to boost revenue. The idea to inflate the revenue started as a joke and then it just became real.”

When the final accounting was done, the colluders had obtained more than \$6 million in fraudulent bonuses. “OMG,” the youngest team member said, “that would have bought a lot of 420.”

Another fraud was uncovered thanks to deciphering text codes, albeit of a much smaller scale.

Two women at a medium-size manufacturing company became friends when they discovered they shared a hatred for their exes, neither of whom was regularly meeting his monthly support payments, and a love for gambling, at which they lost more often than they won. Both worked in the procurement department at jobs they found boring. Gambling had become the one aspect in their lives that brought them pleasure and excitement, but it also took a heavy toll on their finances.

One day they decided to augment their salaries by taking kickbacks from certain top suppliers. They had heard through the grapevine that two of their suppliers were not above assuring that they maintained their favoured status, so they approached their contacts at each company and in clumsy, coded language made it clear what was required.

They were clever enough, however, to conduct their communications through a Hotmail account. The women created an account using completely false information. They gave the suppliers the password and informed them to log on at certain times when the suppliers would find instructions as to what to pay and where to go to turn over the cash. Once the message had been read, the supplier was to delete it from the account. If the supplier failed to do so, one of the women would log on and erase it. It was a smart plan as it's virtually impossible to trace such an account back to a specific user.

The women's conniving hit a snag after a year or so when one of their exes overheard part of a conversation between his former wife and her conspirator. His ex was not aware he could hear what the other woman was saying. He had been suspicious lately of what seemed to be a recent upgrade in his ex's standard of living. A former employee of the manufacturing company, he sussed out what might be happening based on what he overheard. In a fit of anger, he sent a poison pen letter to the owner of the privately held company outlining his suspicions. The owner called his sister, a forensic accountant, for her help.

The forensic accountant was not able to find a paper trail that suggested any wrongdoing was taking place. "Even if we could get an order to examine their banking records, which I doubt we could, they likely were being paid in cash and I doubt they had deposited it," she said.

Nor were there any incriminating emails from either of the women to any of the company's suppliers. "Everything looks above board," she said.

When she examined the messages between the two women, nothing stood out as beyond the normal communications of coworkers. Some of the messages were personal but nothing suggested they were plotting or enacting a kickback scheme.

One message, though, did catch her attention. "Let's meet at the usual \*\$. Some AR. LMTC but he is MIA."

"What on earth does that mean?" the company's owner asked.

His sister translated: "Let's meet at the usual Starbucks. Some action required. Left a message to contact but he's missing in action." It may mean nothing, she said, but if they are involved in a scheme,

it sounds as if they meet to discuss any problems at a Starbucks, probably the same one every time.

Based on that lead, the forensic accountant helped her brother retain a private investigator, who quickly discovered that the women did get together on a regular basis at a Starbucks about halfway between where they both lived.

He began a surveillance regime that soon exposed the scam. The investigator surreptitiously photographed the women meeting at the coffee shop on several occasions with men who worked for the suppliers. On each occasion, an envelope was exchanged in a somewhat furtive manner — a newspaper containing the envelope was passed from a man to one of the women, who slipped something from inside it into her purse. The videotaped evidence was used to confront the women, who soon admitted to what they were doing.

Investigators such as the forensic accountants in these two disguised case histories need to always stay abreast of new tactics fraudsters might use to enact or cover up their plans. IMO they need to know the 411 on what some people are saying to each other in a TXT or IM.

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

## UBC DAP

### The gateway to accounting

#### Accelerate your future with the Diploma in Accounting Program (DAP) at the University of British Columbia.

If you are a university graduate seeking a professional accounting designation, you can fast-track your education through the UBC Diploma in Accounting Program (DAP). UBC DAP's curriculum is recognized by the Chartered Accountants School of Business (CASB) and satisfies most of the program requirements.

#### Application Deadlines

May start: Feb 1 (International applicants)  
Mar 1 (Domestic applicants)

Sep start: Jun 1 (International applicants)  
Jul 1 (Domestic applicants)

#### Courses now available online

Find out how DAP can accelerate your future: [www.sauder.ubc.ca/dap](http://www.sauder.ubc.ca/dap)



Opening Worlds

THE UNIVERSITY OF BRITISH COLUMBIA

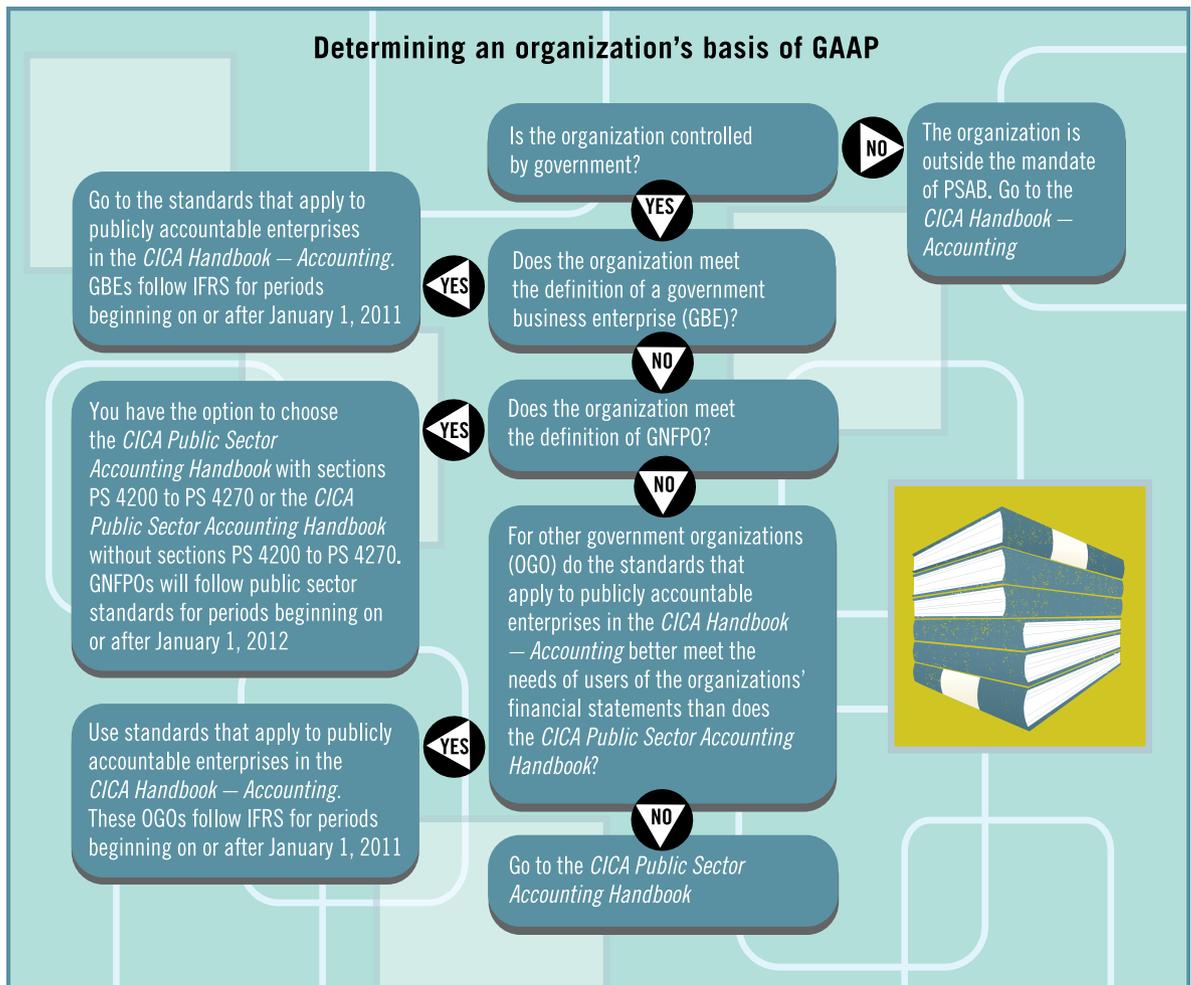
## New standards for NFPOs

The AcSB and PSAB joined forces to update financial reporting frameworks for NFPOs, which have diverse needs

Over the past few years, financial reporting frameworks have changed significantly in both the private and public sectors. Publicly accountable enterprises have transitioned to international financial reporting standards (IFRS), and most privately owned enterprises now follow a framework created to meet their needs. In the public or government sector, government business enterprises have transitioned to IFRS, while other government organizations now follow either IFRS or the *CICA Public Sector Accounting (PSA) Handbook*.

The remaining piece of the puzzle affected not-for-profit organizations (NFPO). A significant part of Canada's makeup, NFPOs have diverse financial statement needs and users. Some operate internationally with both domestic and foreign users; others are controlled by governments with users similar to those of other government organizations, such as universities, hospitals and colleges; still others are member-oriented with limited users, such as private clubs.

To help meet their unique requirements, the Public Sector Accounting Board (PSAB) and Accounting Standards Board (AcSB) worked together to reach sound and practi-



cal decisions regarding the financial reporting frameworks to be followed by NFPOs.

### Decisions, decisions: public-sector GNFPOs

For the public sector, PSAB determined that NFPOs controlled by governments (GNFPOs) should apply the *CICA Public Sector Accounting (PSA) Handbook*. However, PSAB recognized that a number of topics, such as accounting for contributions and collections, have been dealt with differently in the existing *CICA PSA Handbook* than in the standards followed currently by GNFPOs. Furthermore, other topics such as accounting for endowments are not addressed in the *CICA PSA Handbook*.

To ease the transition, PSAB introduced NFPO-specific standards into the *CICA PSA Handbook* as the 4200 series that GNFPOs can elect to follow. GNFPOs may continue to follow those specific standards for NFPOs or come into the *CICA PSA Handbook* without those standards. But having a choice means GNFPOs are facing some tough decisions.

### Assess the definition

In the public sector, organizations controlled by government are categorized as one of three types. Classifying organizations allows those that are similar in nature to be directed to the same and most appropriate basis of generally accepted accounting principles (GAAP), thus enhancing comparability. See the chart on page 42 for the decision process a government organization undergoes in determining what category it best fits into and the resulting basis of GAAP it will follow.

As illustrated, each government-organization type is directed to particular accounting standards. An organization determines the accounting standards that are available for it only once it has confirmed its organization type.

### With or without the 4200 series

After an organization confirms it meets the definition of a GNFPO, it can either follow the *CICA PSA Handbook* with or without the 4200 series — each of which has advantages and disadvantages that need to be considered.

### *CICA PSA Handbook* with 4200 series

A GNFPO that adopts the *CICA PSA Handbook* with the 4200 series will face fewer changes in accounting policies and financial statement presentation on transition.

For all matters covered in the 4200 series, the accounting policies and presentation of a GNFPO will not change. Instead, only matters not covered by the 4200 series require accounting policy changes during the transition from the *CICA Handbook* — *Accounting* to the *CICA PSA Handbook*, such as the accounting for financial instruments and employee future benefits.

However, the financial statements of these organizations are less comparable to those of governments and other government organizations in the public sector. Reduced public sector comparability results in the need for increased consolidating adjustments when the GNFPO's financial statements are included in those of its government reporting entity. It also raises issues about the measurement of financial performance

before and after consolidation.

### *CICA PSA Handbook* without 4200 series

Alternatively, organizations that adopt the *CICA PSA Handbook* without the 4200 series may encounter more accounting adjustments on transition. They may need to change their accounting for contributions and financial statement presentation, in addition to changes on matters not covered in the 4200 series.

GNFPO financial statements following the *CICA PSA Handbook* without the 4200 series are more comparable to those of their government and other government organizations. In addition, resource allocation decisions and assessments of performance are more straightforward when one set of accounting principles is used. British Columbia, for many of these reasons, directed all its GNFPOs to apply the *CICA PSA Handbook* without the 4200 series.

GNFPOs adopting the *CICA PSA Handbook* without the 4200 series may still refer to certain guidance in the 4200 series as a secondary source for matters not covered in the remaining standards of the *CICA PSA Handbook* — but only when the guidance is consistent with the conceptual framework in the *CICA PSA Handbook*. For example, the guidance on collections in the 4200 series cannot be referred to as there is already guidance in the *CICA PSA Handbook* on works of art, historical treasures and similar items. Alternatively, the guidance on disclosure of allocated expenses could be used as this matter is not covered in the remaining standards of the *CICA PSA Handbook* and is consistent with its conceptual framework.

The first set of annual financial statements prepared following the *CICA PSA Handbook* for a GNFPO is for the fiscal period beginning on or after January 1, 2012. Early adoption is an option.

### Private-sector NFPOs

The AcSB's Strategic Plan contained the overarching strategy of setting separate standards for different categories of reporting entities — agreeing that one size does not necessarily fit all. Each category will continue to have its own set of financial reporting standards that best suits the needs of the users of financial statements of entities in that category, having due regard to the benefits and costs of the standards.

As such, the *CICA Handbook* — *Accounting* was restructured with a separate part for each of the categories of reporting entity. The accounting standards NFPOs currently follow in Part V were replaced by accounting standards for private-sector NFPOs in Part III or IFRS (Part I).

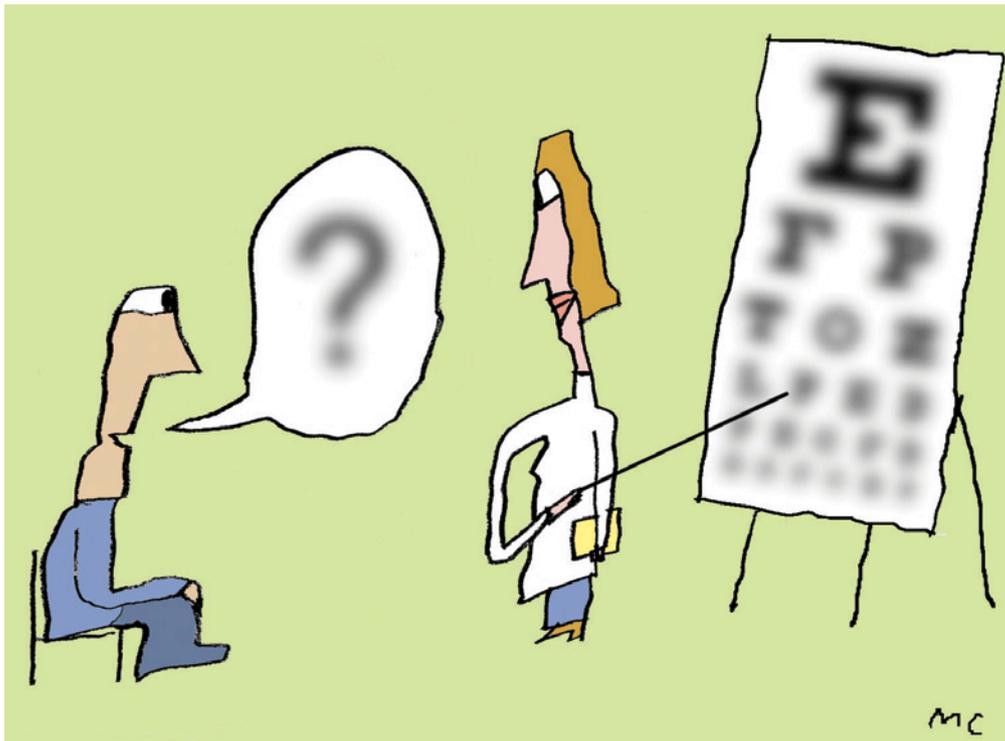
### Assess the definition

A private-sector NFPO is defined as an entity normally without transferable ownership interests, organized and operated for social, educational, professional, religious, health, charitable or other not-for-profit purpose. An NFPO's members, contributors and other resource providers don't receive any financial return directly from the organization. Only a private-sector entity that meets the definition of an NFPO may apply the standards in Part III.

continued on page 46

## Passing comments on PACs

The tax and legal communities may have to wait to get a clear picture of appropriate PAC provisions



**O** biter comments in the recent Federal Court of Appeal case *St. Michael Trust Corp. v. Her Majesty the Queen FCA 2010 DTC 5189* may have inadvertently rendered standard price adjustment clauses (PAC), used in estate freeze transactions, obsolete. There has been a lot of tax commentary written about the main thrust of the case, which was a redefinition of the factors in determining the tax residence of a trust. The court's implicit comments on PACs have not garnered much attention because the *St. Michael Trust* case was not decided on that point. The appeal court's comments on the PAC have potentially far-reaching consequences on estate planning.

A typical estate freeze generally works like this: Mr. X owns 100% of the common shares of Opco with a fair-

market value of \$1 million. Mr. X exchanges his common shares for fixed-value preferred shares, also worth \$1 million. Within the share attributes of the preferred shares there is usually a PAC. A family trust then typically subscribes for the common shares of Opco for a nominal amount of cash consideration.

The Canada Revenue Agency (CRA) position on PACs is outlined in Interpretation Bulletin IT-169 — Price Adjustment Clauses, which is based on *Guilder News Co. (1963) v. Her Majesty the Queen (FCA 1973 DTC 5048)*. Based on the foregoing, the standard PAC states if the CRA determines the fair-market value of the preferred shares to be of a higher or lower quantifiable number than its redemption amount, then the redemption amount per share shall be retroactively (*nunc pro tunc*) adjusted to reflect that higher or lower CRA determination, as the case may be.

The PAC has traditionally been present in such “freeze

shares” in order to prevent shareholder benefit issues for Mr. X. It therefore follows, as shall be seen by the facts in the St. Michael Trust case, that if the CRA makes no such definitive fair-market determination on the preferred shares then the standard PAC will remain deactivated and unforeseen tax consequences may arise.

The relevant and condensed summary of the facts of St. Michael Trust for the purposes of this article is as follows: in 1996, the shareholders were Mr. Dunin, who owned 50% of the common shares of PMPL Holdings Inc., and Garron Holdings Ltd., which owned the other 50% of the common shares of PMPL. And PMPL owned all the common shares of two operating companies.

In 1998, Dunin transferred his common shares of PMPL to a holding company he controlled (Dunin Holdings) on a tax-deferred basis. An estate freeze transaction then took place where essentially the common shares of PMPL were frozen into preferred shares worth in aggregate \$50 million. Two new Canadian holding companies were formed, New Garron Holdings and New Dunin Holdings. Those two companies became the common shareholders of PMPL.

The shareholder of New Garron Holdings and New Dunin Holdings was the Fundy Settlement (Garron Trust) and the Summersby Settlement (Dunin Trust) respectively. Both trusts were created offshore by an arm’s-length nonresident settlor and their common arm’s-length trustee, St. Michael Trust Corp., was a resident of Barbados. One purpose of this reorganization was that the future growth of PMPL not be taxed in Canada by virtue of the Canada-Barbados tax treaty, because the growth of its common shares would be owned indirectly by the Garron and Dunin trusts, which were resident in Barbados. Barbados does not levy a tax on capital gains, so a large portion of the sales proceeds would not be taxable at all.

In 2000, a third-party buyer valued PMPL at \$532 million. The purchaser would acquire indirect interests in PMPL for \$482 million while Dunin and the Dunin Trust would retain \$50-million postclosing. The Dunin Trust and Garron Trust sold their interests in New Dunin Holdings and New Garron Holdings respectively to the purchaser for an aggregate value of \$457 million.

In order to comply with Section 116 of the Income Tax Act, as it then read, the purchaser withheld approximately \$152 million of the sales price from the two Barbados vendor trusts and remitted it to the CRA. St. Michael Trust took the position that because the Dunin and Garron trusts were resident in Barbados, their capital gains were exempt from Canadian tax pursuant to the Canada-Barbados Income Tax Treaty.

The Garron and Dunin trusts filed Canadian income tax returns for the taxation year to claim a treaty exemption from their large capital gains and obtain an income tax refund equal to the amounts withheld and remitted by the purchaser to the CRA. The minister rejected the claims for treaty exemption and assessed St. Michael Trust accordingly.

In the event its main argument was defeated, the Crown had advanced an alternative argument to prove that the Dunin and Garron trusts were residents of Canada and their capital gain was therefore subject to Canadian tax. The Crown argued that Section 94 of the Income Tax Act, as it then read, deemed the otherwise nonresident trusts to be Canadian residents. This argument could only be supported if the Garron Trust and the Dunin Trust acquired property directly or indirectly from a Canadian resident beneficiary or a person related to that beneficiary (the contribution test).

Garron and Dunin were beneficiaries of their respective family offshore trusts. Garron Holdings and Dunin Holdings were each related for income tax purposes to Garron and Dunin respectively. Thus, the contribution test would be met if the Garron and Dunin trusts each acquired property, either directly or indirectly in any manner whatever, from Garron and Dunin holdings respectively.

The valuation for the estate freeze of \$50 million was a contentious issue at trial. The taxpayers had obtained a professional valuation at the time of the 1998 reorganization. The Crown’s

## **The Crown advanced an alternative argument to prove that the Dunin and Garron trusts were residents of Canada and their capital gain was subject to Canadian tax**

expert had valued PMPL at \$102 million in 1998. Both the Tax Court of Canada and Federal Court of Appeal implicitly felt the \$50-million freeze value was undervalued in 1998 because PMPL was sold based on an aggregate valuation of \$532 million within two years.

The Kieboom case (FCA 1992 DTC 6382) stands for the well-established proposition that an economic transfer of property can indirectly occur by shifting value from one class of shares to another.

For example, in the St. Michael Trust case, when Dunin Holdings and Garron Holdings froze the fair-market value of their common shares at \$50 million in aggregate, assuming the actual fair-market value was indeed \$102 million at the time of the reorganization, these two corporations shifted value of \$52 million to the subscribers of the common shares of PMPL, New Dunin Holdings and New Garron Holdings. Kieboom clearly dictates that Dunin Holdings and Garron Holdings transferred property indirectly to New Dunin Holdings and New Garron Holdings respectively.

The Federal Court of Appeal then applied Kieboom one step further to say that Dunin Holdings and Garron Holdings transferred property indirectly in any way whatever to the Dunin Trust and Garron Trust, respectively, by increasing the share value of the shares these two trusts owned in New Dunin Holdings and New Garron Holdings respectively. Therefore, the contribution test was met because Dunin Holdings and Garron Holdings, which were related to Dunin and Garron respectively,

which were beneficiaries of their own family Barbados trust, transferred property to the Dunin and Garron Trusts respectively. Section 94 therefore deems these two trusts to be Canadian resident trusts and subject to Canadian tax on their capital gains on the sale of PMPL.

The key distinction between the St. Michael Trust and Kieboom cases is that there was no PAC in Kieboom. Had the PAC been operational in St. Michael Trust, there would have been no undervaluation of the common shares of PMPL in 1998 and therefore no economic transfer of value that would have triggered the contribution test in Section 94 to deem the Dunin and Garron trusts Canadian residents.

The Federal Court of Appeal stated that the PAC was not activated because CRA never made a determination of the fair-market value of the common shares of PMPL. This strongly suggests a problem with the wording of a standard PAC, which as a corollary means that St. Michael Trust is exposing a serious limitation of the Guilder News Co. (1963) case insofar as the protection mechanism of a PAC.

There has been an increase in the CRA's assessing position in this regard on other estate freeze transactions since St. Michael Trust. (See CRA Views 2010-0366301I7.) In light of the foregoing, the boilerplate wording will need to be revised for PACs to become activated regardless of whether a final determination

of fair-market value is made by the CRA or any other authority. If this fundamental change in the wording of the PAC is not done by the legal community then the CRA has an open door to assess any legal person doing an estate freeze as an economic taxable disposition that can then lead to other unexpected income tax consequences.

As legal precedence indicates, what is considered suitable wording for a PAC can only be validated by the courts. Hopefully the upcoming Supreme Court of Canada decision on St. Michael Trust can shed some light on this issue.

Unfortunately, this PAC issue will likely not get settled at the Supreme Court because the comments made by the lower courts in this regard were obiter.

It is likely the tax and legal community will have to wait for future litigation of cases to provide clarity as to what are appropriate PAC provisions to protect the freezer from the risk of an economic disposition.

---

Manu Kakkar, CA, CGA, MTax, TEP, is a member of the Tax Specialist Group, Canada's largest network of independent tax advisers

---

Technical editor: Jo-Anne Demers, LLB, partner at Clyde & Co. Canada LLP

---

## Standards

continued from page 43

### Part III or IFRSs

Given the diversity of NFPOs, the AcSB agreed that a private-sector NFPO could choose freely to apply the accounting standards for NFPOs in Part III of the *Handbook*, or IFRSs in Part I of the *Handbook*. As there are significant differences between the two sets of standards, a private-sector NFPO will want to carefully consider the implications of its choice of reporting model.

As with GNFPOs, having a choice means private-sector NFPOs are also facing some tough decisions.

### Part III

There remain similarities between the pre-changeover accounting standards in Part V and accounting standards for NFPOs in Part III of the *CICA Handbook — Accounting*. Many of the principles and concepts underlying the two sets of standards that apply specifically to NFPOs are identical.

Private-sector NFPOs will be able to continue their existing accounting for matters covered in the 4400 series on their transition to accounting standards for NFPOs, with a few exceptions. Areas that are not addressed in the 4400 series, where NFPOs are directed to apply the standards in Part II, may result in a change in their accounting policies. For example, in post-employment and retirement benefits and financial instruments, policy changes may be required. Hence, an NFPO applying Part III should also become familiar with accounting standards for private enterprises in Part II that are applicable in its particular circumstances and also monitor changes to those standards.

### IFRS

A private-sector NFPO may choose to follow IFRS. This option may appeal to organizations that are part of an international organizational structure or that have significant international operations. However, an NFPO that chooses to apply IFRS instead of Part III will take on more significant accounting changes. For example, IFRS does not permit some of the approaches permitted in Part III with respect to accounting for controlled and related entities and imposes different requirements in areas such as tangible capital assets and financial statement presentation.

For fiscal years beginning on or after January 1, 2012, NFPOs in the private sector will be required to follow either accounting standards for NFPOs or IFRS. Early adoption is permitted.

### What's next

The AcSB and PSAB have formed a joint not-for-profit task force to review and update the accounting standards for NFPOs in the public and private sectors while maintaining, to the extent appropriate, consistency between the sectors. Stay up to date on the joint task force's work by visiting [www.psab-ccsp.ca](http://www.psab-ccsp.ca) and [www.acsbcanada.org](http://www.acsbcanada.org).

Brian Barrington, CA, is a consultant with the AcSB. Jim Keates, CA, MBA, is a principal with the PSAB. Both provide support to the Joint Not-for-Profit Task Force established by the AcSB and the PSAB

---

Technical editor: Ron Salole, vice-president, Standards

AMBIT

# FIT + FINISH

Ambit is an executive search firm with a focus on finance and accounting professionals. Many of Canada's leading companies count on our highly personalized service to deliver the precise fit and finish for every position.



CATHY LOGUE, JOANNE ELEK & SHERIZA PERABTANI

Learn more about us  
+ 416.703.5050

**AMBIT SEARCH**  
36 Toronto Street, Suite 1160  
Toronto ON M5C 2C5  
www.ambitsearch.com



RDBASE.NET

THE SIMPLE SOFTWARE SOLUTION TO DOCUMENTING SR&ED TAX CREDIT CLAIMS

- Reduce documentation efforts by as much as 75%!
- Create concise project descriptions with cost correlations
- License fees as low as \$1,000 / year
- Full training and support available

*SR&ED eligibility overview & demo at [www.rdbase.net](http://www.rdbase.net)*

Your Career. Your Way.  
CONTRACT | SEARCH



Rakesh Patel, CA  
Manager of Client Services

Register at  
[www.lannick.com](http://www.lannick.com)  
or call 1-877-859-0444

meeting your finance and accounting career goals for more than 25 years



LANNICK  
RECRUITMENT

TORONTO · MISSISSAUGA · NORTH YORK · OTTAWA

**APPRAISAL SERVICES**  
ASSET MANAGEMENT • INDUSTRIAL AUCTIONS

PROVIDING INDEPENDENT MACHINERY AND EQUIPMENT APPRAISALS TO ASSIST WITH:

IFRS AND ASPE STANDARDS	INSURANCE COVERAGE
BANKING REQUIREMENTS	TAX ROLLOVERS
BUSINESS VALUATIONS	LIQUIDATIONS

Going concern, fair market value, orderly liquidation value, forced liquidation (auction) value.

Certified and in good standing with the following: AMEA, ISA, CPPAG, CAGA, and conform with USPAP.

Over 50 years of experience in the industrial equipment restructuring and insolvency markets.

"Let Our Experience Be Your #1 Asset!"™



**VSP**  
VALUATION  
SUPPORT PARTNERS LTD.

Support, Confidence,  
Credibility

**One Day You Or Your Client Will  
Need Business Valuation Support**

- Share Transactions
- Share Reorganizations
- Audit Evidence / Support
- Goodwill Impairment
- Purchase Price Allocations
- Shareholder/Partner Buy-Out/In
- Tax Purposes (Estate Freezes, etc.)
- Shareholder/Matrimonial Disputes
- Value Enhancement / Pre-Sale Planning
- Insurance Coverage

Jason Kwiatkowski, CA, CBV, ASA, CEPA      Jeff Ambrose, CA

**Valuation Support Partners Ltd.**

T 905-305-VSPL (8775)    E Jason@VSPLtd.ca    W www.VSPLtd.ca

## 1% TRAINING OBLIGATION (QUEBEC)

- Tired of paying all or part of the 1% ?
- Will your back-up survive an audit ?
- Prior years internal verifications
- Pay Equity Compliance

**LIW**  
CONSULTANTS

Tel: (514) 484-5160  
Fax: (514) 484-5453  
E-mail: info@liwconsultants.ca  
www.liwconsultants.ca



**The Larkin Group**  
*Executive search*

**Susan Larkin, CA, MBA**

2275 Upper Middle Rd. E., Suite 101 Oakville ON L6H 0C3  
T: 905.491.6806 E: susan@larkingroup.ca  
www.larkingroup.ca

### SR&ED Technical Partner for C.A.'s

- SR&ED reports written by Professional Engineers in all key disciplines
- Technical audit support as well as setup of documentation & time tracking systems
- Support for a broad range of additional government grant, loan, and tax credit programs

**Jason A. Schwandt**  
P.Eng, MBA  
VP Business Development  
905.738.6770 x2010



*Accelerating growth  
through innovation*

www.techcentiveservices.com

Rod K. Tanaka, C.A.

**TANAKA ASSOCIATES**  
*Executive Search Inc.*

120 Adelaide Street West, Suite 2500  
Toronto, Canada M5H 1T1  
Tel: (416) 410-8262  
Confidential fax: (416) 777-6720  
E-mail: tanaka@sympatico.ca



**LOOKING FOR A  
CHANGE OF SCENERY?**

Sell your practice with peace of mind. We simplify the process and help you get more for your practice... along with the BEST terms.

BUYERS, registration is FREE and simple!  
To learn more, contact Brannon Poe  
at bpoe@poe-group-advisors.com  
or visit our website www.PoeGroupAdvisors.com



**verriez**

EXECUTIVE SEARCH CONSULTANTS  
WATERHOUSE EXECUTIVE SEARCH PARTNERS

IRSA International Retained Search Associates  
Member AESC Association Executive Search Consultants

verriez@verriez.com  
www.verriez.com

Acquiring exceptional talent for over 25 years

One London Place,  
255 Queens Ave., Suite 1000  
London, ON N6A 5R8  
Ph: 519-673-3463  
Fax: 519-673-4748

36 Toronto St., Suite 850  
Toronto, ON M5C 2C5  
Ph: 416-847-0036

## PAY EQUITY/L'ÉQUITÉ SALARIALE AUDITS IN PROCESS

The commission de l'équité salariale (CES) is now auditing Quebec enterprises to insure Pay Equity compliance. **Don't wait until you get a CES audit notice!**

LIW Consultants has assisted numerous Quebec corporations implement Pay Equity and our proven methodology has been validated by the CES.

*Beginning 2011, all enterprises must file an annual government declaration.*

**LIW**  
CONSULTANTS  
Since 1986

Tel.: (514)484-5160 • Fax: (514)484-5453  
E-mail: info@liwconsultants.ca  
www.liwconsultants.ca



Visit our website @  
camagazine.com

**WEB FEATURES** News and **exclusive items** of interest to all accountants

**WEB EXTRA** **Web-only** articles, also summarized in the print edition

**ARCHIVES** **Hundreds of articles** published in the magazine since 1994

The essential companion to our print edition

## CONTRACT POSITIONS IN ARCTIC CANADA

Northern firm requires experienced auditors for two to three month contract positions commencing May 1, 2012 (other work terms may also be available). Excellent remuneration for hard work. Travel and accommodation is provided. Candidates should be CAs with excellent interpersonal skills and have the ability to work independently. For more information see [www.mackaylandau.ca](http://www.mackaylandau.ca).

Please send your reply in confidence to:  
MacKay Landau, PO Box 20, Iqaluit, Nunavut X0A 0H0  
Ph: 867-979-6603 Fax: 867-979-6493  
Email: [shawnlester@mackaylandau.ca](mailto:shawnlester@mackaylandau.ca)

FRANÇOYS BRUNET, CA — CONSULTING FIRM

## U.S. and International Tax

Services:

- U.S. and international tax consulting
- U.S. tax returns (individuals and corporations)
- International transaction consulting

Resources:

- Our team is composed of experienced tax advisors
- Our network is established in over 100 countries

3883 boul. St-Jean • SUITE 505 • Dollard-des-Ormeaux • QUEBEC • H9G 3B9  
TELEPHONE: (514) 938-0663 • FAX: (514) 844-2202  
E-mail: [fbrunet@ccfbca.com](mailto:fbrunet@ccfbca.com)

# CA | SOURCE

## Looking for a new challenge?

*The CICA's career site exclusively for Chartered Accountants.*

# Visit [www.casource.com](http://www.casource.com) today

**CA | SOURCE**  
The key to a successful search

**CA** Chartered Accountants  
of Canada



CORPORATION

MAXIMUM  
EFFICIENT  
USE OF  
KNOWLEDGE

Visit us at [www.meuk.net](http://www.meuk.net)  
or contact David Sabina, C.A.  
905-631-5600  
[dsabina@meuk.net](mailto:dsabina@meuk.net)

## COMPLETE SR&ED CLAIM PREPARATION SERVICES

*Recover up to 65% of  
experimental development costs*

Free Assessments < 15 minutes  
Claims often completed < 1 week  
Fees typically < 20% of \$ recovered

ATTEND AN UPCOMING  
SR&ED WORKSHOP!

*Details @ [www.meuk.net](http://www.meuk.net)*

**ME + U = Knowledge**

**Brief &  
Associates Limited**  
*Trustee in Bankruptcy*

800.372.7337  
[www.brieftrustee.com](http://www.brieftrustee.com)

- Trustee in Bankruptcy
- Receiver & Manager
- Proposal Administrator

Offices in the GTA and  
Eastern Ontario



IWASAN  
est. 1988

SR&ED SOLUTIONS

Clients performing R&D?  
Need Help?

[www.iwasan.com](http://www.iwasan.com)

Call Chris Stevens  
1-800-661-4463

Your **Classified**  
advertisement will  
cost as little as

**\$120**

For more information  
contact:

**Darcey Romeo**  
at 416-204-3257

offer competitive rates and flexible  
timing. Call 416-671-7292 or visit  
[www.srco.ca](http://www.srco.ca).

**US Corporate Tax Provision and Tax  
Return Preparation Services** – CPA  
with 12+ years experience is available  
for freelance engagements. Big firm  
trained with extremely clean and  
well documented files. Allow me to  
prepare your year-end tax provision  
to ensure minimal auditor follow-up!  
Please call 416-409-9647.

**Bathurst & Sheppard** – Toronto CA  
firm with furnished office in the  
Sheppard Plaza available to share  
space. A great location, accessible  
by TTC with ample parking spaces for  
clients. Ideal for sole practitioner as  
facilities include shared reception,  
boardroom, tax library, software, etc.  
Call Arlene at (416)630-5530.

## PROFESSIONAL OPPORTUNITIES

**Accounting Practices Wanted** – We  
are a growing professional services  
firm (accounting and taxation,  
wealth management) looking to add  
to our existing accounting practice  
and welcome any opportunities in  
B.C., Alberta or Ontario. We offer  
flexible succession options allowing  
current owners to, at their discretion,  
remain involved in the practice in  
an advisory capacity. We also offer  
a premium for practices that, like  
us, are run with integrity and  
share a commitment to providing  
exceptional client service. Please  
forward details of your practice to  
[accounting@firstleaside.com](mailto:accounting@firstleaside.com).

**Ottawa Sole Practitioner  
downsizing** Has block of Personal  
Income Tax Returns available for  
sale. Willing to sell at a fixed rate  
or on a retention and billing basis.  
Takeover to be effective January 1,  
2012. Reply to: [taxpracticeforsale@hotmail.com](mailto:taxpracticeforsale@hotmail.com)

**Buyout** – A well established two  
partner accounting firm in Calgary  
is interested in buying a practice  
of any size in Calgary. Our firm has

## ACCOUNTING SERVICES

**IFRS Implementation** – CA/MBA,  
based in west GTA, with 20+ years  
of industry experience is available  
for freelance engagements  
including IFRS Implementation.  
If you require an experienced  
professional to complement your  
current staff, contact me. Per Diem,  
short or medium term. See [www.proclaimconsultants.com](http://www.proclaimconsultants.com) or call Carl  
at (905) 815-5431.

**IFRS and Private Enterprise GAAP**  
CA in the GTA with over 25 years of  
experience. Available for contract  
assignments including IFRS, PE  
GAAP and compliance. We address  
shortfalls in staff competencies  
or staff complement. See [www.glenidan.ca](http://www.glenidan.ca) or call 416-262-6649.

**External Monitoring and CA  
Advisory Specialists.** We can: be  
your firm's external monitor; be your  
file quality reviewer; review financial  
statement presentation; assist with  
complex transactions and transition  
to new accounting standards.

You can: make your life easier;  
reduce your risk; ensure adherence  
to professional standards. Visit  
[www.englishjones.ca](http://www.englishjones.ca) or call 905-  
688-4842.

**Mississauga, ON Accountant**  
available anywhere in the Greater  
Toronto Area for per diem or contract  
assignments including accounting,  
taxation and working-paper  
preparation. Experience includes a  
wide variety of small, medium and  
large-sized clients. Call 905-625-2837  
or 905-890-7294.

**Professional Accountant and  
Financial Divorce Advisor** with 20  
years experience in taxes (corporate &  
personal) available for short or long-  
term assignments in and around the  
GTA. Call 905-270-4467.

**Firm Monitoring** – We are  
specialized in providing external  
Monitoring and FQR services to  
accounting firms across GTA. We  
also assist with transition to new  
accounting standards and complex  
accounting/auditing issues. We

## OFFICE SPACE

**Toronto** – 2 offices available in the  
Yonge/Sheppard area. \$650 each per  
month. Call Michael Abrams at 416-  
250-9083.

**North York Exec Office Space** –  
Planning retirement? Wish to focus  
more on your practice or growth?  
Need high-end office space or  
professional support staff? Need  
to take more time for leisure or  
family? Talk with Sloan Partners  
LLP Chartered Accountants. [www.sloangroup.ca/steps](http://www.sloangroup.ca/steps). STEPS is a  
transition program, with the goal  
of providing high-end office space or  
ongoing support while guaranteeing  
that your practice will be in capable  
hands when you finally leave. It is  
well planned and profitable for  
you. STEPS is completely customized  
to your needs – you maintain  
complete control of your practice,  
your transition, your goals and  
time frame. For high-end office  
space in North Toronto or a way to  
transition call Allen Sloan. Tel: 416-  
665-7735\*222

eight experienced staff and has centrally located office with extra space. Please contact via email: [purchasingapractice@gmail.com](mailto:purchasingapractice@gmail.com)

**Montreal CA**, interested in purchasing list of client or participation (NTR, review, audit, tax) from accountant located in Montreal metropolitan region, transmission over short to medium term. Please reply to Carl Assef (514)907-1707 or [info@carlassef.ca](mailto:info@carlassef.ca). **Replies received in strict confidence.**

**Toronto sole practitioner** looking to join with other CA or small partnership in GTA either through association or office sharing. Practice consists of owner managed businesses, TIs and commodity tax consulting. Please reply to: [sruivo289@gmail.com](mailto:sruivo289@gmail.com)

**Established Burlington, Ontario CA** looking to expand existing practice. This is an ideal opportunity for sole proprietor in Oakville/Burlington/

Hamilton area to transition to retirement. Terms and timing are flexible. Please reply to Box 710, CAmagazine.

**U.S. CPA - North Toronto.** Immediate buy in partnership opportunity available for a U.S. qualified C.P.A. (CA desirable but not required), to join an active, dynamic and profitable Canada/ U.S. tax practice based in the U.S. and associated with a CA. practice in Canada. This new position would be based in North Toronto. We offer boundless opportunity for the right person, within a congenial work environment. Reply in confidence to Box 711, CAmagazine.

**Assurance Engagements Wanted -** With ASPE and IFRS conversions upon us you may be rethinking your service offering. We will gladly entertain purchasing a book of assurance engagements of any size and are willing to offer flexible terms. Reply to [at@clarkandhorner.com](mailto:at@clarkandhorner.com).

**CAREER OPPORTUNITIES**

**Ottawa, ON -** Local accounting firm seeking a CA as a manager/ associate/future partner for a well established practice. Minimum 5 years experience in public practice working with Caseware, Taxprep and Microsoft family of software products. Please reply with resume to Box 712, CAmagazine.

**INTERNET RESOURCES**

**If you currently are considering starting an accounting practice** or are a small accounting practitioner who employs a network administrator, we can save you money. Move to our cloud. For more information, call 800-465-7532-227.

**IT SUPPORT SERVICES**

**We provide reliable IT services to Accounting Firms & Professionals.** We offer managed proactive services

for both cloud and onsite servers / workstations. Supporting local and remote locations across Canada from NOC in Metro Vancouver. Welcome Networks Inc. Contact Jag: 604-515-1700 <http://www.welcomenetworks.com>

**TRAINING**

**Simply Accounting Training -** Sage Software approved & recommended one-day training seminars presented across Canada. Each course worth 7.5 Verified C.E.C.'s. For more information, or to register, please visit: [www.AlanCohenCGA.com](http://www.AlanCohenCGA.com)

**WEB DESIGN**

**Website Design -** Do you need a website? Is your existing site in need of an upgrade? Do you lack the time to develop and maintain your website? Do you want a professional site at an affordable price? Visit us at [accountantswebdesign.ca](http://accountantswebdesign.ca)

Replying to a CAmagazine  
Box Number?

Box #

277 Wellington Street W  
Toronto ON M5V 3H2

Fax us at

416 204.3409

Send e-mail to

[advertising.camagazine@cica.ca](mailto:advertising.camagazine@cica.ca)

Please ensure that the

**Box Number** is clearly indicated on your envelope, fax or e-mail.

Happy Holidays

*from all of us at*





# Outlook

BY MARCEL CÔTÉ

WHERE ECONOMICS AND POLITICS MEET

## New ideas about innovation

**T**he main structural problem with the Canadian economy lies in the slow growth of its productivity. Canada has one of the worst performances on that front among member countries of the OECD. For the past 25 years, this problem has been manifested in the growing gap between the Canadian and US per capita GDP.

Canada's slow productivity growth does not stem from a lack of investment or workforce deficiencies, two areas where Canada scores high. Rather, the Canadian economy suffers from a dearth of innovation. Governments are well aware of the problem, but the initiatives they have put forward to correct it over the decades have been ineffective. In particular, governments have succumbed to the R&D lobby, investing billions of dollars to support R&D without moving the needle on productivity.

Canada is one OECD country that provides the most support to corporate R&D. Paradoxically, Canadian business expenditures on R&D as a percentage of GDP are among the lowest among OECD members. Contrary to popular belief, it has never been proven that massive support for R&D stimulates innovation. What's more, R&D-intensive industries that absorb most of the support account for a small portion of the GDP: the technology and communication sector generates less than 4% of the GDP, and the pharmaceutical industry — another R&D hotbed — less than 1%. Add aerospace, the chemical sector and raw materials, and the total doesn't exceed 10% of GDP. These industries have the lion's share of financial support for R&D, but the problem with Canadian productivity essentially resides in the other 90% of the economy.

The challenge facing our country is to provide impetus to hundreds of thousands of Canadian companies to pursue productivity improvements in their operations. Healthy competition should normally stimulate such improvement, but it's obvious this is not the case in Canada. How can we do better? There's no magic formula. First and foremost it's a question of culture, both

in companies and with their customers. Canadians do not seek excellence; they are too often satisfied with the status quo. Ottawa should develop programs that motivate companies to look outside the box and outstrip the competition.

More than one-quarter of the Canadian economy operates under the thumbs of treasury boards, under strict government control: public administration, Crown corporations, education, hospitals, etc. Although treasury board regulations are effective in controlling spending, they do nothing to boost productivity and their red tape kills personal initiative. For example, to avoid overlaps, deemed costly, treasury board regulation set up monopolies in all sectors where they apply, closing the door to

### Canadian governments have failed miserably in their attempts to stimulate innovation and productivity

competition, a great source of new ideas. Why is there so little innovation in Canadian healthcare? Is there one general hospital in Canada that doesn't have to answer to a treasury board? Governments should have more confidence in the private sector and allow competition in the sectors they regulate. That could boost productivity.

It's unfortunate that our governments have failed miserably in their attempts to stimulate innovation and productivity. We need to go back to the drawing board. The recent Jenkins report, which reviewed federal support to R&D, didn't dare make that recommendation. We need to step off the beaten track. Our innovation policies should target the entire economy, not just the R&D-intensive companies that lobby for more federal support. We need to create a better competitive spirit throughout the economy. Competition is what will enhance customer satisfaction, ensuring more efficient use of resources. Until Canada reverses productivity trends, governments should focus on rethinking their programs.

Marcel Côté is founding partner at SECOR Consulting in Montreal

introducing the

# CA Training Office Program

*a new way to build tomorrow's leaders*

*Our CA students are dedicated and eager to learn, performing above what we would normally hire at that level.*

*Janice Madon, CA, SVP and  
Chief Auditor - Manulife Financial*

With the new CA Training Office Program, your business can train CA Students. That means you're able to hire the best and brightest students and develop potential leaders from the ground up, ensuring the knowledge of your business and its industry are a natural part of the learning process.

Respected for their knowledge, intelligence, skills and integrity, the perfect CA for your business is one that knows your business.

Visit [CATrainingOffice.ca](http://CATrainingOffice.ca)

see how the new application process makes it easy to start investing in your organization's future

# Trust Ryan to Improve Your Total Tax Performance



*“Ryan serves as an extension of our tax department – sharing their knowledge and expertise, helping us take a more strategic approach to sales tax, and delivering outstanding value and results.”*

Lisa Landry,  
Director of Tax

**CARA**

## Canada's Complete Sales Tax Solution™

In an age where tight budgets, scarce resources, and crushing deadlines are the norm in most accounting departments, you need a tax solution that will make your job easier while protecting your organization's bottom line.

That's why over 6,000 clients have relied on Ryan for support on a variety of Canadian tax matters for more than 35 years.

Our flagship program, **Canada's Complete Sales Tax Solution™**, enables you to:

- Recover overpayments and identify the underlying causes
- Improve performance and develop a more strategic approach to tax
- Stay ahead of complex tax issues and get immediate answers to perplexing tax questions

Ryan's integrated offering provides a single source for both Canadian and U.S. tax solutions that is unmatched in the industry today! For more information, please call **800.667.1600** or visit us at **[www.ryanco.ca](http://www.ryanco.ca)**.