

# CA

magazine

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Smart advice on  
RESPs 46

Tax tools for special  
needs clients 48

Can governments  
prevent a crisis? 60

January/February 2013



# POLITICAL ACTION

What draws accountants into a life of public service? CA politicians share their stories

Publications Mail Agreement No. 40062437 R09829



**DEVIL IN THE DETAILS:** not-for-profits contend with new standards P. 26  
The pros and cons of building a career in Canada's small towns P. 32

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## A public service calling

A world run by accountants could be a Utopian dream. Alas, there are still standards to follow and jobs to be done

Imagine a Utopia where accountants are kings, governing everything involving money — which would be everything. Budgets would be balanced, financial scams and shenanigans would be exposed, and the world would be a financially happy place because there would be no Greece or Iceland threatening to default on loans. Alas, this world is not possible because the real world is run largely by shysters and law professors, while semi-literate military dictators run the rest. Still, it's not like accountants don't get into government and try to change things. This month's lead story is on CAs in the political world at federal, provincial and municipal levels.

Robert Colapinto interviewed CAs in government in Nova Scotia, in the Senate, Parliament and the mayoralty of North Vancouver to find out what drew them to and what keeps them in public service, debates and television grandstanding. He says the calling of politics is rather well suited to the profession's skills, discipline and work ethic. Jamie Baillie, FCA, and Nova Scotia's PC leader, says CA skills are especially needed these days: "All governments, from municipal to federal, have a rather desperate need for lawmakers who can make the most educated assessments and decisions concerning financial matters." Find out more in "Passion for politics," p. 20.

The change to IFRS in publicly accountable companies was an upheaval in the accounting world that affected all kinds of organizations, including government not-for-profits. Changes in the private sector pushed the Public Sector Accounting Board to consider whether all public-sector organizations should conform to a single set of standards. We sent Yan Barcelo to find out what has happened since new public sector accounting standards for government not-for-profits were issued in January 2012. He describes the process as daunting. "Change a rule here, change a standard there, and before long, what looks like just a few line changes in an accounting handbook translates into an overwhelming chain of transformations." Find out more in "Devil in the details," p. 26.

Some CAs choose to work in the rural regions. Why? Yves Gingras writes that some do this because they get to perform a variety of tasks. Read more in "Out of the way CAs," p. 32.

The regulars this month include education (p. 36), assurance (p. 40), fraud (p. 42), personal financial planning (p. 46) and taxation (p. 48). And in Outlook (p. 60), Marcel Côté asks if it is still possible in a reeling global economy for governments to manage economies to full employment using Keynesian policies. It makes for fascinating reading, as do the rest of the stories in the magazine.

Okey Chigbo, Editor



PAUL ORENSTEIN

upfront

**6 PEOPLE** Sabrina Thieme's canine business gives unwanted dogs a second chance at a happy life

**7 NUMBERS GAME** Content analysis  
**WORKING FILE** When off-colour jokes at the office leave you fuming

**8 BITS & BITES** Not your parents' office  
• Aspiring to be debt-free • Tech spend takes over • No place like home  
• In sickness and in health

**10 PERSONAL ACCOUNTS** Author of *Road Worthy: Life Passages by Motorcycle*, Rod Monette, on why he likes small towns

**QUOTABLE** Strategic question

**80 YEARS AGO THIS MONTH**

**12 MUST HAVES** Thermaltake Tt eSPORTS Level 10 M mouse

**GOING CONCERN** Naheel Suleman, founder and president, Hush

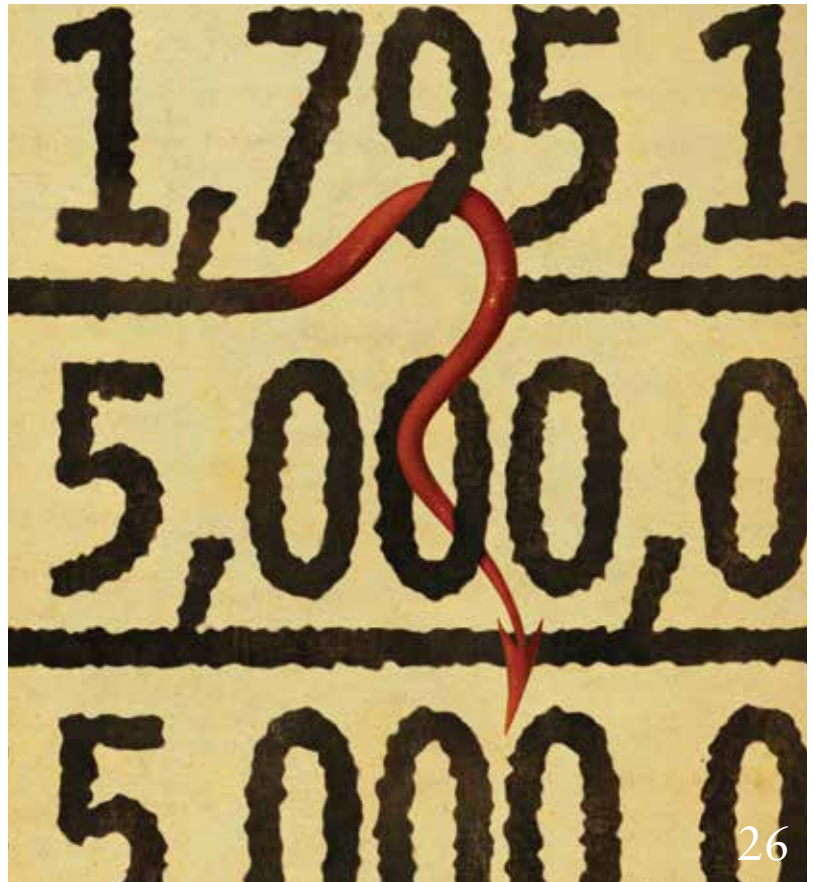
**13 FINDINGS** iPhone, iPad popular with CAs

columns

**1 FROM THE EDITOR**  
A public service calling

**50 WHAT'S IT WORTH?**  
What does value "as at" date mean?

**60 OUTLOOK**  
A well-managed economy



features

20 Passion for politics

Many CAs have chosen the political arena at the federal, provincial, and municipal levels. What drew them there and what keeps them in the world of public service? **BY ROBERT COLAPINTO**

26 Devil in the details

Across the country, government not-for-profit organizations have to conform to new rules and standards. While not an impossible task, it is a daunting one **BY YAN BARCELO**

32 Out of the way CAs

Bright lights, big cities are not everyone's dream of a career highlight. Some prefer the small-town life. Working in rural regions has its challenges and trade-offs, but it also has many pluses **BY YVES GINGRAS**

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**regulars**

**36 Education**

Framework for financial reporting: a new approach for a coherent conceptual framework **By Alex Milburn**

**40 Assurance**

Planning, a must: in today's corporate environment, a strategic plan for internal audit is crucial **By Massimo Cecere + Yves Nadeau**

**42 Fraud**

An offer you can refuse: you are offered a lucrative file by someone you don't trust. Do you take it or leave it? **By David Malamed**

**46 Personal financial planning**

Survival of the fittest: choosing a conventional education savings plan or a group one depends on your priorities **By Umar Saeed**

**48 Taxation**

Planning tools for special situations: special needs present challenges and opportunities to offer value and comfort to clients **By Peter Weissman + Jody Wong**

**news**

**14 NEWS FROM THE PROFESSION**

**15 STANDARDS DIGEST**

**16 MAPPING THE PROFESSION'S FUTURE**

Foundation for a unified designation

**professional directory**

**55 PROFESSIONAL DIRECTORY**

**57 CAREER OPPORTUNITIES**

**58 CLASSIFIED**

**and finally...**

**52 HOW THEY DO IT IN BRAZIL**

**52 WHERE ARE THEY NOW?** Trish Barbato

**53 IN MY CARRY-ON BAG** RBC's Janice Fukakusa



42



36



6

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# UP FRONT

News, people, briefs, trends + tips

## Pet project

**F**or Sabrina Thieme, every day is bring-your-dog-to-work day. That's because the 32-year-old CA owns and operates Fetch Haus, a dog-training business, grooming salon and pet boutique in Red Deer, Alta.

The inspiration for Fetch Haus came from Thieme's personal pet experiences in 2009, when she got a puggle (half pug, half beagle), Casey, then adopted a rescue dog, Zack, from the Turks and Caicos. Unfortunately, Thieme's new beloved four-legged family quickly turned her home into a giant chew toy, gnawing on the beds and furniture while she was off working as manager of financial reporting at Red Deer's Parkland Fuel Corp. The last straw: "The day my husband called me at work to tell me the dogs had used the new couch as a toilet," she says.

Frustrated and feeling helpless, Thieme attended a six-week training session with dog trainer Brad Pattison, host of TV program *At the End of My Leash*, in Kelowna, BC. "It changed how I treated my dogs," she says. "We weren't meeting their needs and we learned to give them structure and engage them mentally and physically."

After training Zack and Casey, Thieme was motivated to help other pet owners. "I saw so many dogs entering rescues because of little 'issues' and I didn't want people to feel they had to give up, especially when so many dogs are misunderstood." So in 2010, after Thieme left Parkland to work as a consultant, she decided to start a dog-training business.

In 2011, Thieme added a pet boutique and grooming salon to the business, and last year launched an online store. She's put her consulting work on the back burner to devote herself to running Fetch Haus full time.

"Millions of dogs are euthanized each year and I was drawn to help," she says. "Giving unwanted dogs a second chance at a happy life is so rewarding."

Rhea Seymour



**A dog-neat-dog business:** Sabrina Thieme keeps her canine clients in line and looking good at Fetch Haus, an Alberta-based pet boutique, grooming salon, online store and dog-training service

### Résumé

- 2008** joins Parkland Fuel Corp. as manager of financial reporting
- 2009** obtains CA designation (Alta.)
- 2009** opens own consultancy
- 2010** starts dog-training business
- 2011** rebrands as Fetch Haus, adding pet boutique and grooming salon

JIMMY JEONG/KLIPX



# #NUMBERS Game

**Content analysis** US retail giant Target is expected to open its first Canadian store in April, but only gained entry to our northern market after agreeing to sell Canadian goods. Fifty years of Canadian content:

**3** Fold increase in spending on Canadian book-title development committed to by British publisher Longman Holdings as condition of taking over Toronto-based Copp Clark Pitman in 1986.

**4** Ontario manufacturing plants to be opened by South Korean firm Samsung, a requirement to meet 2011 provincial content rules and qualify for available financial incentives in Ontario's renewable-energy sector.

**10** New Canadian-produced satellite radio channels Sirius Canada commits to creating in 2005 to facilitate the introduction of its subscription service outside the US.

**15** Album tracks on Bryan Adams' 1992 *Waking Up the Neighbours* record deemed to be "unCanadian" under CRTC content regulations. Songs are co-written by a Brit and the designation



limits the number of times they can be broadcast.

**50** Percent of Canadian content required under the 2008 government ruling approving a broadcasting licence to a new adult entertainment channel. "For the government to ... promote such degradation shows how detached the bureaucracy is from the Canadian people," one critic complained.

**85** Average percent of Canadian content in manufacturing costs required when US-based United Technologies Corp. purchases Hamilton's Otis Elevator Co. Ltd. in 1979.

**1965** Year Canadian and US governments sign auto pact requiring carmakers based in Canada to have a minimum of 60% Canadian value added — labour, parts and other manufacturing inputs — in vehicles to maintain a tariff-free North American market.  
Steve Brearton



## Working File: WHEN OFF-COLOUR JOKES LEAVE YOU FUMING

### THE SCENARIO

Maria DiBratto\* recently accepted a position at a software company. Her office has a relaxed atmosphere and most of the staff is about the same age, so she figured she'd fit in well with her colleagues and the corporate culture. But just a few months into her new gig, DiBratto started getting uncomfortable around certain coworkers. "I've heard several risqué jokes and many inappropriate words being used in the office, including racial slurs," she says. "I can handle swearing and the odd joke, but I find them incredibly offensive."

### HOW IT PLAYED OUT

As the rookie on the team, DiBratto is hesitant to broach the subject with the main offenders. She's considered looping in her manager and human resources department or writing an anonymous note to her colleagues, but so far she's stayed mum. When someone brings up an offensive topic or tells off-colour jokes, she does her best to stay out of it, or makes an excuse to leave.

### THE EXPERTS WEIGH IN

"In my view, part of this situation is positive," says Gerard Stang, an executive HR director at Alberta Health Services in Edmonton. "The new employee is being welcomed onto the team, but it is being done in an inappropriate manner." DiBratto could have a confidential discussion with her manager or HR rep, but Stang suggests she start out by politely explaining her feelings to her colleagues.

Laura Hansen Somers, president of the Human Resources Association of Calgary, agrees, adding that DiBratto should focus on the behaviour instead of on the person making the comments. "Avoid the perception of being a workplace whiner by having the conversation. The people making the jokes can't change their behaviour if they don't know they're making others uncomfortable."  
Lisa van de Geyn



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

\*Name has been changed

By Tamar Satov



## NOT YOUR PARENTS' OFFICE

Workplace change means more than swapping a desktop computer for a tablet. Technology, the drive for economic “efficiencies” and attracting and retaining younger talent are changing both our places of business and how we work in them. Hello telecommuting. Goodbye pinstripes and oxfords.

by Steve Brearton

### Office features/trends most likely to disappear in the next five years



Standard working hours

57%



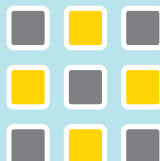
Corner office for managers and executives

21%



Formal business attire (suits, ties, pantyhose, etc.)

27%



Cubicles

19%

Source: LinkedIn survey of global professionals, 2012

## Aspiring to be debt-free

Here's something to keep in mind as the post-holiday bills start to come in: more than one-quarter (26%) of Canadians had no personal (nonmortgage) debt in 2012, up from 22% the previous year. Even so, Canadians carry an average of \$13,141 in personal debt — and one in three (34%) say their debt level causes them anxiety, finds an RBC poll.

Indeed, discomfort with high debt loads led some respondents to delay or cancel spending money on a vacation (26%) or a big-ticket item (19%). Three-quarters (76%), however, feel they are in better shape regarding their personal debt than their friends and neighbours.

“It's encouraging that the results show more Canadians have become debt-free over the past year and that those who still have debt want to do more to reduce it,” says Richard Goyder, RBC's vice-president of personal lending.

### TECH SPEND TAKES OVER

Every budget is becoming an IT budget, as companies move areas of business such as marketing, R&D or client service from analog to digital, finds research from Gartner Inc. It predicts that by the end of the decade, 90% of companies' technology spending will be for costs outside the IT department.

### NO PLACE LIKE HOME

Despite a tough job market, only 14% of laid-off employees relocated to take a new position in 2012, according to data on nearly 7,000 North American job seekers who received outplacement services from HR firm Right Management. Flexible work models such as telecommuting could be a factor, says the firm.

### IN SICKNESS AND IN HEALTH

January and February follow December and July as the most popular months to call in sick, finds a survey for US recruiter CareerBuilder. Illness aside, the most common reasons workers take sick days are because they: don't feel like working (34%), need to relax (29%), have to see the doctor (22%) or want to sleep (16%).



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## PERSONAL ACCOUNTS

### Why I like small towns

Rod Monette, FCA, author of *Road Worthy: Life Passages by Motorcycle*

"I like small towns because usually what you see is what you get. There's no pretense to them. They show you who they are real fast. The one that comes to mind is in Newfoundland. [In 2005] I was riding up the

northern peninsula on a road called Viking Trail and there's this little town, Gunners Cove. It basically consists of about four homes, one of which was a bed and breakfast where I stayed. The owner had two rooms that she rented out to people. She was in her 80s and was the most wonderful woman.

I get up really early because I'm usually on the road by 5:30 or 6 a.m. She was up baking bread and had homemade jam and all that. You see hospitality like that in really small places. I remember talking with her and asking how often she travels. She said she'd never been off the island but she'd been down to Corner Brook once. That [Gunners Cove] was kind of her life."

As told to Deena Waisberg

## QUOTABLE

### Strategic question

"[I ask] executives to list three words that come to mind when they hear the word *strategy*. Collectively, they have produced 109 words ... giving top billing to *plan*, *direction*, and *competitive advantage*. Only two had to do with people: one said *leadership*, another *visionary*. No one has ever mentioned *strategist*"

Cynthia Montgomery, Timken Professor of Business Administration at Harvard Business School, in "How strategists lead," *McKinsey Quarterly*, July 2012

## 80 YEARS AGO THIS MONTH

Compiled by Steve Brearton

From the January 1933 edition of our magazine

### Anno Domini 1933

"Canadians have very good reason to hope for better times this year. It appears the lowest point in the depression was touched last June and business is now on the upgrade.... Our New Year's wish is that the channels of world trade may be freely opened ... and the thousands of the world's unemployed who have been eagerly seeking work whereby to experience the joys of earning and the comforts of living may have their desires early fulfilled."

Editorial, Austin H. Carr, Editor, *The Canadian Chartered Accountant*

### In Lighter Vein: "System" in Paying Accounts

"A Montreal firm pressed for the payment of an overdue account and received from the customer the following reply:



"We acknowledge receipt of your letter ... and are surprised at its tenor. If you do not yet know of our method of dealing with accounts we will give you an illustration.

'At the end of each month, when we see what balance we have at the bank, we reserve a certain amount of it for our creditors. We write the name of each creditor on a slip of paper, place it in a hat, and draw lots up to the stipulated amount. The winning accounts are then paid.

'We would like to point out that if we have any more of your impertinence you will not even be put into the hat!'"



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# Must Haves

by Alan Vintar

## Thermaltake Tt eSPORTS Level 10 M mouse

**When Thermaltake** decided to add a progressive new mouse to its line of electronic gaming accessories, it turned to the creative minds at BMW Group DesignworksUSA for innovation and expertise. The end result of this collaborative effort is the Tt eSPORTS Level 10 M.

Although heavily marketed as a gamer's peripheral, this stylish mouse has features that any user will find helpful, especially in such applications as Photoshop and Illustrator. The skeletal body allows for air-through ventilation (keeping the palm cool) while the solid aluminum base with gliders minimizes motion stutter. Ergonomically speaking, the tilt and height adjustments are a nice touch, allowing both left- and right-handed users to personalize fit and feel. Other features include programmable command keys, internal memory profile storage and laser sensitivity that is adjustable up to 8,200 dpi. Available in diamond black, iron white, military green and blazing red.



**Price:** \$118.79      <http://mmouse.ttesports.com>

## Going Concern



**NAHEEL SULEMAN, CA  
FOUNDER & PRESIDENT  
HUSH**

**COMPANY PROFILE:** Founded in 2005, Hush is a custom homebuilder catering to elite clients who want a “best-in-class” home-

buying experience — from consultation on construction and interior design to ongoing home services (e.g., landscaping, snow removal and Christmas-light installation) once the homeowners move in. Focused on creating small communities in established and highly desirable locations throughout the Greater Toronto Area, a Hush home averages about \$1 million and can go as high as \$3 million. Based in Toronto, the company employs 18 full-time staff and a roster of auxiliary staff as needed. Its annual revenue is about \$20 million.

**HOT FACTOR:** Despite ongoing predictions about a declining house market, real estate in Canada — especially Toronto — is still booming. Hush is in the

midst of developing its \$40-million flagship project, the Alexandria, a collection of 20 super-luxe townhouses near Toronto's prestigious Bridal Path. The company has already received industry kudos, including a 2011 Ontario Home Builders' Association Award for Most Outstanding Custom Home and a 2010 award for Project of the Year.

**COOL PROJECTS:** Hush is developing an annual membership for its existing buyers that will provide VIP access to restaurants, events and amenities such as airport pickup and shopping services. This year, it will begin construction on Hush 2020, a pilot project of three green homes in Hamilton, touted to be almost “off the grid” and the ultimate in energy efficiency. Company investors are also talking about replicating a similar full-service homebuilding model in the US.

**IN HIS OWN WORDS:** “We never want to lose our focus in terms of keeping our buyers happy. We want to stay a boutique builder with a brand identity as strong as Mercedes is for cars. When someone says they own a Hush home, that should say it all.” Rosalind Stefanac

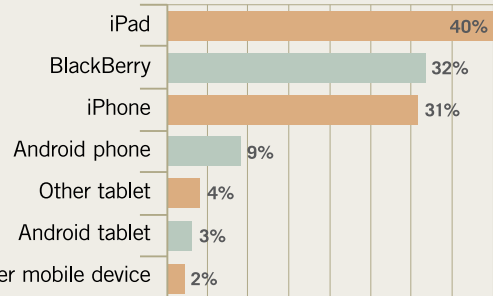
## iPHONE, iPAD POPULAR WITH CAs

Mobile devices such as tablets and smartphones are becoming essential items for many Canadians, and accountants are no exception. Three-quarters (75%) of Canadian CAs now use a mobile phone or tablet to access the Internet — up from 43% just two years ago, according to a CICA survey conducted this past fall. Furthermore, 86% of CAs who are 34 or younger report using a smartphone or tablet to access the Internet.

There is also a significant change in the type of mobile devices used by CAs. In 2010, 44% used BlackBerrys, 8% used iPhones and 6% used various other mobile devices. But Research in Motion has lost much ground to Apple. Today, about a third (32%) of CAs still use a BlackBerry to access the Internet, but a similar number (31%) now use an iPhone. Interestingly, neither smartphone is the most popular mobile device among CAs for Internet access — that honour goes to the iPad, used by 40% of CAs.

Given that mobile devices have become so ubiquitous, it's not surprising that many CAs expect CICA services to be available as mobile apps. At 57%, an app to access discounts from the CA

Mobile devices used to access Internet  
(percent of CAs)



Source: CICA, 2012

Member Savings program was at the top of respondents' wish list, but demand for other CICA apps, including ones for webinars, CA Connect, *CAmagazine* and CA Source job postings, was also very high. CICA will be relying on this member research as it begins exploring the opportunity to develop mobile apps for members.

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

# it takes one to know one



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## Not-for-profit organizations move to new accounting standards

CICA develops new resources to help the sector make critical choices

**T**his is not a typical year for Canada's not-for-profit sector. New accounting standards, tailored to meet the unique needs of Canada's not-for-profit organizations (NFPO), are effective for fiscal periods beginning on or after January 1, 2012. Making the transition to new accounting rules could be challenging for a sector that includes many small organizations.

One of the first steps for NFPOs preparing for this change is looking at whether the organization is a private or government NFPO. For the first time, private-sector NFPOs will use different accounting standards than government-controlled NFPOs. (For more, see "Devil in the details," p. 26.)

"The changes are big news for chartered accountants," says Gordon Beal, director of CICA guidance and support. "The change affects approximately 160,000 NFPOs in Canada. Many of those organizations have CAs on boards, audit committees and in senior staff positions. The sector is relying on our expertise both in terms of preparing financial statements and in the audit process."

These new CICA implementation resources are now available to download for free at [www.cica.ca/nfpo](http://www.cica.ca/nfpo).

- The Guide to Accounting Standards for Not-for-Profit Organizations in Canada helps NFPOs determine the set of accounting standards that is appropriate for them and highlights key changes for both sets of standards. The guide also provides information on the first-time adoption rules and on the basic steps of an implementation plan.

- Accounting Standards for Private Sector Not-for-Profit Organizations (Part III), Transition Considerations for Non-Complex Entities is a tool highlighting significant changes that should be considered during the transition to the new standards.

- First-time Reporting on Financial Statements Adopting Canadian Accounting Standards for Not-for-Profit Organizations or Standards for Government Not-for-Profit Organizations in the CICA Public Sector Accounting Handbook provides guidance to auditors engaged to report on the first set of financial statements prepared in accordance with the new standards.

On a related note, a recent publication for directors of NFPOs also provides important insight into financial reporting in the sector. The Guide to Financial Statements for Not-for-Profit Organizations — Questions for Directors to Ask helps directors of NFPOs understand the financial statements of the organizations they serve.

### Staying current on IFRSs

#### CICA webinars coming up in January

Set aside a couple of hours in January to learn about new IFRSs. CICA is offering three one-hour webinars that focus on key changes, common application issues and transition considerations of three new standards. The webinars are targeted at accounting professionals who are implementing these standards or helping their clients through the implementation process.

- Implementing IFRS 13, Fair Value Measurement.

January 16, 2013. 12:30 p.m. ET

- Implementing IFRS 10, Consolidated Financial Statements. January 23, 2013. 12:30 p.m. ET

- Implementing IFRS 11, Joint Arrangements.

January 30, 2013. 12:30 p.m. ET

To register, visit the webinar calendar in the Career & Professional Development section of CICA's website.

Webinars are available in archive following the live presentation date. Each webinar qualifies for a one-hour CPD credit for CAs who successfully complete the test.

### Applying IFRS in the mining industry: accounting for asset acquisitions versus business combinations

**M**ining entities often acquire projects directly or through the acquisition of shares of another mining entity. Different accounting implications arise if the acquired project is considered a business versus a purchase of assets. The latest paper in the *Viewpoints: Applying IFRS in the Mining Industry* series looks at the issue of how to determine whether a mining project acquisition meets the definition of a business under IFRS 3.

For more IFRS application resources from CICA visit [www.cica.ca/IFRS](http://www.cica.ca/IFRS).



**RECENTLY ISSUED PRONOUNCEMENTS**

<b>CICA Handbook – Accounting</b>	<b>Date issued<sup>†</sup></b>
<b>Part I</b>	
Amendment Regarding the IFRS Changeover Date for Rate-regulated Enterprises	October 2012
Amendments Regarding Investment Entities	January 2013
<b>Part II</b>	
2012 Annual Improvements	October 2012
<b>CICA Handbook – Assurance</b>	
Section 7150, Auditor’s Consent to the Use of a Report of the Auditor in an Offering Document	January 2013

**RECENTLY ISSUED DOCUMENTS FOR COMMENT (to January 31, 2012)**

<b>Accounting</b>	<b>Comment deadline</b>
EDI Acquisition of an Interest in a Joint Operation	March 31, 2013
EDI Annual Improvements to IFRSs 2011 – 2013 Cycle	March 18, 2013
EDI Clarification of Acceptable Methods of Depreciation and Amortization	March 31, 2013
EDI Classification and Measurement: Limited Amendments to IFRS 9	March 28, 2013
EDI Equity Method: Share of Other Net Asset Changes	March 22, 2013
ED Incorporating IFRSs into Canadian GAAP	February 28, 2013
EDI Sales or Contributions of Assets Between an Investor and Its Associate/Joint Venture	March 31, 2013
<b>Auditing and Assurance</b>	
EDI Responsibilities Relating to Other Information	February 1, 2013
<b>Public Sector</b>	
ED Amendments to the Introduction	March 22, 2013
CP Measuring Financial Performance in Public Sector Financial Statements	January 31, 2013

**WATCH FOR**

<b>Amended Standards</b>	Amendments to IFRS 9 Regarding Hedge Accounting
<b>Documents for Comment</b>	Financial Reporting by Not-for-Profit Organizations (Joint Accounting/Public Sector SOP) Restructurings (Public Sector SOP)

**Legend**

CP – Task Force Consultation Paper  
EDI – ED based on IFRS/ISA

ED – Exposure Draft  
SOP – Statement of Principles

<sup>†</sup> 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.*

# Mapping the profession's future

Foundation for a unified designation by Ron MacInnes

The goal is ambitious but achievable: to be the pre-eminent internationally recognized Canadian accounting and business credential that best protects and serves the public interest. From the moment this vision for the chartered professional accountant

(CPA) designation was defined, the priority has been to develop a certification program that would provide the foundation for a unified designation and consistently produce CPAs of the highest calibre.

Significant changes in the global marketplace are affecting business in Canada. "These changes have highlighted the need to prepare accountants for evolving new roles that would best support business in the future," says Tashia Batstone, FCA, CICA vice-president of education services and co-chair of the CPA certification steering committee. "We were already making changes, but slowly. Unification accelerates our progress."

Whether the legacy designations came together or not, changes were needed, says Michel Magnan, professor and Lawrence Bloomberg chair in accountancy at Concordia University in Montreal. "Thirty or 35 years ago, it was possible for an accounting professional to possess a solid understanding of all aspects of professional practice," he says.

"In those days, most enterprises had simpler business models, regulations were less intrusive, the scope of accounting standards was much less, the tax act was a lot shorter and the education programs and qualification paths and professional practice reflected this reality. Nowadays, this is unrealistic. An accounting professional cannot be all things to all people anymore. As a profession, we need to recognize this and act accordingly."

The first step in creating a new education system for CPAs was the creation of the competency map. It began with a focus on what it would take to develop the very best accounting professional in business.

"We came at it from the perspective of what we wanted the

CPA to look like," says Kara Mitchelmore, FCMA, president and CEO of CMA Alberta and co-chair of the CPA certification steering committee. "We developed the framework through a lot of hard work nationally, creating a model the profession can be proud of."

It was clear to those involved that they could not simply bring together the existing competency maps of the legacy designations. There was just too much material. The challenge, therefore, was to determine what was most relevant and focus on it — deciding what to emphasize and what the new CPA's strength areas were going to be by drawing on the strength areas of the predecessor designations.

To meet these challenges, the steering committee drew together a team of experts from academe, public accounting, the public sector and industry to ensure these needs would be met.

More than 40 volunteer professionals, including CAs, CMAs and CGAs (who were participating in the unification discussions at that time), met for several consecutive days in January 2012 to develop the CPA Competency Map and Knowledge Supplement. Everyone left their designations at the door and worked on a new vision and the elements that would lead to a CPA designation supporting that vision.

The competency map working group drew on the best and most relevant of the existing maps and incorporated improvements suggested in the face-to-face meetings. The committee members and volunteers identified areas that were common across the designations and prioritized and reshaped existing competencies en route to developing the new CPA map.

Experts then reviewed the competency map for content accuracy and it was subsequently approved by all provincial bodies participating in unification of the accounting profession as the foundation for the new CPA certification program.

A major focus in its development was ensuring that the new standards would be just as rigorous as those in the existing legacy programs and that they would meet the current

and future needs of industry, government and public practice.

“The competency map was developed quickly but with consultation and input from stakeholders including academics,” says Joan Conrod, professor of accounting at the School of Business Administration at Dalhousie University in Halifax, who participated in its development. “Rigour was an important objective and it shows.”

Released in October 2012, the CPA Competency Map provides the basis for development of the CPA certification program, including evaluations, accreditation and practical experience requirements. It sets the standards for entry into the profession, describing the knowledge, skills and proficiency levels expected of the newly qualified CPA. It will be used by universities, boards of evaluators and regulators.

The CPA map focuses on competencies and is closely linked to the vision for the CPA designation. It is modular and offers two views: a competency view, which shows the progression of all competencies and skills over the two-year program, and a modular view, which shows the learning outcomes and links to the CPA professional education program modules.

Candidates entering the two-year professional education program (PEP) must have a university degree with specific competency area coverage. Those without the requisite coverage can either return to school or earn it through a CPA accelerated bridging program currently under development and expected to be launched in 2013.

The common core includes two foundational modules that

all CPA candidates must take. Both touch all competency areas: one focuses on financial accounting, the other on management accounting, planning and control.

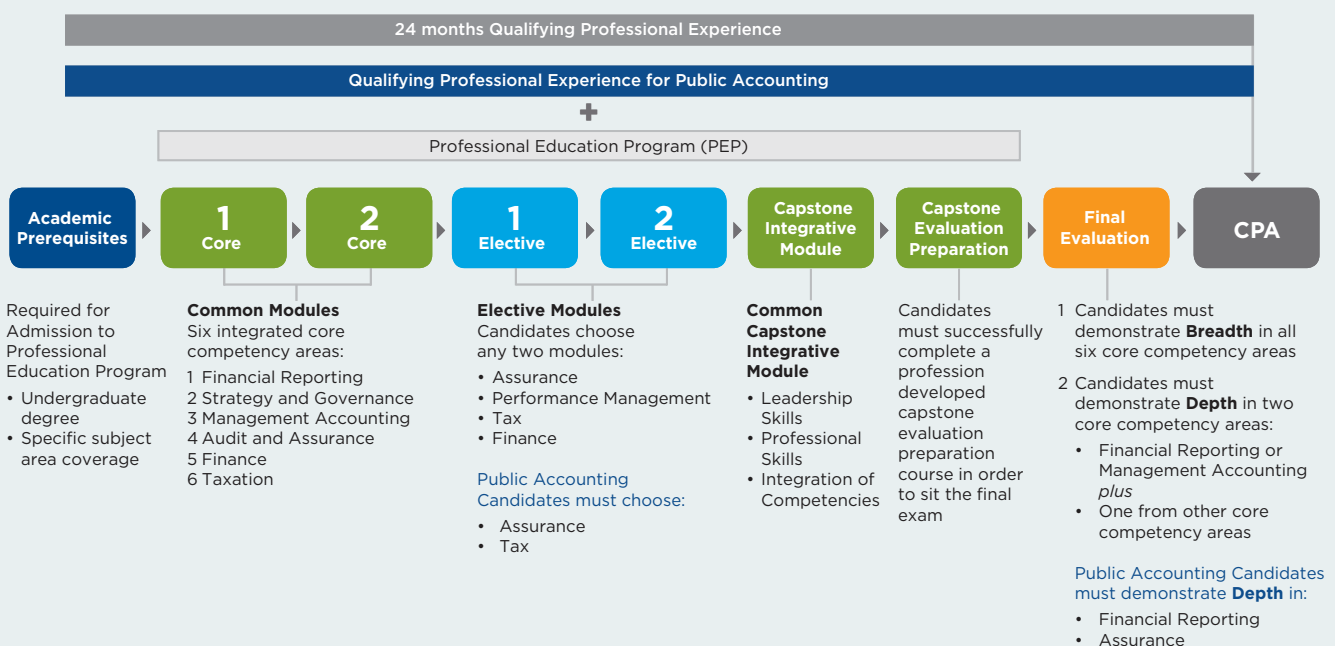
Following completion of the two mandatory core modules, all candidates can explore two of four elective areas: performance management, taxation, finance and assurance. Those seeking to practise public accounting must choose assurance and tax.

Collectively, these electives allow candidates to explore the different roles a CPA plays and get a sense of what area they might like to pursue. For example, a candidate interested in practising public accounting would complete the common foundation competencies then build on them through elective modules in assurance and taxation.

Overall, the CPA map identifies the six technical competencies that form the technical base for a professional accountant, as well as five enabling competencies. These enabling competencies that all candidates must acquire — professional and ethical behaviour; problem-solving and decision-making skills; communication skills; self-management; and teamwork and leadership skills — help create fully rounded professionals who can assess situations quickly and make key decisions in the business world.

The competency map's two capstone modules focus on the application of professional leadership and the integration of all the competency development built up to that point, through both the common core and the elective choices. In the first of the two capstone modules, candidates work on cases in small groups to develop additional professional skills, such as team management

## Diagram of potential implementation of CPA professional education program



and communication. In the second, they work individually on the same skills.

Candidates are evaluated upon completion of the program with a comprehensive, common final examination. The strength of the competency map lies in the fact that every CPA — no matter his or her area of focus — possesses the same professional skill set built through the CPA program.

“In my view, the changes being proposed with core competencies and electives are long overdue,” says Magnan. “The new CPA map recognizes that the world has changed and that our approach to a professional accounting education needs to evolve as well.”

That means some academic adaptations. Over the next year and with the help of the provincial bodies, academics will need to review their programs to ensure they cover each specific competency area in the competency map.

For Magnan, the new competency map is transformative. “It deviates from a long-held tradition that, in preparing the future accounting professional, one has to cover everything in detail.” In contrast, he says, the new approach provides additional flexibility for students as they get to choose electives.

“However,” Magnan cautions, “this additional flexibility

Throughout the CPA map’s development, maintaining the profession’s education standards was paramount. “The new competency map requires high levels of proficiency in areas that are essential within elective paths, such as corporate finance and taxation, and some knowledge and competency depth is attained where it matters,” says Magnan.

Barnett believes the bar may even be higher with the new competency map. “The old uniform evaluation will remain; there is a new integrative capstone module and there is strong emphasis on technical content as well as the ability to integrate across technical competencies.”

The CPA map’s authors believe it meets or exceeds all the requirements for current and future mutual recognition agreements. Batstone points out that this is a critical component. “International agreements provide an outside lens on the competency model — allowing the steering committee to hear external views on the framework and on whether it has fully maintained or raised its previous standards.”

Hilton agrees that one of the underlying core tenets of the unification framework is that the future program be at least as rigorous as the legacy designations. The fact that many top-notch accounting academics were involved in the development of the

**“The proposed changes with core competencies and electives are long overdue. The new CPA map recognizes that the world has changed and that our accounting education needs to evolve as well”**

may create headaches for universities offering CPA education programs. Instructors will have to realize that if one of their courses is cancelled to be replaced by an elective, they cannot fit what was learned previously in three courses on, for example, tax into two courses. Choices will have to be made so competencies that are relevant for a nonspecialist will be covered.”

The academic community will also be able to use a CPA Competency Map Knowledge Supplement that describes the expected levels of proficiency CPA candidates must have in core and elective modules when they enter the professional program.

Jim Barnett, tax faculty member at the University of Waterloo’s School of Accounting and Finance, points out that “changes to academic programs take time to be felt; a change in a first-year course in 2013 would not be seen in the profession until that student graduates in 2017.”

He believes any additional courses need to fit into an already crowded curriculum. “Academics need to choose which courses are most important to their program — a choice that is not without controversy,” he says.

“Ultimately, our current professional education and assessment required a massive overhaul, with or without unification,” says Sandy Hilton, accounting instructor in the management faculty at UBC and a participant in the CPA map’s development. “As we run into the inevitable road bumps, I’m confident that we will adjust as necessary and ultimately end up with an excellent program that exceeds our current program.”

national CPA curriculum and assessment leads Hilton to believe that the bar remains high.

“Introducing this new CPA program is a massive undertaking,” Hilton says. “What it will look like exactly and what types of assessment will be used are still being decided. Without a doubt, like virtually every massive change, there will likely be some growing pains along the way.”

“It will have bumps,” Conrod concurs. “It is important that it is well thought through because individual students are vulnerable and can be hurt in the process. It’s our responsibility as educators and professionals to ensure they are appropriately educated and evaluated, but also fairly treated.”

“Supporting students through the transition is a priority,” Batstone says. “No student will be left behind.”

Mitchelmore agrees. “The new CPA professional education program will be available in Western Canada this fall, and in the rest of the country in the fall of 2014. This program will produce the best accounting professional possible and we will work tirelessly with the academic community to ensure they are given all the help they need to enable their students to succeed.”

To download the CPA Competency Map and for more information about the CPA certification program, visit [www.cpa-canada.ca](http://www.cpa-canada.ca).

Ron MacInnes is a Toronto-based corporate and business writer and editor



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Nationally, provincially and locally, some CAs have been lured into a life of public service. How and why did they arrive there?

By Robert Colapinto

# Passion *for* POLITICS

The horror of assassination and the cruelest of ends to what would surely have been a lifelong commitment to public service was a key factor in Iain MacKay's decision to enter the political whirl. President John F. Kennedy was only 46 in late 1963, and a youthful MacKay began musing on how much the man had done in his short life. "It just set in motion a whole train of thought that, if I was going to do anything in my life, I'd better get on with it," he says. Nothing like Kennedy, of course; but something, anything.

MacKay, FCA, now long retired from politics, as founder of the Yukon Liberal Party, made more than good on this tragic inspiration. In 1977, he took his partners aside at the Whitehorse-based MacKay LLP Chartered Accountants (then MacKay Peachey & Co.) and announced he was going to be dividing his time between their busy practice and what would become a successful run at the leadership of the party in the Yukon legislative assembly.

*FCA Jamie Baillie,  
Nova Scotia's PC  
leader, is readying  
for a run at the  
premier's job in his  
home province*

photography by NANCE ACKERMAN/KLIXPIX



**SENATOR PAUL MASSICOTTE**, above, is happy to play a role in fiscal policy-making. **SENATOR ELIZABETH MARSHALL**, below

Over the past century, scores of chartered accountants have either scaled back often extremely lucrative careers or left the profession to join the likes of MacKay in pursuit of a calling that seems rather well-suited to the profession's skills, discipline and work ethic.

For Jamie Baillie, FCA, Nova Scotia's PC leader, the more CAs who make such a transition, the better. "Especially these days," he says. "All governments, from municipal to federal, have a rather desperate need for lawmakers who can make the most educated assessments and decisions concerning financial matters." Baillie, who took over the party's leadership in 2010, is preparing for his run at premier of a province he admits remains one of the poorer performers in job creation, retention of skilled workers and real GDP growth — in 2011, it sat at 0.3% compared with the Canadian average of 2.5%. The province's economic performance in 2012 remains equally gloomy, with July 2012 manufacturing sales mired at 15% below pre-recession levels, and the disheartening distinction of recording the slowest sales growth in the country over the first six months of the year. It is a wonder that Baillie would willingly throw himself into such a maelstrom. "I'm not one to sit on the sidelines and watch this happen," he says. "I'm a doer."

Baillie's bona fides speak to his ability to revitalize an underperforming concern. He left a six-year run as CEO of Halifax-based Credit Union Atlantic for leader of the PCs and, of course, became its finance critic. "We had a quick turnaround from losses to profits at CUA," he explains, "and almost doubled in size in terms of assets under management, employees and branches. The com-







v, had a goal to put her CA to use as a public servant. **MP JOYCE BATEMAN** respects the complexity of it all

pany was doing well.” And then he chucked it all in for politics.

Talk is cheap, but uninformed talk is expensive, warns Paul Massicotte, FCA, a member of the Senate since 2003. As a CA, he is convinced he has been able to offer substance to the policy debate in Ottawa. For almost 20 years, Massicotte helmed the hugely successful Montreal-based real estate development company Alexis Nihon before accepting the senatorial appointment. Massicotte would be both senator and CEO of Nihon for three more years, before finally leaving the company and taking to Parliament Hill full time. “Obviously, with a CA, it’s primarily an accounting orientation; but I would argue it’s a very, very good business overview,” he says. “You’re constantly seeing a lot of different businesses, which allows you to see how business works.”

Also having served eight years as a member of the Bank of Canada’s board of directors, he was honoured to have a chance to flex his muscles in a public service role that involved speaking to the monetary and fiscal policy-making processes he had learned at the central bank and in business and as a CA. So equipped, Massicotte believes his seats on the Standing Committee on Banking, Trade and Commerce and on the Committee on Energy, the Environment and Natural Resources allow him to make a significant contribution.

Like Baillie, he had no qualms about accepting a seat in the Senate and eventually leaving his high-octane career. “If it’s a calling, it’s one you can’t easily ignore,” Baillie says.

“I’m not a politician who loves to debate for the sake of debate,” Massicotte says. “I love to debate for the sake of making a deci-

sion and getting it done. Thursday night, when I leave Ottawa, I say, ‘I think I made a difference; I think I stopped this or that from occurring or I amended such and such a program.’ The day I can’t say that,” he says, “I’m going to stay home.”

For Senator Elizabeth Marshall the goal all along was to take her CA and put it to good use as a public servant. After a stint at Thorne Riddell in New Brunswick and then in Nova Scotia, followed by articling in the auditor general’s office in Nova Scotia, Marshall returned home to the Rock to make a career in public service. “Practice or a job in industry was just never my thing,” she says. “The political and public policy world seemed more exciting.” In St. John’s, she joined the provincial public service, working in a number of positions, including as a deputy minister in social services and in transportation and works before moving on to a 10-year stint as Newfoundland’s auditor general.

“When you work with the ministers, you’re exposed to a variety of issues and environments,” she says. “But, you’re a public servant and you’re just advising ministers. When you’re in the cabinet, you can actually help make decisions and have more of an input.”

The allure of elected politics became just too strong as the 2003 provincial elections approached. Marshall had been a year into her retirement from the auditor general position when she approached her husband, Stan, about making a run as MHA for the St. John’s district of Topsail. “I asked him: ‘What do you think?’ and he said, ‘You’ve got to make up your own mind, but if I were you, I wouldn’t do it,’” she laughs. “It was too late, I wanted

# Innate and acquired skills, perhaps ones unique to the profession, seem to be at play for CAs who take the plunge into politics

it.” After winning Topsail in 2003 and re-election in 2007 (a total of 30 years in government service), Stan had pretty much given up on the idea of a stay-at-home wife. So it was no surprise when Marshall accepted Prime Minister Harper’s appointment to the Senate in 2010, becoming Conservative whip in 2011.

“I still find it interesting to influence government policy,” she says. “I just find government fascinating. Nothing stays the same. Everything is always moving, everything is always in transition, and I think that’s what people look for in a job.”

Innate and acquired skills, perhaps ones unique to the profession, seem to be at play for CAs who take the plunge into politics. Beyond the ability of crunching the numbers may well be a defining rigour, precision and persistence cultivated during their education. Certainly, articling and then finance-based careers equip the politically minded CA with tools that are of some value in this arena.

“We’re trained to be analytical,” says MacKay. “You’ve got to be logical, analytical and you have to base your opinion on facts. You’re not so much an ideologue with respect to financial matters or social matters. It’s about the underlying facts behind the problem and how do you fix it.” MacKay left the Yukon Liberal Party and its leadership in 1980, moving to Vancouver where he built MacKay LLP Chartered Accountants into a 40-partner firm with offices in Yukon, BC, Alberta and the Northwest Territories. But the politics was not so easily abandoned. Through the 1980s and 1990s, MacKay somehow found time to help the BC Liberal Party — which was as moribund as the Yukon Grits in those decades of Western PC dominance — as finance chair for two Liberal leaders, including Gordon Campbell. Campbell would go on to revive the Liberals and become premier in several elections. Still, MacKay refused to contemplate any return to elected office.

The strengths that define the value of CAs in the political arena also work against them. “I found politics far more challenging than anything I’ve ever done — in terms of its intellectual challenge,” MacKay says, speaking of his Yukon experiences. “You just have so many facets to deal with in any given issue.” CAs deal with matters that are either black or white when determining the correct course of action, he says. “At the end of the day, I decided I probably wasn’t cut out to be a good politician. It’s hard not to wander into the gray. And the gray means compromise, right? That’s what professional politicians have to learn to do.”

There’s always right and wrong, agrees Joyce Bateman, CA, Winnipeg South Centre’s MP. “But there are just so many permutations and combinations in how to present information, or how to make decisions and who they’re going to affect. I think my training as a CA has helped me sift through that volume.” Bateman was clearly mindful of her “grays” when she helped broker a dispute involving her son’s Grade 3 class in 2001. Her political manoeuvrings were so adept, fellow parents suggested that she run for school trustee. And so began this accountant’s political career: 10 years as a trustee, including chair of the board; chair

of finance and a seat on the Manitoba School Board Association. Then in 2011, elected to Parliament, Prime Minister Harper invited her to join the House’s Standing Committee on Public Accounts and the Standing Committee on the Status of Women. “I think there are always choices. You make that decision-tree and it starts to shape where you’re going. But I think we CAs are not as linear as some would think,” she says, contemplating the diplomacy and compromise required of her position and her ability to consider a life in politics.

As a mayor, Richard Walton, FCA, deals with a bothersome spectrum of grays as much in the street, face-to-face with his constituents, as in the protocol- and etiquette-laden confines of city council. “If you’re not a people person, willing to press the flesh, capable of staying calm while taking the temperature of some pretty heated arguments, being a mayor might not be your thing,” he says. North Vancouver District’s mayor, Walton has less of a buffer from the collar-ruffling concerns of his constituents than his fellow CAs in Parliament and legislative assemblies. “Every day is something new, something challenging, something seemingly insurmountable — and I love it,” he says. Although he admits one’s CA training is not big on the development of “interpersonal skills that deal with diffusing volatile situations,” the overall study of accountancy and subsequent practice in the real world assumes the CA can hold his or her own in a contentious tête-à-tête. “You’re dealing with clients, businesses and situations of every sort as a CA,” says the three-term mayor and former district councillor.

“If you can’t effectively work with people, you’re not long for or not going to be very good as an accountant.” Bateman, who makes it her mission to meet with her Winnipeg constituents as much as possible when she returns from Ottawa, agrees. “I met a CA the other day, and he said you can always identify the outgoing CA in a crowd; he’s the one looking down at the other guy’s shoes. I thought that fun to hear,” she chuckles, “but not so true.”

David Dorward, CA, CMA, member of the legislative assembly for Edmonton-Gold Bar, is a prime example of a gregarious and extroverted accountant turned politico. After a failed bid for the riding in 2008 — he lost by 1,000 votes — Dorward happily returned to his Dorward & Co. Chartered Accountants LLP and patiently awaited the next election cycle in early 2012. “I’m fortunate that I love the CA business and could go back,” he says. “So losing the election wasn’t devastating. I was at work the next day and loving it.” Dorward immediately went back to schmoozing the business community for a cool \$40 million, which would, in part, fund the building of one of North America’s largest community and sports centres. On his desk sat four computer monitors, with one permanently tuned to the legislative assembly’s question period. “If my staff came in to ask me a question, it wasn’t unusual for me to say, ‘Well, hold on a minute, I gotta hear the answer to this question.’ I liked it and engrossed myself in it to get ready for the job.” On April 23, 2012, Dorward won his seat. He

was named to Alberta's Treasury Board (and several other standing committees) and seems to be back on the hustings. "I'm 61 and the catalyst is not doing good things for the next eight years; it's doing great things," he says.

For people like Dorward, the transition from a private life (with opinions shared only with those within earshot) to a very public existence (where every word is parsed and dissected for critique) is made with some ease. For MacKay, it took time to get used to the limelight and developing a thick skin was mandatory both with the press and the opposition. "You've got to learn to take the criticism along with the praise," he counsels. They seldom come in equal measure and often neither has the venom nor the acclaim worthy of sorrow or celebration. "The thing that is eye-opening," he says, "is that I would be slugging away at the government during question period, and they'd be throwing zingers back at me and so forth. Then after all that, we'd retire behind the curtain for a cup of tea together. It's just politics," he laughs.

The challenge that still weighs on Mayor Walton is the lack of speed at which public policy is developed and finally enacted. "It's downright glacial," he says. "As a CA, I want to get down to the numbers, see where we're at and make decisions that are, in my professional opinion, in the 'client's' best interest."

Massicotte has resigned himself to the languorous pace, understanding that the filters through which the political decision-making process must pass are more numerous and often more contentious than those in the business world. Business is less

democratic; its debaters and arbiters far fewer, he concedes. "You learn very quickly, like in business, that you've got to learn how to align interests if you want things to work well in the marketplace of ideas," he says. "But it's frustrating in that it's big. In government, you have a meeting, you have a committee, but their interests are so varied. So, you've got to get people to agree on a position." In business, he asserts, eventually someone — a CFO, perhaps — will insist that the waffling stop, a decision be made and a strategy executed. "But in politics someone else may come along — a different minister or some angle or some lobbyist," he sighs. "And the execution is delayed because something is not right or the government doesn't agree. So it's frustrating in the sense that it's a big, big machine."

Speaking from an antechamber to the House of Commons, Bateman is convinced she has acclimatized to her position — along with its challenges — and to her surroundings (although, she admits at times she has to pinch herself when she strides into Parliament's grandiose Centre Block). "I don't think it's daunting," she says. "You respect the complexity of it; you respect the many parts that go into decision-making, and you learn how to ask questions that matter before you take decisions. People do this for the honour of serving their community and for the decisions that make a difference and impact future generations. That's intoxicating, and wonderful."

Robert Colapinto is a Toronto-based writer

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ACROSS CANADA, NOT-FOR-PROFIT  
ORGANIZATIONS HAVE TO CONFORM  
TO NEW RULES AND STANDARDS.

AN IMPOSSIBLE TASK? NO, BUT DAUNTING

By Yan Barcelo

# DEVIL IN THE DETAILS

CHANGE A RULE HERE, CHANGE A STANDARD THERE, AND BEFORE LONG

what looks like just a few line changes in an accounting handbook translates into an overwhelming chain of transformations and adjustments in the accountant's den.

That's what Larry Guthrie is experiencing at the moment. BC's Simon Fraser University (SFU), where he is director of financial services, is working through the process of implementing new standards and regulations required of government not-for-profit organizations (GNFPO) by the Public Sector Accounting Board (PSAB). And that is quite a load.

### Big bang

This is happening at a time when the world of accounting standards is in upheaval. The transfer to international financial reporting standards in

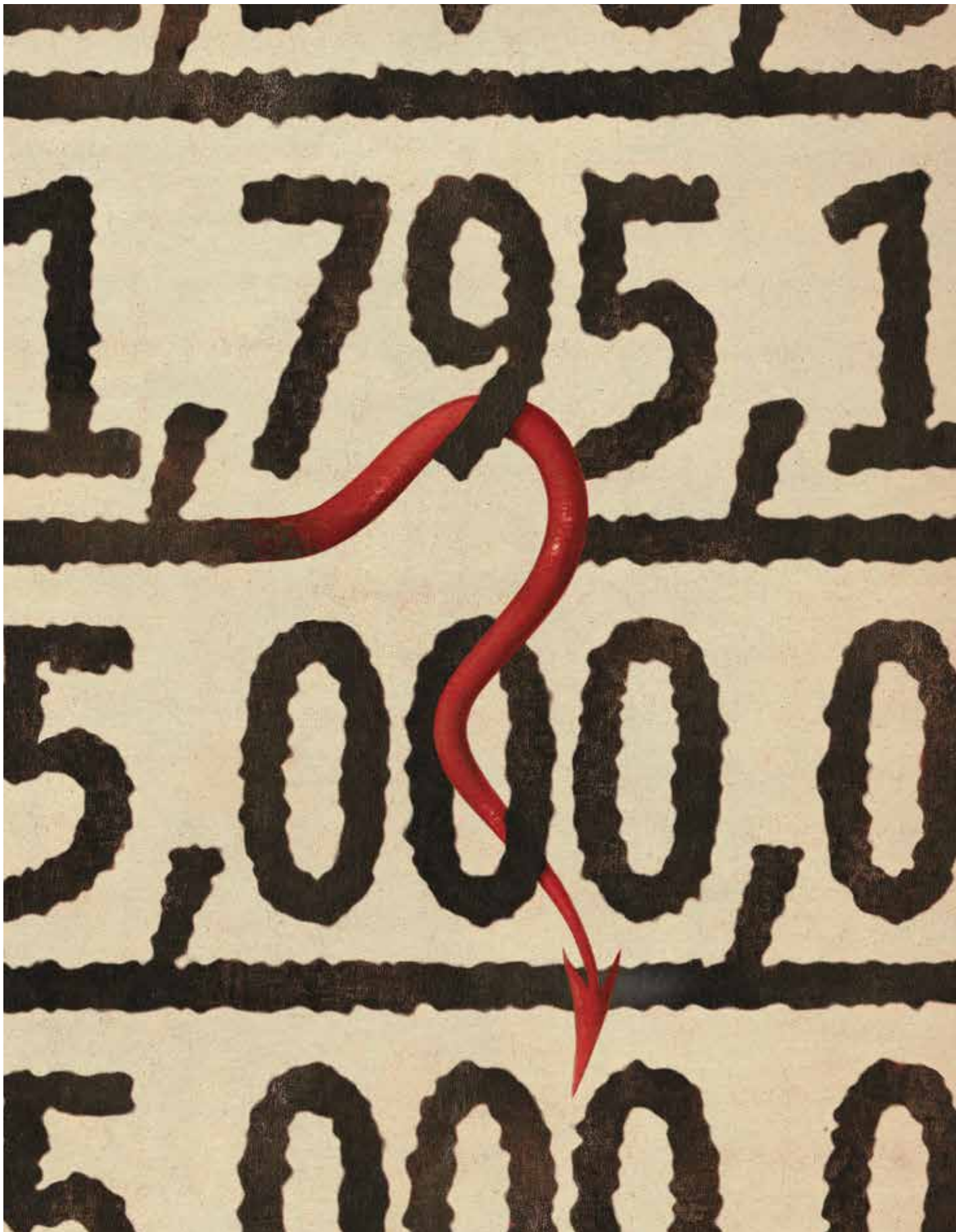
publicly accountable companies was a handful that kept many a CFO working late at night to meet deadlines. But the IFRS "big bang" triggered a whole set of changes targeting all types of organizations, including the government not-for-profit sector.

The changes in the private sector pushed the PSAB to consider whether all public sector organizations should conform to a single set of standards.

Old categories had to be shuffled. And one was GNFPO. Previously this group followed the private sector accounting handbook. But now, GNFPOs have been moved to the Public Sector Accounting (PSA) handbook. And to facilitate that move, the 4400 series in the old private sector handbook was renamed the 4200 series and added to the PSA handbook.

In the case of SFU, the new BC regulations re-

illustration by GÉRARD DUBOIS



“I’ve been dealing with one entity that is owned by four universities, each holding 25% of the whole.

That brings 10 different parties to the discussion: the entity, the four organizations and the auditors of each of these”

quire that the university change the way it accounts for related entities: either in consolidated or in modified equity basis. A simple enough order. But universities are complex creatures. First, there’s your basic educational entity, but there is also a foundation, a property development trust and research joint ventures involved with multiple universities.

Some of those organizations are in the process of changing their basis of accounting. Some will now use IFRS, others will apply the PSA handbook. Another issue is “whether we treat them on a basis of consolidation or of a modified equity accounting,” says Guthrie.

There are defined rules whether an entity is an other government organization (OGO), which leads to a consolidated format, or whether it is a government business enterprise (GBE), which requires a modified equity reporting format.

Here’s the crunch. “In recent years there have been disagreements at the governmental level between the comptroller general and the auditor general whether an entity is a GBE or an OGO,” Guthrie says. “There’s judgment involved in whether you meet a set of criteria or another.” And he adds, “Currently, we have an unresolved uncertainty of interpretation.”

“So?” one might ask. It’s all part of the process, isn’t it? Yes, but. “I’ve been dealing with one entity that is owned by four universities, each holding 25% of the whole. That brings 10 different parties to the discussion: the entity itself, the four organizations that own it, and the auditors of each of these,” Guthrie says. “And we have to involve the Ministry of Advanced Education. That brings in another party. Plus there’s another one from the comptroller general; and another one from the auditor general. That is a total of 13 different points of view. And we have to bring about a consensus.”

Now, Guthrie’s office is expected to produce a financial report by the end of March in line with the new standards that came into effect January 2012. Many, many line items will have to be changed, numbers generated and aggregated. Time is of the essence. It would be nice for a consensus to be reached. What’s the score on that? “It’s not settled yet,” according to Guthrie. “Only 11 of the 13 parties agree.”

#### “Pure” path or “hybrid”

In their passage to new rules, GNFPOs could conform only to the PSA handbook or, to facilitate things, keep the 4200 series rules with which they were familiar. In many cases, that choice was made at the level of provincial governments: pure PSA or PSA + 4200. Some provinces chose a “hybrid” path of PSA + 4200;

others chose the “pure” path.

The pure path involves the biggest changes, says Tim Beauchamp, director of public sector accounting at CICA. Those GNFPOs engaging on that path will have to consolidate. Hybrid path followers won’t have to. Of course, British Columbia and the other provinces that took the pure path saw an advantage to consolidating.

However, the hybrid solution could end up being only temporary. The private and the public accounting standards boards have put together a joint task force to deal with the differences between parts 2 and 3 of the private sector handbook, and between the 4200 series and the PSA handbook. “One of the issues the task force is considering is the elimination of those differences, so in the end the 4200 series could line up with the PSA handbook,” Beauchamp says. “The nonconsolidation exception, for example, could be eliminated. Depending on the responses to documents issued for comment, that could happen in two to three years from now.” Those GNFPOs having followed the tougher pure path would therefore have taken a lead.

#### Proliferation

But that lead comes with a certain cost, as Guthrie discovered. For example, he says, “we need to change our chart of accounts and introduce allocation accounting.” If the challenge in the consolidation issue had to do with definitions of “business” entities, here the challenge is the definition of expense categories. Previously, these categories were “objects,” such as salaries, benefits, supplies, utilities, etc. Now, items will have to be sliced and diced as “functions,” research, instruction, maintenance, etc. In a very concrete way, to what do you allocate heating expense in a research lab of the biochemistry department? Do you put it under research, instruction or maintenance?

“We are debating all that at this moment,” Guthrie says. “Various people have different perspectives and even in the same sector different entities have different needs, yet we need to have a degree of consistency.”

While these debates wait to reach settlement, nothing has yet been resolved at the numbers level. “We have 8,500 cost centres that have detailed object accounts below them, so that translates into more than 100,000 general ledger accounts. We have to cut up all of these according to ‘function’ rather than ‘object,’” Guthrie says.

#### A different challenge

Not all GNFPOs are as complex as universities. Hospitals are

another type of GNFPPO and each individual hospital is certainly not as challenging. Unless you bring many hospitals under the single umbrella of “health authorities,” as in Alberta, which has also taken the pure path.

For example, all the hospitals grouped under the Alberta Health Services (AHS) come with 70 foundations, 26 of which are controlled by the AHS board; the other 44 are not controlled. The task seems daunting, but not impossible, says Robert Hawes, vice-president of financial reporting at AHS. “It’s not a big deal,” but he adds, “the devil is in the details.” Indeed, a huge number of components have to be brought together at the individual account level.

Here again, the number part is the easiest one. Each foundation has different timing in its reporting process and it must all be aligned with AHS’s timetable. The real complexity lies in changing the relationship between the organizations, Hawes says. The foundations consider that their primary accountability is to their donors, and that creates a very different set of priorities. The challenge lies “in the change management involved in putting an additional accountability reporting process in place,” he says.

Luckily, the areas of change, at SFU as well as at AHS, are not too many and fall under only a few large headers: consolidation, revenue recognition, employee benefit recognition and a few others. But as SFU’s situation illustrates, the ramifications extending under these headers can proliferate overwhelmingly.

#### Ultimate question

The big question at the end of this process of implementing new rules and standards is: how will it affect the net position in the financial statements? There again, to a large extent, it boils down to an issue of “definition.”

In the case of AHS, how key indicators will be presented is a crucial concern. Will “total net assets” be presented with its components identifying “accumulated surplus” or will total net assets be presented alone and referred to as “accumulated surplus?”

“We always use ‘accumulated surplus’ as a residual component of total net assets and the media and politicians understand that,” Hawes says. “If we show \$1 billion of ‘accumulated surplus,’ then we suddenly look as if we are very rich and that may impact future funding decisions. That is my most sensitive issue.”


Guthrie voices a similar concern. And

that’s why a major part of the change process will lie in communicating the changes and their meaning to all SFU’s stakeholders: government, public, students, financial market analysts, etc.

“The underlying facts may not have changed at all,” Guthrie says, “but the financial reporting may change significantly, and that’s why it will be important to communicate to bring people to understand that the institutions are stable.”

Will Larry Guthrie produce that final number in time? Of course. For a very simple reason, he says: “There’s no choice.”

Yan Barcelo is a Montreal-area journalist




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# International Expansion pays off for Accountancy Franchise

TaxAssist Accountants, established in the UK in 1995, is a network of accountants working specifically with small businesses and has grown to over 200 accountancy practices servicing over 42,000 clients. In 2009 Greg Murphy, who had been running his own accountancy practice in Dublin, decided it was a franchise model that would work well in the Republic of Ireland after seeing its success in the UK.

"We were looking at ways of growing our practice but setting up managed offices or buying blocks of fees would have been costly and time consuming. The franchising route offered an opportunity to expand our business nationally whilst still creating an income stream for us".

"Ireland has over 83,000 small enterprises in the services sector and yet there was no one specifically targeting this market. TaxAssist Accountants offered a distinctive brand and clear approach to marketing and it was one we were sure would work well in Ireland, even in a recession."

"One of the biggest draws was the shop-front concept; in contrast to nearly every other accountant hidden away in back offices, TaxAssist Accountants was there, in prime position on UK high streets and we recognised that this welcoming, straight-talking approach with fixed fees would appeal to small businesses in Ireland."

Greg met with Karl Sandall, the Chief Executive of TaxAssist Accountants and saw how they had built the business into the largest network of accountants for small businesses across the UK, now with more than 200 franchisees and a fee bank of nearly £30m (\$38m Canadian dollars).

With partner Roddy Comyn, an accountancy software specialist, Greg bought the Master Franchise rights for the Republic of Ireland in February 2009 and has now built a network of 23 franchisees in every city and most major towns in the country with a fee bank of €2.46m (\$3.1m Canadian dollars).

"Every TaxAssist Accountant operates as a small business accountant so we have a very strong connection with, and understanding of, our local small business community," said Greg. "What Karl explained to me – and soon became very apparent when we opened our first TaxAssist Accountants shop in Fairview, Dublin – was that personal service and close business relationships, based on extensive local experience and knowledge, were the cornerstones of the network's success.

"Where the franchise model adds value, is the strength of the brand, the high visibility of the



*"As a Master Franchisor I have been given the tools, support and experience I need to make the business successful in Ireland" Greg Murphy*

Successful Master Franchisors, Greg Murphy (second left) and Roddy Comyn (far right) pictured with two members of their Support Centre Team, Tadhg Moriarty (left) and Susan Comyn.

TaxAssist Accountants shop-front premises – which have become welcome drop-in centres for many established small business customers as well as passing trade – and an extremely experienced network and central support centre.

"Our franchisees tell me it is very much a case of being in business for themselves, but not by themselves. As a Master Franchisor, we help new franchisees to prepare a detailed financial business plan. We're also able to provide new and established franchisees with technical support and back-up on small business accountancy issues from our highly experienced team. In addition to extensive training, every franchisee is provided with marketing and communications services and ongoing business development advice."

Several established accountancy practices are starting to make the switch to the TaxAssist Accountants brand. Amongst them is Kevin Kelly who, together with his father, recently converted their Adare, Limerick-based practice.

"The practice was well established, but we were stagnating and not getting enough new business", Kevin Kelly said. "I liked the concept and particularly the idea of getting away from the upstairs office and out onto the main street. The shop-front really works in terms of generating new clients, as does the marketing. I like dealing with small businesses, the work is relatively straightforward – and there is plenty of it. I have effectively acquired my own new tax and marketing department without the associated overhead and this has allowed me to build the practice."

The TaxAssist Accountants model is proving popular with its target customer base of self-employed people and small businesses, who need basic but essential book-keeping and tax services.

One customer, Sean Kirwan, who runs Dublin alarm and security monitoring company, Neadus Callus Alarms, summed up the local business community response: "I've run a small business for more than 15 years and have often been frustrated by the approaches and services of more traditional or larger accountancy practices, which are clearly structured to advise bigger businesses with higher fees," he said.

"With TaxAssist Accountants, you can simply drop into the shop at your convenience. I don't have the time to make appointments and read reams of corporate sales literature. Greg and Roddy have structured their practice around my needs and those of hundreds of other small businesses."

Greg and Roddy are planning to grow their franchisee network to 40 independently-owned TaxAssist Accountants shops across the Republic of Ireland over the next few years, to reach a targeted fee bank of €12m (\$15m Canadian Dollars).

"As a Master Franchisor I have been given the tools, support and experience I need from TaxAssist Accountants UK to make the business successful in Ireland", said Greg. "I think that TaxAssist Accountants Ireland is a great blueprint of how the franchise model can work in other countries."

TaxAssist Accountants are already talking to Chartered Accountants who are looking to expand their accounting firms across Canada.

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City slickers may get all the attention, but they aren't the only ones making hay. Professionals who cultivate success in small towns and rural regions tell us about the career path less traveled By Yves Gingras

# Out of the way CAs

## THE BRIGHT LIGHTS OF THE BIG CITY CAN BE A BEACON, CALLING TO AMBITIOUS

accountants across the country. But for Martin Richard, born and bred in Val-d'Or, Que. — a town 500 km north of Montreal with a population of less than 32,000 — big-city life held no sway. When he began his career in 1988, he eschewed large firms in Toronto and Montreal to pursue success on his own turf. “I studied at the university in my hometown and spent my entire career there. I never worked in a big city,” he says.

Contrary to what one might think, Richard's resolve to stay true to his small-town roots was not a career-limiting decision. He landed a job at Télébec, a division of Bell Aliant, in 1998 and then at Scorpio Gold Corp., a small company that opened a gold mine in Nevada, in 2009. Since

May 2011, Richard has been the CFO of Ressources Abitex Inc., a mining company listed on the TSX Venture Exchange, where he's been responsible for the conversion to international financial reporting standards.

Clearly, big firms in large centres aren't the only avenues available to determined young professionals. Success can be found in rural areas and smaller towns or cities but, of course, there are challenges and trade-offs to be made. To find out more, *CAMagazine* met with a few small-town boys and girls who have “made good” in the accounting profession. Here's what they had to say about the pluses and minuses of working in a small or medium-sized organization outside the major business centres.

illustration by SANDRA DIONISI



### PRO: YOU GET TO WEAR MANY HATS

When you're a big fish in a small pond, people expect you to take on greater responsibility. As such, accountants need to be generalists, since they may be asked to resolve issues beyond traditional financial boundaries, such as those relating to human resources or sales-contract negotiations.

That was the case for Louisiane Veilleux, controller at Aciers Orford Inc. in Magog, Que., who was consulted when the steel reinforcement manufacturer looked at creating a night shift. "This was clearly a human resources issue, but they called on

me because it required calculating whether paying the current staff overtime would cost less than hiring new employees at the regular rate," she says.

To gain that breadth of knowledge, young accountants working in small towns shouldn't be afraid to extend their training period in public practice, advises Luce Lavoie, senior director of business analysis and IT at Pattison Sign Group, an Edmundston, NB-based billboard company. "Performing audit engagements in as many areas as possible is important, whether in the forestry industry or a community organization," she says. "In this way,

# One advantage of working in a rural area: direct access to the big boss, which often means you can progress rapidly

young accountants acquire the range of knowledge that our role requires in smaller centres.”

For John Gillett, CFO of Devonian Properties Inc., a real estate broker in Canmore, Alta., being a generalist is not only a boon for the organization, but for the accountant as well. “In an SME, you wear multiple professional hats — being a specialist is not necessarily the best value for your organization,” he says. “[And it] makes the job fun and much more interesting.”

## CON: NOT MUCH OPPORTUNITY TO SPECIALIZE

While Gillett believes that accountants in rural areas need to zero in on problems and solve them, they also have to recognize when to consult a specialist. “Devonian Properties has many projects where I need to seek advice,” he says. “I will call somebody with a tax background, for example, to ensure the project suits the needs of the investors.”

And according to Veilleux, it’s nearly impossible to pursue a specialization, such as forensic accounting, in a rural area. “Business opportunities are few and far between,” she says.

## PRO: QUICK CLIMB UP THE LADDER

Working in a smaller centre can sometimes lead to unforeseen horizons. “One advantage of working in a rural area is that we can progress rapidly,” says Lavoie. “We often have direct access to the owners of the business or the big boss.”

Keiven Tremblay, CFO at Cervo-Polygaz Inc. and Groupe PGS 2009 Inc. in Saguenay, Que., agrees that accountants working in small towns have many opportunities to stand out and progress. “I was noticed in my previous position as an investment adviser with the Regional Solidarity Fund FTQ, and Cervo-Polygaz decided to include me in its succession strategy,” he says. “Don’t be afraid to go for it. And don’t hesitate to start your own business if you have the chance.”

## CON: TRAVEL CAN BE COSTLY AND A HEADACHE

Canada’s smaller centres don’t offer a level playing field when

it comes to transportation. While Richard’s hometown of Val-d’Or is equipped with an airport offering some departures to Montreal, the price for those flights is actually higher than a ticket from Paris to Montreal. “We’re required to complete at least 120 hours of continuing education per three-year period,” says Richard. “You can imagine the burden on our employer.”

For Lavoie, whose job takes her to Vancouver, Calgary and Las Vegas, just getting from Edmundston to her flight is a major ordeal. “I’m two and a half hours away from the nearest airport,” she says.

## PRO: ONLINE COURSES MAKE CONTINUING ED MORE ACCESSIBLE

Fortunately, the Internet solves certain logistical problems for accountants. Richard recently took an online continuing education course and hopes the provincial institutes will keep offering them. “I was taking the same course as people in Montreal without having to travel,” he says. “It’s great!”

## PRO: QUALITY OF LIFE

It’s hard to dispute the merits of a five-minute commute, which is typical for small-town professionals. “If I compare myself to my colleagues in big cities, I gain two hours a day, which I devote to my family or social activities,” says Tremblay.

Such proximity also fosters community involvement. “I can’t go to my osteopath or daycare in my town without being asked for help filling out government forms,” says Veilleux.

Others take it a step further by getting involved in local activities they feel passionate about. Richard, for example, helps manage Val-d’Or’s mountain-biking club. Across the country in Alberta, Gillett is a member of the Canmore Nordic Ski Club and is busy organizing an international cross-country ski challenge and enjoying outdoor activities in the Rockies’ idyllic surroundings. “I’m not looking at the traffic from my office window in Toronto at 2 p.m. I’m skiing or biking,” he says.

Yves Gingras is a Montreal-based freelance journalist

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## Framework for financial reporting

A number of measurement theories have been advocated over the years, and now a new approach is proposed for a coherent conceptual framework

**T**he IASB conceptual framework observes that a “number of different measurement bases are employed to different degrees and in varying combinations in financial statements.”

This is readily evident from even a cursory review of international financial reporting standards (IFRS), which are now the required standards for Canadian public companies. For example, property, plant and equipment are generally carried on an amortized historical cost basis, but not necessarily; IFRS permits them to be measured at fair value. IFRS also permits investment properties to be carried at fair value or amortized historical cost, and agricultural “biological” assets are to be measured at fair value less estimated point-of-sale costs but only up to the date of harvest. Many financial instruments are required to be measured at fair value but some significant instruments, such as loans, are commonly carried at historical cost, subject to provisions for impairment. Liabilities are also subject to different measurements under IFRS. Many additional examples could be cited.

Underlying these differences are widely conflicting views on measurement issues and the theories supporting them. This is evident, for example, in the current debates on measuring impaired loans, on the measurement of obligations to customers, and whether or when the measurement of liabilities should factor in the reporting issuer’s credit risk. On a more general level, many have serious reservations with respect to the appropriate application of fair value, and with how it is defined and estimated in the virtually identical FASB and IASB standards on fair value measurement.<sup>1,2</sup>

Strongly held differences of opinion about fundamental measurement theories have made standard-setting for financial reporting very difficult and have led to inconsistencies, complex compromises and vulnerability to lobbying by vested interests.

### Efforts to develop a comprehensive conceptual framework

The IASB and FASB agreed to embark on a joint project to develop a common conceptual framework for financial reporting in 2004. They adopted this goal: “A common goal of the boards — a goal shared by their constituents — is for their standards to be clearly based on consistent principles. To be consistent, principles must be rooted in fundamental concepts rather than a collection of conventions.”<sup>3</sup>

The first two phases of this project, on financial reporting objectives and the qualitative characteristics of useful financial information, were completed in 2010.

Additional phases include a conceptual measurement framework. No significant progress has been made on this phase. It is notable that previous attempts to develop a conceptual measurement framework for financial reporting have failed. The most in-depth attempt was that of FASB in the late 1970s and early 1980s. Despite prodigious efforts, the board could not achieve agreement, and it ultimately issued Statement of Financial Accounting Concepts No. 5 in 1984, which is largely a compendium of mixed measurement practices.



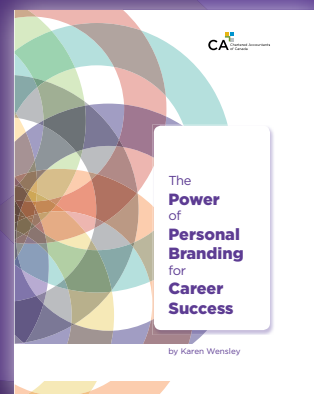
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### Where to from here?

Based on this experience, one may be pessimistic about prospects for achieving a meaningful measurement framework for financial reporting. But there continues to be much pressure for developing accounting standards that are principle-based. How can standard-setters be expected to develop rational principle-based standards without a coherent conceptual measurement framework?

On the positive side, there have been some notable promising developments toward the advancement of financial reporting measurement theory. These include developments in probability theory, present value concepts and methodologies, capital market pricing theories and practices, computer and information technology, and risk management and hedging strategies. Each of these has had significant implications for some aspects of financial reporting. However, to date, they have not resulted in any breakthroughs toward establishing a comprehensive financial reporting measurement theory.

It may take a long time for the implications of these developing areas to be fully understood and coherently absorbed within financial reporting. Perhaps they are resulting in a somewhat haphazard transition from traditional accounting (based on historical cost-based matching objectives) toward a market-based measurement system. Current market-based measurements have some appealing qualities that are generally more consistent with current thinking in the areas noted above than historical cost-based accounting. But troublesome questions concerning the relevance and measurability of current market-based measurements for significant classes of assets and liabilities, and in some significant circumstances, have so far precluded their acceptance as the appropriate basis for a comprehensive financial reporting measurement framework. There is, to date, no agreement on the overall role of market-based measurements in financial reporting.

Thus, historical cost-based accounting continues to provide the basis for much of financial reporting. While it is widely recognized to have serious deficiencies, many believe it has superior decision usefulness in accounting for at least business-operating assets and liabilities.

### Competing theories

A number of competing financial reporting measurement theories have been advocated over the years. These include:

- current exit value theories, that is, current values at which assets could be sold and liabilities could be settled. IASB and FASB define “fair value” in terms of current market-based exit prices;
- current entry value theories that include current replacement cost, defined as the most economic current cost to replace an asset’s existing operating capacity. Attempts by many standard-setters, including that of Canada, to permit or require current replacement cost information during the inflationary period of the late 1970s and early 1980s were not successful. But the concept continues to have advocates who maintain that the standards at the time were not sufficiently developed and were not applied with sufficient expertise and experience.

Some have proposed that deprival value provides the rational recoverable value framework for current replacement cost. The theory holds that the current value of an asset to a business is the

current economic loss that it would incur if it were deprived of that asset. This is defined as the lower of current replacement cost and recoverable value, with recoverable value being the greater of the asset’s net selling price and its value in use.

There have also been strong advocates of current reproduction cost, which is defined as the current cost of the existing asset rather than its most economic replacement.

Each of these theories would continually re-measure assets and liabilities. They therefore conflict with historical cost-based accounting, which would look to some measure of current value only when an asset is considered to be impaired.

Fundamental questions underlying these competing theories include when or whether current value change effects should be recognized, and if they are, whether they should be current entry or exit values, and whether or when these values should reflect management expectations or the prices determined by independent market forces. There are also different theories on whether, or when and how, such value changes should affect reported income. Added to this list are basic questions with respect to when or whether these different measurements are practicable of faithful (reliable) representation.

### A proposed new approach

These are formidable issues. It may be little wonder that they have not been resolved. But in a recent paper, “Toward a measurement framework for financial reporting by profit-oriented entities,” it is argued that substantial improvements in the theoretical underpinnings of financial reporting measurement are achievable and the paper proposes an approach for developing a coherent conceptual measurement framework.<sup>4</sup> The paper has been issued for comment by the CICA at the request of the AcSB.

The paper envisages profit-oriented (business) entities as processes for transforming market input values into market output values. In other words, it presumes that the economic objective of a business entity’s operating activities is to create economic value by transforming the inputs that it acquires in the markets for those inputs into outputs (goods or services) that will be sold in the markets for those outputs. This, it reasons, leads to the conclusion that market values for inputs and outputs should be expected to play a critical role in financial reporting measurement theory.

The starting point for developing this role is the following proposed definition of current market value: “the present exchange price determined, on the basis of publicly available information, by the competitive interaction of willing buyers and sellers in an open, active and orderly market.”

Current market value, so defined, is reasoned to comprise properties that make it the most relevant measure of assets and liabilities for financial reporting purposes. The paper examines other commonly advocated measurement bases and concludes that each lacks one or more crucial properties of current market value.

But this is far from the end of the story. In particular, it must be recognized that current market value is not presently practicable of faithful representation for many assets and liabilities. Also, the above definition does not address when or whether one should look to entry or exit prices. The paper proposes six principles that purport to address these crucial matters.



The paper proposes assets that are inputs to an entity's operating activities should be measured at the input's current prices in the markets in which the inputs would be acquired (that is their entry prices), or when such prices are not practicable of faithful representation, on the basis of the closest (most relevant) substitute basis that is practicable of faithful representation. (Historical cost-based accounting may be the best substitute for input assets for which no relevant current entry price substitutes are practicable of faithful representation.)

A vital property of these entry prices is that they would not recognize any creation of economic value by an entity, i.e., they would not anticipate future earnings from future operating activities. The paper proposes that an entity should be recognized to have created economic value (revenue) only when the entity has achieved an output that has a current market value (exit price) that is practicable of faithful representation, and the entity has generated the good or service that is the source of that market value.

Parallel principles are proposed for measuring operating liabilities and investing and financing assets and liabilities. These would generally be measured at current prices in the markets in which they originated, or on the basis of best substitutes when such prices are not practicable of faithful representation.

In summary, this paper promotes a number of new ideas that would have significant implications for financial reporting mea-

surement theory and standards. An extensive appendix endeavours to identify and examine critical premises and assumptions, and alternative views and arguments that have been, or may be expected to be, made in response to the paper's proposals.

The paper has been given wide international distribution in the hope that it will stimulate a long overdue rigorous re-examination of financial reporting measurement theory. (The paper is available at [www.cica.ca/measurement](http://www.cica.ca/measurement).)

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## Planning, a must

In today's corporate environment, developing a strategic plan for the internal audit function is crucial



**D**espite the changes in corporate governance rules and the financial scandals that have underscored the importance of a strong internal audit function, today within many organizations internal audit still faces a positioning problem, mainly relating to its actual role, its usefulness to the organizations and the added value it generates.

However, some chief audit executives seem unaware of the problem, or they refuse to acknowledge it or they ignore it, despite the fact that in many cases there are clear and unmistakable signs that a positioning problem exists. Is the audit function facing challenges in terms of resources? Does the organization's CEO provide the necessary support? Is the function's role and added value being questioned? Is the nature of its mandate only compliance oriented?

These are the questions that should prompt a real discussion and lead organizations to confront a positioning problem head on. Doctors typically say a patient cannot

be cured without the proper diagnosis and only when one is made can the best treatment be considered. In this case, the treatment is to develop an internal audit strategic plan, which is an essential tool for improving the internal audit function's position and enhancing its significance within the organization. Therefore, establishing a good strategic plan is imperative.

Before developing the plan, basic information should be gathered, including the organization's strategic plan, its risk analyses, as well as the blueprints and strategic plans for the various functions, business units, administrative units, etc. The internal audit's strategic plan should therefore be in line with the organization's objectives.

The internal audit function should comply with the same governance processes as other corporate functions. And while a formal annual strategic plan is required for all the organization's functions, few internal auditors prepare one.

Why not? Isn't internal audit as important as the organization's other functions? Shouldn't executives consider it essential? Why would they deprive themselves of the

assistance of an internal group of experts who spend much of their time overseeing matters that would otherwise keep senior executives up at night? Considered from this perspective, being able to rely on an internal audit function is a privilege.

### Steps for developing a strategic plan

First, it is important to review the internal audit charter — every organization has one — to see whether the nature of the work carried out by internal auditors is in keeping with the organization's objectives. If this is not the case, measures should be taken. For example, if the charter refers to concepts such as value for money, consultation, support and performance improvement, but in reality the function's primary focus is compliance, then the chief audit executive has two options: correct this disparity by amending the wording of the charter to align it with the nature of the internal audit mandates, or define an action plan in accordance with the wording of the charter.

Second, in line with the organization's strategic plan, an internal audit vision and mission must be defined then approved by the board of directors, the audit committee and senior management. Third, an analysis of the internal audit function's strengths, weaknesses and opportunities, as well as any threats (SWOT analysis) should be carried out covering the following four areas:

- the internal audit function's relationships with the board of directors and the audit committee;
- its relationship with senior management;
- its performance; and
- its operations (human resources, methodology and IT tools).

This SWOT analysis, together with a defined vision and mission, will result in measurable and specific objectives, complemented by performance indicators that will be monitored regularly for each of the four areas.

The analysis should include a fifth area related to the function's governance (tone at the top, accountability, communications, etc.).

While the strategic plan is developed under the guidance of the chief audit executive, team members' involvement is strongly recommended as it mobilizes the staff toward achieving common objectives based on a clear vision. It will also contribute to employee retention and professional development.

This plan is also an excellent medium through which the internal audit function can communicate with the organization's stakeholders by fostering continued dialogue with senior management, the board of directors and the audit committee. Revisiting the strategic plan from

time to time will trigger discussions on new internal audit trends.

Developing a strategic plan requires strong leadership — more specifically a courageous and bold chief audit executive who can communicate and explain the function's short- and medium-term strategies or objectives and report on them to those charged with governance. What a great marketing tool for internal auditing.

Note, however, that preparing a strategic plan comes with risks that need to be assessed. If the vision and mission of the internal audit function give it greater visibility and clear objectives, such as value-for-money and performance improvement mandates, the function must be able to generate the expected added value, as illustrated in the table on page 40.

These risks should be assessed based on the available resources, the internal audit function's level of maturity and even that of the organization.

Given the increasing complexity of organizations today and the expanding role of new technology, being an innovator and leader are prerequisites for success. In this environment, developing and deploying a strategic plan becomes a must.

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## An offer you can refuse

So you are offered a lucrative and large file by someone you don't really trust. Do you take it or do you walk away?



**A**mid-career forensic accountant at a prominent medium-sized Ottawa firm received a curious email via his firm's general mailbox in early 2011. It came from a Michael N. (names and some details have been disguised for privacy reasons) who said he wanted to retain the forensic accountant for an ongoing and lucrative due diligence assignment. It asked the CA-IFA to call a given number, which turned out to be a private cell, if he was interested.

The forensic accountant, Eugene Sadler, was interested. Several attractive files he had bid on had gone to competitors for reasons beyond his control. His firm was also adding pressure, having experienced a reduction in clients in the past few years due to the economy and had endless problems with existing clients, many of whom were slow to pay, if at all.

Sadler made the call and, after a few opening niceties, asked N. why he had sent the email.

"I found you on the Internet," N. replied. "I liked your profile and experience."

The answer had a ring of believability to it. Sadler worked hard at his online profile. He had attended a conference at which an online expert had said you don't exist if you're not on the Internet. Sadler had taken this advice to heart and joined as many social-media sites as he could. He also started a blog on fraud and sent out e-blasts to clients as often as he felt appropriate.

"What do you want me to do for you?" Sadler asked.

N. said he was a silent partner in an international firm that focused on the acquisition of well-known food chains. It was registered in a Caribbean country for tax purposes but had offices in Canada, the UK and Switzerland.

"We intend to be very active as far as acquisitions go for many years to come," he told Sadler. "We need as much financial and other forms of due diligence as possible on our targets. I anticipate annual fees for whoever does this will be in the \$1-million range or more."

By the end of the brief conversation Sadler, whose inter-

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est was now very much piqued, had arranged to meet with N. "I'll come to you," N. offered.

N. arrived at the meeting precisely on time. About 50 years old and in decent shape, he was impeccably dressed. He mentioned he was wearing a bespoke suit and shirt, the latter having French cuffs adorned with gleaming silver cufflinks.

In response to Sadler's request for a brief biography, N. said he was born in Canada to Polish parents who had fled the Communist regime in the '50s. He was a self-taught and self-made man who had amassed a considerable fortune on the stock market. "I am a multimillionaire," he told Sadler.

Sadler listened without interrupting. He had found it to be an exceptionally helpful skill. Years prior he had read a quote from then TV interviewer Larry King: "I remind myself every morning that nothing I say this day will teach me anything. So if I'm going to learn, I must do it by listening." The advice had resonated with Sadler and he'd tried to practise it.

The more he listened the more he realized just how much people liked to talk, especially if they were the subject of the conversation. When he lectured on fraud investigations he made listening his No. 1 piece of advice. "Get them talking. Listen with every molecule of your being. You'll be amazed how much most people will reveal," he told his audiences.

When N. had wound down his biographical presentation, Sadler leaned in toward him, another interviewing technique, and said quietly, "You seem to have an interesting background, Michael. But one thing I need to know is why I found nothing about you on the Internet."

N. acknowledged this to be a fair and understandable question, but said there was an equally reasonable answer.

"For many years we lived in the Middle East," he said, "my wife and I and our son. About 10 years ago he was kidnapped, at age 18. Thanks to God, we were able to get him back. Unhurt. Physically that is."

At this point he began to cry. N. was weeping and apologizing profusely for his lack of composure.

Since that horrible event, he explained, he and his wife had kept as low a profile as possible. They stopped driving ostentatious cars. They rarely socialized. And they went out of their way to avoid any profile on the Internet.

"I assume you visited our corporate website," he said, "and that your next question will be about me not being named as a company executive."

Sadler nodded.

"Now you know why."

Sadler proffered a few appropriate words of care and concern regarding what had befallen the family. Still, he said, due diligence would have to be conducted on N. "Surely you would want us to. Imagine retaining a due diligence firm that doesn't practise what it charges for?"

N. laughed. "Of course. Why don't you talk to my law firm?" he suggested. He named one of the biggest firms in Canada and the partner he'd been working with for several months. He was a

senior member of the firm's commercial real estate group. "Please call him. You have my full permission to discuss anything you want about me or my company."

This was an impressive card to play. Sadler decided to hold back on any other questions for N. until he had spoken to the lawyer. They shook hands and agreed to meet again after Sadler had contacted the lawyer.

After N. left, Sadler briefed the firm's managing partner on what had transpired. "Everything he said could be true," Sadler said, "but I have a bad feeling about this. Some things don't add up. For example, why would someone this wealthy and connected have found me through an Internet search? Does that make sense?"

He added another troubling piece of information. "I went on the wayback machine website, the one that shows you previous incarnations of websites. N.'s company, a few years ago, was some vague consulting firm. I couldn't figure out what it was selling." He volunteered that it was not unusual for a company to have a poor website in the early days of the Internet. But again there was no mention of N. on the site.

The managing partner thoughtfully responded to Sadler's

## **In fraud investigations, listening is Sadler's No. 1 piece of advice. "Get them talking. Listen with every molecule of your being. You'll be amazed how much people will reveal"**

concern. "That's a nice fee to have coming in on an annual basis. But, I am not willing to compromise our integrity for a fee. See if you can come back with some warm fuzzies for comfort."

Sadler and his firm were not for sale. He called in an experienced due diligence practitioner, a woman he knew to have excellent research skills. "See if you can dig up anything on this guy, his company, family, whatever," he said after sketching out what he knew about N. "I need you to find something. Good or bad."

Sadler then arranged to meet with the law firm's partner. He turned out to be an elderly man of Polish origin. His practice seemed to be doing very well. His credentials were excellent. He had a good reputation in his field of expertise.

The lawyer confirmed everything N. had told Sadler. "Did you check him out?" Sadler asked. The man seemed unprepared for the question. "His company seemed very established. He himself was impressive. And, he gave us a large retainer."

"A cheque?"

The partner nodded.

"Do you mind if I ask if it's been cashed?"

"Quite awhile ago. Went through clean as a whistle."

There's nothing like a large retainer to reduce the impetus for due diligence, Sadler thought. Even more so if your billables are down.

He wondered too about the lawyer being Polish. Of all the many lawyers in Ottawa who could handle this work, N. chose one who had the same ethnic background. A quick Google search

revealed the law partner was very active in the Polish community. Had N. sensed this man might look at him more favourably, and with less scrutiny, because of this connection?

When Sadler returned to his office his associate dropped by to go over her research findings. “You’re not going to like this,” she said. She had found information about a “Micheal” N. who had been named in a US TV investigative program as the mastermind of an investment fraud about 10 years earlier. “I know it’s not a Michael but it’s damn close. The age seems right. None of the other details match, though. No kidnapping or anything like that.”

Any photograph, Sadler asked?

She showed him a poor reproduction from the Internet. The man identified as N. had a moustache, unlike the man Sadler was dealing with. It was impossible to say if the two were the same person or not, but with a finger placed over the moustache it was pretty clear.

He was never convicted of fraud, the associate said. The local authorities maybe didn’t have the resources to pursue him.

She also said the show reported that he had been charged with assault after a loud argument that might have turned a little physical with his daughter’s soccer coach. The details were sketchy. But nothing seemed to come of it.

N. had told Sadler he had a master’s degree in financial economics from the American University of Beirut. But according to the TV show, there was no record of him having obtained a master’s anywhere.

The red flags were piling up. None, however, was incontrovertible.

Sadler’s instincts were to walk away from the file. There were simply too many red flags. He called the lawyer and shared the information he had on N. “I’d value your thoughts on all this,” he said. The lawyer told him he’d review the information and would call him in a few days.

Not long after he hung up, N. called. He asked, in a polite and professional manner, for an immediate decision as to whether Sadler would take him on. “I’ll have an answer in a couple of days,” Sadler said, “if that’s all right.”

N. reluctantly agreed, noting that there were other forensic accountants he was considering approaching. Sadler went again to his managing partner. “He’s putting us on the clock,” he said. “I don’t like being pressured. That’s another bad sign.”

The managing partner seemed even more concerned. “Look, how can we accept him as a client when we are not even sure who he is? Even if we get a retainer, bill on a timely basis and stop work if there’s no payment, I am not sure this is the kind of client we want.”

Sadler agreed that he and the firm could indeed get hurt. And badly. “If N.’s

up to anything illegal or fraudulent and we did his due diligence, we could get really burned,” he said. “My reputation is all I have at the end of the day. If that goes I’m through. Same for the firm.

“Have you shared your new concerns with the law firm?” he asked. Sadler said he had.

“If they drop him so will we,” the managing partner said.

A few days later the lawyer called, telling Sadler his firm was going to continue its relationship with N. “Most of what you told us was vague and not necessarily connected to Michael. We see no reason to withdraw.”

But Sadler could not bring himself to take on the file. He mulled over his decision and then told his managing partner he was walking away from the file. While disappointing, the news was well received.

Sadler sent N. an email explaining his decision. A few minutes later he received a polite, professional and short response: “Thank you.”

Although it was hard to walk away from a potentially lucrative engagement, Sadler knew he and his firm had made the right decision. They had done their due diligence and made a decision based on their findings. Just as they would have advised a client.

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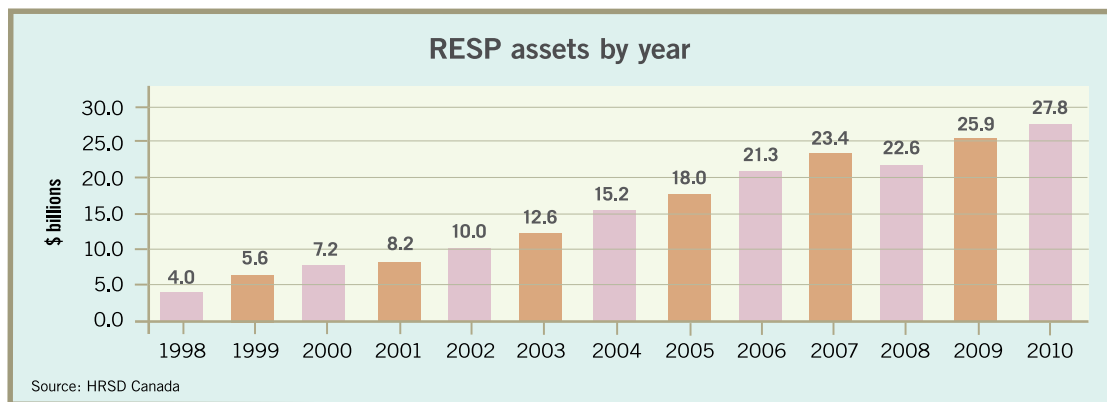


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## Survival of the fittest

Group education savings plans are a serious commitment. Going with a conventional RESP or a group one depends on your priorities



**A**mong the pierogies, kielbasas and polka music at North America's largest Polish festival held in Toronto each fall, you might be surprised to find a booth marketing group scholarship trust registered education savings plans, by far one of the most complex retail investment products in Canada. Years ago, my friend Jane was wandering the street celebration, pushing her one-year-old son in a stroller, when a saleswoman started pitching group RESPs to her. Days later, she paid a visit to Jane's house to go over the details of the group RESP, focusing on the government grant Jane would receive as a reward for investing in her son's education. Not long after, Jane was enrolled in the federally sanctioned group RESP.

Years later, we checked up on how her son's money was doing and discovered that it hadn't grown. It turned out the saleswoman was still collecting a healthy slice from the monthly contributions. All investment products have fees, but there is a startling difference between group plans and individual or family self-directed RESPs offered by your local financial institution. While group plans come with extra fees and restrictions, they also offer a risk and reward relationship that is uncorrelated with the market. The success of Jane's group RESP is tied to the attrition of others participating in the plan. The plan doesn't work like Wall Street; it works like *Survivor*.

To fully understand group RESPs, it's important to know the basic features common to all RESPs: nonrefund-

able fees to the plan keepers; grants from the government; and accumulated earnings on all after-tax contributions.

Ideally, by the time you draw the money to pay for your child's post-secondary education, your principal is returned untaxed and the grant and earnings will be paid out to the beneficiary as income. Since college or university students are often poor and have plenty of tax credits at their disposal, the income should be virtually tax-free upon withdrawal. By saving for your child's education, the government offers a tax break on any income earned with a tuition subsidy in the form of a grant.

All RESPs offer a 20% grant on your contributions with an annual maximum of \$500. If the child's primary caregiver's 2012 adjusted family net income is less than \$85,414 and the caregiver applies for the Canada Child Benefit Tax Credit, then he or she qualifies for an additional 10%. This 10% can become 20% if family net income is less than \$42,707. But this "additional stuff" only applies to the first \$500 of contributions every year so they're capped to \$50 or \$100, respectively. No matter how you get there, the lifetime limit on the federal grant is \$7,200 per child.

There is a separate entitlement tagged to the program known as the Canada Learning Bond. If the primary caregiver gets the National Child Benefit Supplement or Children's Special Allowances for a child in his or her care, he or she qualifies for the bond with a lifetime maximum of \$2,000. If you live in Quebec or Alberta, there may be additional provincial grants available.

In a comprehensive Informetrica Ltd. report on RESP



industry practices from 2007, the banking industry collectively remarked that the rules surrounding RESPs were extremely complex for both buyers and sellers. Complexity is at a level where an uncomfortable number of people are signing up for RESPs without truly understanding the risks. If you fail to meet the minimums, lock-up periods and restrictions when you eventually use the money, the government and trust providers have protected their investment at your expense.

The irony is that while the banking industry complains about the plans' complexity, it offers a simple and intuitive version of the product. It joined the game after group scholarship trusts had been established. Naturally, the banking industry's version mimics its existing suite of pooled investment vehicles; the underlying RESP money is invested in mutual funds or you can self-direct it into stocks. You can buy an individual plan for any child at any age. Alternatively, you can purchase a family plan for more than one child but the child must be blood related and named as beneficiary before he or she turns 21. Because the government knows how siblings love to share, the family plan allows you to shuffle money between the beneficiaries to correct any disparities in tuition.

The banks don't actively push RESPs. Despite that, the industry lays claim to two-thirds of the RESP market. It has an inherent advantage: it already holds your savings. The financial sector is heavily regulated, which compels financial institutions to be transparent about fees and risks associated with the product. On the other hand, group scholarship trust plans live outside this regulatory regime. There have been many complaints about misleading sales pitches and fine print not properly explained to clients. Plus, Informetrica's report found a dangerous conflict of interest with the governance structure of certain trusts. Trust board members were also senior employees of the distributors.

There's nothing wrong with trust managers hiring salespeople to solicit new money at a reasonable cost to investors. However, when these people also earn money from solicitation fees, there's no control over whether the enrolment fees charged are reasonable. The financial interests of the distributing company and the plan provider are aligned, but not necessarily in your favour. The report found there was very little transparency on executive pay. Group scholarship providers are not public companies and are not compelled by law or regulation to disclose such information.

After examining Jane's group plan statements, it was surprising to find fees had eaten up most of her contributions. Group plans have management and administrative fees of about 1%, but there's an additional up-front enrolment fee that can cost as much as \$1,200. Group plans may offer a partial refund of this fee down the road. As is too often the case in the financial services industry, fee discussions are abridged and individuals are left on their own to decipher a detailed offering document.

Total fees in group plans are comparable to what the banking industry offers, but only if you follow the plan to fruition. The front-loaded nature of the group RESP enrolment fee cuts into the capital available for growth and can harm returns if the plan is cancelled, as they are nonrefundable. There's a point worth noting here. Even if you stick with a group plan until the end, it's bothersome that you can be contributing to the plan for more than a year and all that money is cleared out the moment it enters the fund to pay commissions.

Group plans typically invest your subscriptions in safe government bonds. In this low interest rate environment, forgone profits aren't a deal-breaker. In fact, the product isn't designed to give you a great investment return, at least in the conventional time-value-of-money sense. But this is where group plans become intriguing. If you stick to the plan through all the restrictions and fees, there's a chance your return beats the market.

But to achieve a return that beats the market, you need luck too. Your plan must mature when the attrition pool has a healthy balance. According to the data, income from attrition on any given year ranges from 5% to 15% of contributions. Jane's most recent account statement indicated she was earning 10% on her contributions from attrition alone. Another success story had parents contributing \$35,000 toward a group plan, accumulating roughly \$100,000 by the time their plan had matured. In the end, the basis for risk and return is largely uncorrelated to the capital markets in group plans, a truly unique RESP compared to what is offered by the banking industry. Survival is not only imperative to get your principal back; it's also the key to excess earnings.

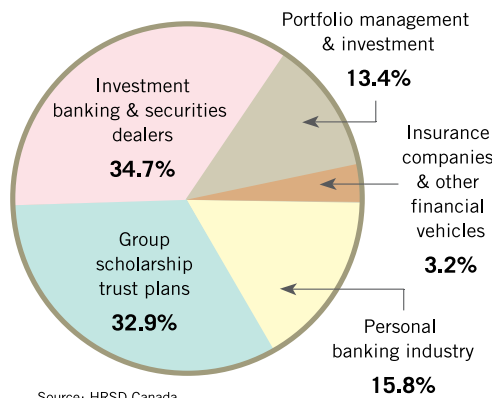
Sticking with a long-term education savings plan can make group RESPs a challenge, but for those parents who do, the principal is guaranteed and they are entitled to bonus earnings that are not tied to the market's whims. As with retirement plans, market volatility can spoil great planning when it's time to withdraw.

So far, Jane has been able to stick with her group scholarship trust plan. By sheer fluke, she's suited for such a plan. She's financially secure, disciplined and she pays attention to detail. But group plans are serious commitments and not for everyone. Knowing all the personal finance goals that people have, it's important to determine where education savings is on that list. If someone prefers flexibility and simplicity, conventional RESPs may be more appropriate than group RESPs. For someone like Jane, betting on survival may have the biggest payoff of all.

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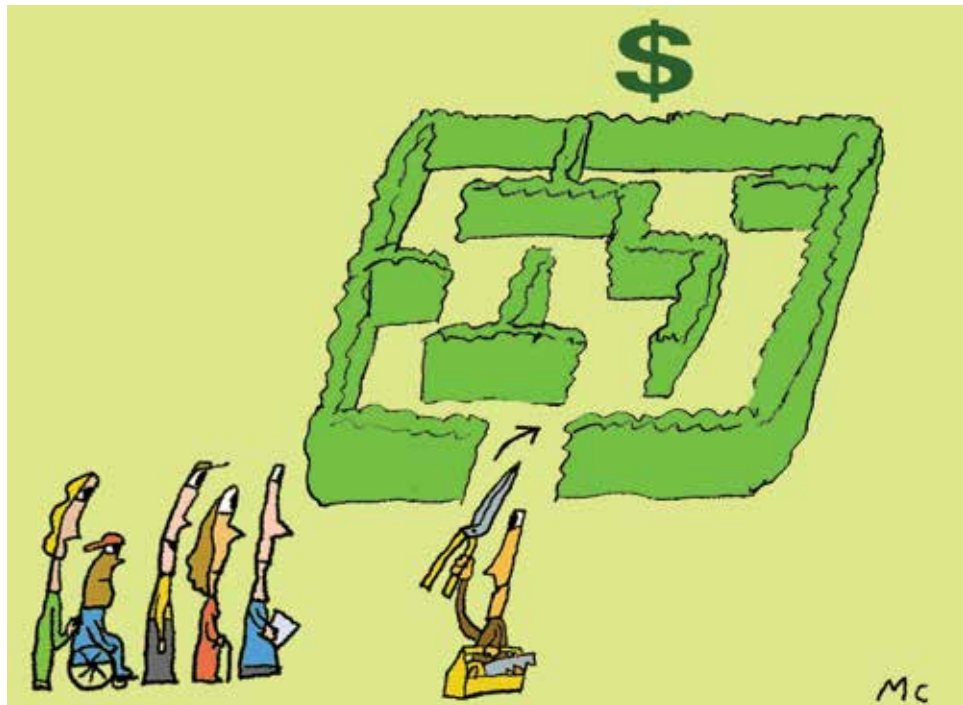
Proportion of RESP assets by provider type



Source: HRSD Canada

## Planning tools for special situations: Part I

Special needs present challenges to advisers and also an opportunity to offer value and comfort to their clients



**C**lients voluntarily provide detailed and private information about their financial lives but they are less forthcoming with information about their personal lives. It is common to inquire about marital, financial and business matters but issues surrounding mental illness and physical disability are often not discussed. With approximately one in seven Canadians having a mental or physical infirmity, almost all clients will have a close family member with special needs. Identifying these situations is critical to providing proper advice to your clients. In this two-part article we will assist you in understanding some of the more pressing issues and planning ideas that you should be aware of.

According to a 2006 Statistics Canada survey, 43% of Canadians aged 65 and older have some form of disability, while only 4% of Canadians under the age of 15 have a disability. The statistics confirm that special needs are more likely to directly relate to a client, his or her spouse

or parents rather than a child. No matter who has the special needs, the reality is that the whole family is affected.

### Initiating the conversation

When prompted, clients are anxious to discuss their special needs issues, as they are concerned about what the future might hold for their loved ones. There is often a time lag between identifying the needs and issues and a client actually implementing a plan. This means the earlier you can engage your client the better. Identifying special needs situations and developing a financial response can relieve a huge amount of your client's anxiety by giving him or her the peace of mind that comes from sound planning.

Discussions should neither start nor end with income tax issues. It is critical to understand how a person's special needs affect the family. What is causing the disability or infirmity? Is the disability likely to progress? How are the special needs managed now and what will be required in the future? Who are the family caregivers now and is this sustainable or fair? Is mental capacity an issue? Is it likely

to become an issue in the future? What are the caregiving, assistive devices and medical needs? These are just some questions to ask to help you understand your client's reality.

Situations involving mental infirmity are often the most difficult to address. It may be your client who is developing the mental infirmity. Issues of mental capacity and competence require special expertise and can be quite emotional. Deciding who can make decisions for the family member (now, and in the future) as well as how to protect the person from financial abuse add to the complexities. Where mental capacity is likely to deteriorate, planning may need to be expedited.

There are various planning tools that should be considered in special-needs situations including government support programs, the use of trusts, income tax provisions and insurance. Carefully drafted wills, powers of attorney and guardianship directives are also critical.

### Provincial support

The Ontario Disability Support Program (ODSP) is used here as a proxy for a provincial support program. ODSP is a "means-based" program for people who have a disability or infirmity and are over 18. ODSP eligibility generally ends at 65, when Old Age Security, the Guaranteed Income Supplement and other programs begin. Individuals aged 65-plus who are not eligible for OAS continue to qualify for ODSP support.

While the income support provided by the ODSP and most provincial programs is minimal, the coverage of drugs, dental costs, assistive devices, medical supplies, transportation and work-related expenses can be significant. Losing this coverage can be an inadvertent but costly result of poor planning. Only a small percentage of clients may have enough wealth that they are not concerned with how their planning affects provincial support programs.

As a general rule individuals are only eligible for ODSP if they meet the disability and age requirements and do not own assets (other than certain essential ones such as a principal residence, a vehicle, in some cases a second residence or vehicle, tools of a trade, student loans and prepaid funerals) exceeding \$5,000 of value (\$7,500 if the person is married and \$500 for each child).

The monthly support is reduced by income earned from various sources. In addition, where cumulative gifts and inheritances received in the prior 12 months exceed \$6,000, the excess is treated as income.

If an individual violates any of these asset and income tests, his or her access to government support can be diminished or eliminated. A well-intended gift from a friend or relative, even by way of a will, could eliminate ODSP eligibility.

### Trusts and inheritances

There are tools that allow a client to provide financial support for a family member with a disability that preserve entitlement to provincial support. A Henson trust is an inter-vivos or testamentary trust that provides the trustees with absolute discretion as to when, if and how much of the capital or income will be paid to the beneficiary. Because the beneficiary does not have an absolute right to income or capital of the trust, it is not considered an asset

by the ODSP. This is not the case in all provinces. The assets and income in a Henson trust are not excluded from the financial tests in Alberta and may not be excluded in Newfoundland and Labrador, Nunavut and the Northwest Territories.

Henson trusts are not without risks. The very reason they are excluded from most provincial support programs "means" tests is the fact that the beneficiary has no entitlement to the assets or income unless the trustees exercise their discretion in favour of the special needs beneficiary. Setting funds aside in a Henson trust may not provide a client with enough assurance that the beneficiary will be provided for. Where siblings are trustees, there is potential for conflict of interest. These sensitive realities must always be considered. Some people ponder leaving funds to children who are not receiving ODSP with the understanding that the funds will be used for the special-needs sibling. Using this technique puts the funds at more risk than a Henson trust and may run afoul of provincial legislation that requires parents to provide for financially dependent children of any age.

As other family members can be beneficiaries of a Henson trust, it is possible to combine this tool with other estate- and tax-planning techniques.

Inherited money may be exempt from the ODSP gift and asset tests if it is used to buy an approved disability-related item, a house (if the special-needs recipient lives in it), a car (if the special-needs recipient uses it as a primary vehicle) or to invest in a registered education savings plan or a registered disability savings plan.

Leaving a modest inheritance in a testamentary trust instead of as a direct bequest can preserve access to government funding. If inherited money is received directly by the special-needs recipient and placed in a trust (even if it is not a Henson trust) within six months, up to \$100,000 of the trust may be exempt as an asset for ODSP purposes. However, the initial inheritance is treated as a gift in the month received, subject to the \$6,000 exemption. The inheritance, in this form, will likely disqualify the recipient from ODSP entitlement for 12 months. However, if the funds are inherited directly through a testamentary trust, rather than personally with a transfer to a trust, ODSP entitlement can be maintained. The amount contributed to a testamentary inheritance trust will not be considered income and up to \$100,000 of the value in the trust may be exempt as an asset even if the trust is not a Henson trust. The \$100,000 limit is a continuing test and includes appreciation in the value of investments as well as income accumulated in the trust.

RDSPs and the income, grants and bonds received therein are generally excluded from a recipient's assets and income for ODSP purposes. Most provinces and territories have the same exemption but this fact should be confirmed in all cases.

What tax planning tools should you be aware of when advising in special-needs situations? The details are difficult but important to digest. In part II we will address specific tax rules and planning ideas you should be aware of in special-needs engagements.

Peter Weissman, CA, TEP, is a partner and Jody Wong, JD, is a tax senior with Cadesky and Associates LLP in Toronto

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

# What's it worth?

An overview of the valuation landscape, highlights and metrics

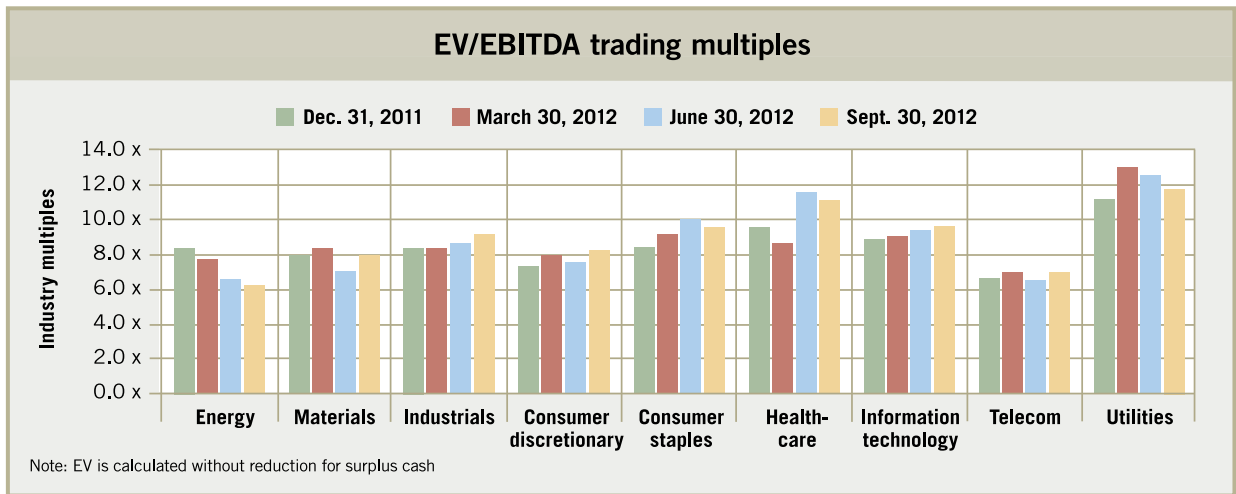
BY STEPHEN COLE + BRANDON LEWIS

This column highlights a specific valuation issue every quarter. We hope it will be helpful in informing a broad range of valuation and pricing decisions and serve as a good starting point for a more tailored process.

The multiples are for public companies, taken from quar-

terly Duff & Phelps publications. Private company multiples and value may be different.

These statistics are without removal of surplus cash and therefore certain multiples overstate the value of the operating businesses.

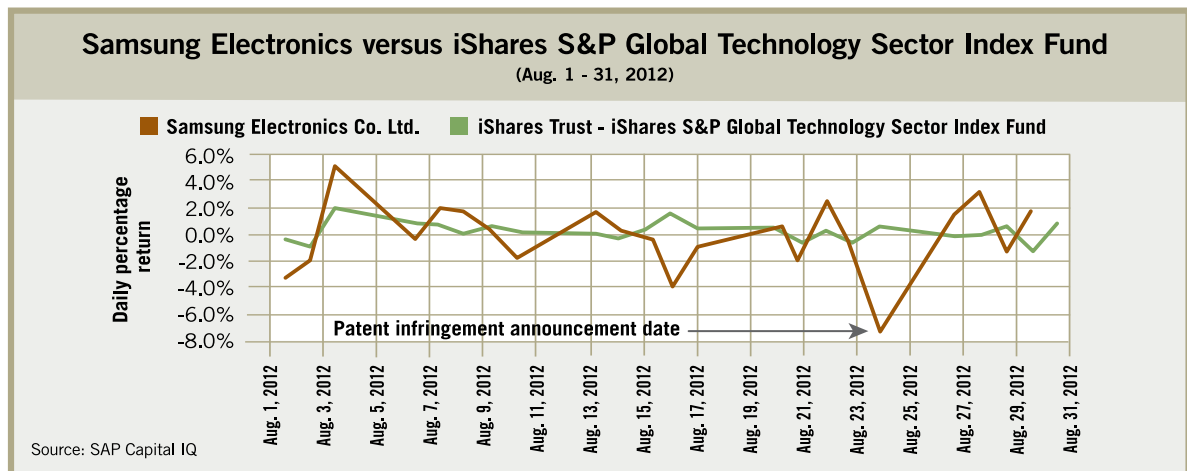


## WHAT DOES VALUE "AS AT" A SPECIFIC DATE MEAN?

On Friday, Aug. 24, 2012, Apple Inc. (Nasdaq: AAPL) was awarded US\$1.05 billion in damages having claimed that Samsung Electronics Galaxy smartphones and tablets infringed on certain patents held by Apple and had copied Apple's iPhone and iPad. Monday, Aug. 27, 2012, Apple shares jumped nearly 2%, or US\$12 billion. The US\$1.05-billion damage award represented approximately 1.5% of Samsung's annual revenue. Upon the announcement of the award, Samsung's market capitalization declined by 7.5%, or US\$11 billion. What did the stock's drop

reflect? As of Oct. 25, 2012, Samsung's share price had more or less fully recovered. Was the market's preliminary negative assessment of the future cash flow impact right or wrong? Did Apple give back this US\$12 billion to the market? While the jury is still out, what if you had to buy, sell or value on Aug. 24, 2012? The hindsight evidence may be very telling.

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# AND FINALLY...

## HOW THEY DO IT IN...



### BRAZIL

*Money don't get everything, it's true, but what it don't get, I can't use.*

This line, from the 1959 Barrett Strong song *Money*, didn't take into account the value of paid vacation and other perks. But companies in Brazil do.

In Canada, two weeks' paid vacation is a given. If you're lucky, you may be entitled to three weeks (in Saskatchewan, that's the required minimum), with additional days off after putting in years of service.

Not so in Brazil. Best known for its colourful carnival, it offers generous vacations and other perks, which are outlined in a Mercer report, "Introduction to Compensation Plans Around the World." In a place where all employees — including senior management — must belong to a union, companies pay a vacation bonus equal to one-third

of each employee's monthly salary (compared with 4% of gross annual salary here, except Saskatchewan, where employers pay 6%). Additionally, employers must pay employees a 13th-month salary, half payable at vacation time and the other half at Christmas. (Who says holiday bonuses have gone the way of the dodo?) This vacation bonus isn't just a company-specific perk; it's the law.

Other nice extras are transportation allowances (mandated by the government) and use of a company car for managers and sales staff. And while there may be no such thing as a free lunch, there is a deeply discounted one.

Although not a requirement, more than half of employers provide staff with meal vouchers that have an average value of 17.56 reals (about \$8) a day, 80% to 100% of which is covered by the employer. And almost all companies offer bonuses or profit-sharing to employees at all levels, with short-term incentive pay ranging from 8% to 50% for those in "professional" to top-director positions.

Tempting enough to pack up your string bikini or Speedo and head for Brazil, isn't it? Yvette Trancoso

## Where are they now? TRISH BARBATO



### Inspiring the next generation

*CAMagazine's* first article on Trish Barbato ("Thinking big," August 2004) focused on her charitable work — a part of Big Brothers Big Sisters of Canada since 1988, she had become the national chair. Fast-forward eight years: Barbato is now a member of the organization's international board, and she's

been Big Sister to a Toronto girl for five years. Barbato's passion for mentoring young people has also taken her in new directions.

After working informally with small groups of young adults starting their careers, she had the idea of launching a website to address common questions and issues, such as salary negotiations, performance reviews and coping with transitions. She quickly realized she had enough material for a book. Several weeks of writing resulted in *Inspire Your Career: Strategies for Success in Your First Years at Work*. That led to a website ([inspireyourcareer.com](http://inspireyourcareer.com)), TV and radio appearances, and speaking engagements on topics such as networking and generational conflict.

Barbato's advice is candid and constructive. "I recently spoke to a young group and we did some self-awareness work, which is really valuable," Barbato says. "If people understand themselves, there's a much better hope of them being successful. [That includes] understanding their strengths, their values, what motivates them and how they contribute to a conflict or a stressful situation."

Barbato herself has made great professional strides. After leaving Providence Healthcare in 2006, she became president and CEO of COTA Health, a \$40-million company focused on mental health and therapy services. Since 2010, Barbato has been at Revera Inc., which provides seniors' accommodation, care and services. As senior vice-president, home health and business development, and interim senior vice-president, retirement services, she oversees a \$650-million budget with about 14,000 employees.

Barbato says her CA training is "a remarkable foundation" for her professional and philanthropic work. "You have this ability to deal with many things — numbers, but also operations and the people side. You can talk to the HR person, the communications person. Having that well-rounded background that's grounded in analytics, data and logic has been hugely helpful in my career."

Jaclyn Law



# In my carry-on bag

by Angela Lawrence



## JANICE FUKAKUSA, FCA

Since joining the Royal Bank of Canada in 1985, Janice Fukakusa has built an impressive career as a key player at one of the world's largest financial institutions. Prior to joining RBC, she worked at PricewaterhouseCoopers LLP (then Price Waterhouse) in Toronto, obtaining her CA while at the firm. Today she is RBC's chief administrative officer and CFO and is one of nine executives responsible for setting the bank's overall strategic direction. Not surprisingly, her work takes her to financial centres such as New York, London and Paris, where RBC maintains offices. However, even with a hectic travel schedule, Fukakusa takes time to lend her expertise to several boards. "I really enjoy being on boards like Ryerson University where I can roll up my sleeves and make a difference," says the Toronto native who, in 2007, was inducted into Canada's Most Powerful Women Hall of Fame. We asked the busy traveler what's in her carry-on bag.

### SMARTPHONE

"I like to read presentations and emails on my tablet and respond to them with my BlackBerry. I also use it as a travel clock and a device for texting. If I have to contact my family while I'm away, I text them."

### PAPERWORK

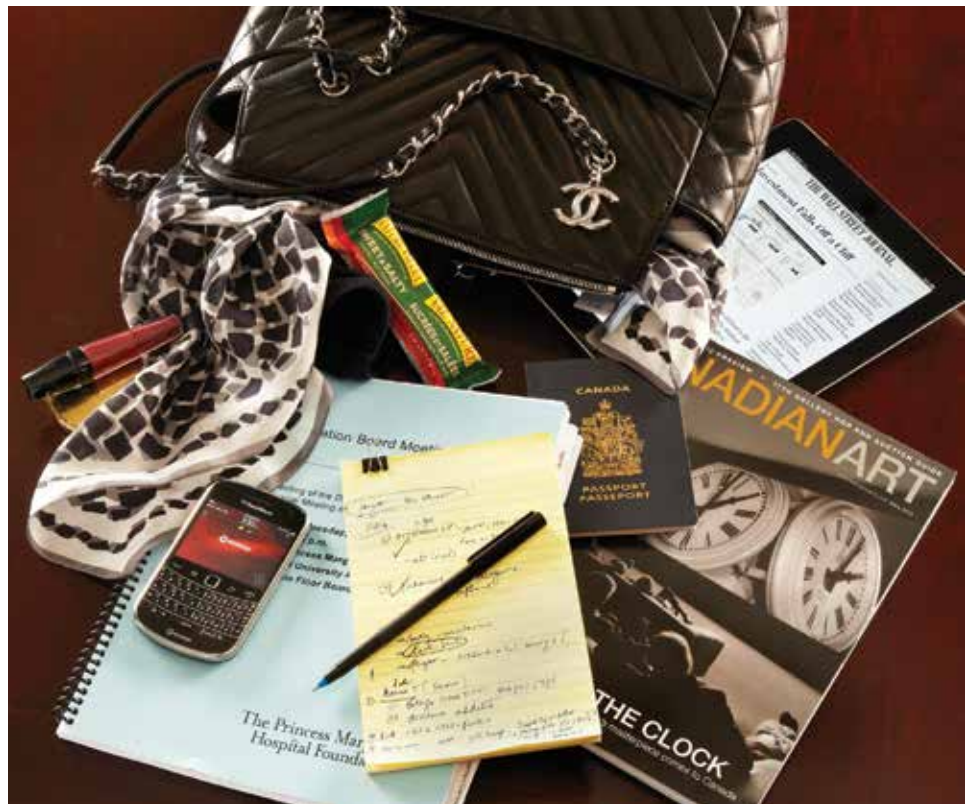
"I carry printed material that I haven't had time to review; it isn't as time sensitive as some of the stuff I look at during the day, like economic and industry updates. It's also an ideal time to read reports for the not-for-profit boards I sit on."

### SWEATER

"All my flights to London are on the red-eye, so I try to be as comfortable as possible when I sleep. I usually have meetings scheduled a few hours after my flight lands and don't have time for additional sleep."

### STICKY NOTES

"It's invaluable to have a notepad when I'm doing a meeting so I can jot down ideas or things I'm going to talk about.



I use a three- by five-inch Post-it-Note pad because it's lined and I can peel off pages and put them where I need them."

### MAGAZINES

"I like to carry magazines with me, usually *The Economist* and *Canadian Art*, because I'm

pretty interested in Canadian art, especially paintings."

### SNACK

"I always carry a nut or granola bar, in case I need to eat something before a meeting, because you never know" when you'll get a chance to eat.

### TABLET

"I use a large black leather purse as my carry-on bag. Because I have weight constraints and don't like lugging around heavy things when I travel, my iPad is a replacement for carrying a laptop computer."

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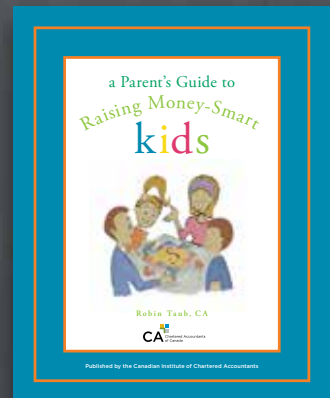
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# Outlook

BY MARCEL CÔTÉ

WHERE ECONOMICS AND POLITICS MEET

## A well-managed economy

**M**any of us remember our economics professor explaining that by applying Keynes' theories to fiscal and monetary policies, governments should be able to achieve full employment without worrying about inflation or recessions.

Is this still true? The global economy is reeling. Europe is in full euro meltdown. The US recovery is stalling. China's economy could collapse. Given this, can we still contend that governments are well equipped to manage the economy and prevent it from spiraling into a crisis?

The euro gave continental Europe a common currency and a common monetary policy. Unfortunately, politicians refused to set up a common structure to harmonize national fiscal policies and regulate financial institutions, which are spread out over 17 countries. That allowed member countries to do what suited them politically, making the eurozone economically unmanageable. While northern countries showed fiscal conservatism, southern counterparts treated the eurozone like an open bar, creating staggering budget deficits and allowing banks to grant credit without any serious guidelines.

A crisis was inevitable. It showed that Europe can't have a single currency without common fiscal and regulatory policies. The European Central Bank, Europe's only collective macroeconomic management tool, can't manage the European economy on its own. A harmonized fiscal policy would allow revenue to be transferred from rich countries to struggling ones through simple tax and spending mechanisms. For the euro to have a future and for the European economy to be manageable, eurozone countries need to establish a central fiscal authority to harmonize national policies and to ensure a minimal redistribution based on the respective needs of those countries.

The US economy's golden age was under Bill Clinton, when the budget showed a surplus. It had 15 years of sustained growth. Unfortunately, Wall Street bankrolled an incredible speculative bubble in the mortgage market, precipitating a major recession when it burst in 2008.

Since then, the US economy has been struggling to rebound, mainly because it can only rely on its monetary policy to steer it back on course. The stalemate between Republicans and Democrats in Congress is blocking any progress toward a suitable fiscal policy that would support economic recovery. Despite the huge federal deficit, Republicans are pushing for less spending and lower taxes when the opposite would be required.

The US and European economic crises have been created by politicians, because of fiscal inaction. Their laxity in dealing with financial institutions has also contributed to the creation of the mess. The laissez-faire attitude and lack of discipline shown by the Bush administration and by the governments of several small European coun-

**The US and European economic crises have been created by politicians, because of fiscal inaction**

tries, Greece, Cyprus, Ireland and most Spanish provinces, were significant contributors to the depth of the crisis. Moreover, their inability to use fiscal power to address the problem has led to the weakest recovery in 75 years.

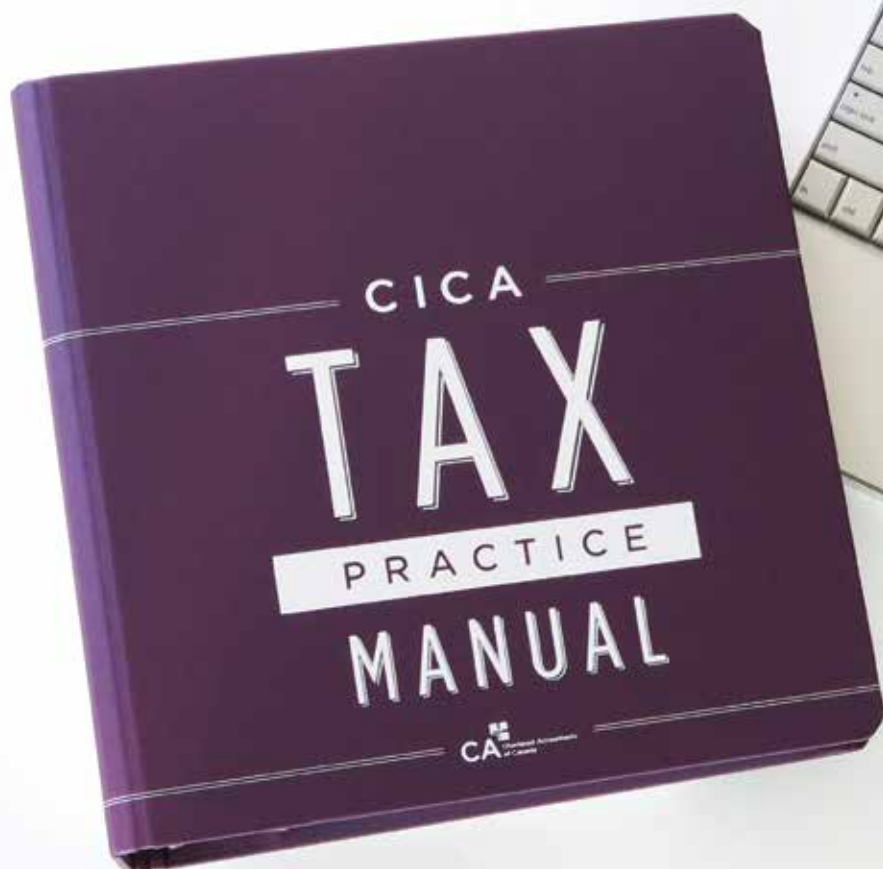
China is also dealing with a slowdown in growth. Whether its government wisely uses its two levers, monetary and fiscal policies, to prevent it from spiraling into a recession remains to be seen. But if it does so successfully, it will demonstrate that recessions are mainly the product of poor policies and are avoidable.

Canada is the proof that proper policies can prevent a crisis. Its economy was hit in 2009, when trade with the US hit a wall. But it recovered quickly, thanks to a fiscal policy that injected \$60 billion into the economy over two years and to a monetary policy that was in sync with the government's fiscal policy. Of the large industrialized countries, Canada performed the best in the aftermath of the 2008-2009 financial meltdown.

There is no reason today for any country to endure deep recessions. Unless it is governed by inept politicians.

Marcel Côté is strategic adviser, KPMG SECOR, Montreal

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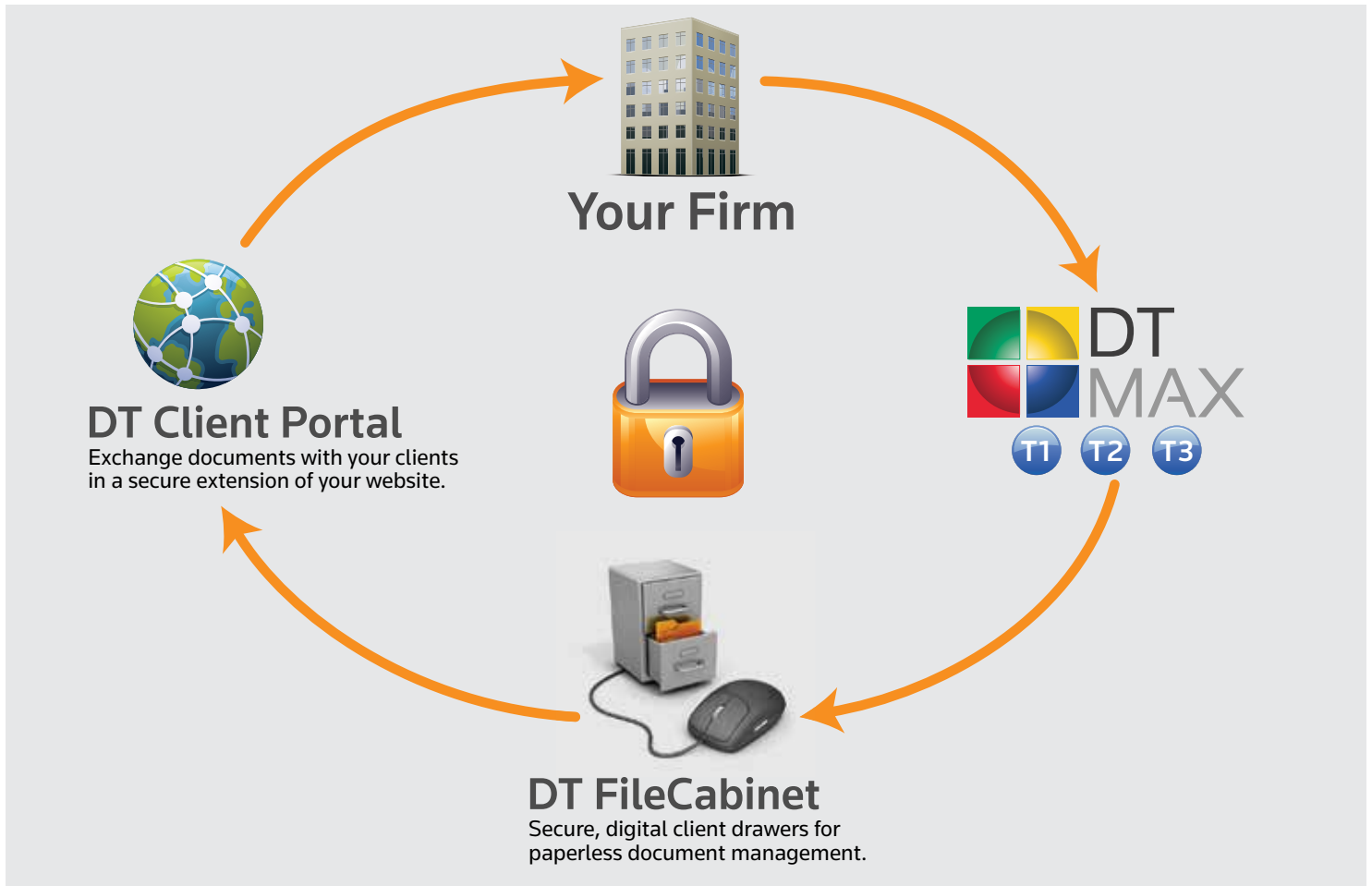
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