

# CMA magazine

THE VOICE OF MANAGEMENT ACCOUNTING  
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MARCH/APRIL 2013

Challenging teams  
Spring conference calendar  
Renewing a lease? Watch out!  
Winning at Atlantic Lottery



## Held to account

A business case for ethics



**Secret formula:**  
Measuring intangible assets

**A new path:**  
What you need to know about the  
new CPA Competency Map





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## “Accounting will save the planet. We need good numbers to create a good future.”

That’s my favourite quotation from this issue’s cover story “Held to Account” (p. 22). As award-winning writer **Gabrielle Bauer** points out, ethics gone wrong is a recurring business story. Financial mismanagement and malfeasance erode confidence in our economy and corporations.

But ethical trailblazers offer a better way to harness numbers to create a good future. Studies show that the better way pays off. There’s a strong link between ethical and financial performance. Bauer’s article is a great read, and we hope it will spark thought and conversation.

Another story likely to initiate discussion is “A Path of Its Own” (p. 28). It’s our look at the new CPA Competency Map.

How was it created? How do CPA competencies and CMA competencies compare? What will the certification process look like for future management accountants?

Over the months that we examined the new competency map, we followed the discussions of accounting professionals on LinkedIn and used their insights and questions to build a package that we hope answers your questions. Let us know how we did.

CMA Ontario’s winter conference was the place to be to get a glimpse into how the global economy, technology and other trends affect the future of management accounting. Here are some of the conference speakers’ wise words that stuck with me (and that I captured on the @CMAmagazine Twitter feed):

- “Even in this environment, somebody’s going to win. It may as well be you.” — Geoff Colvin, *Fortune Magazine*
- Analytics: Do lobster tanks sell more lobsters? Do longer banking hours mean more deposits? — Tom Davenport, Harvard Business School
- Tablets are replacing piles of paper, not computers. Listen up, enterprise. PCs rule. — Duncan Stewart, Deloitte Canada
- “A millennial would rather have a mountain bike than a raise.” — Jill Birch, OCAD University

As the Canadian accounting profession unifies, CMAs have an even more important role to play globally. This issue of *CMA magazine* is dedicated to a good future. Cheers!

**Mara Gulens**

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[www.twitter.com/cmamagazine](http://www.twitter.com/cmamagazine)



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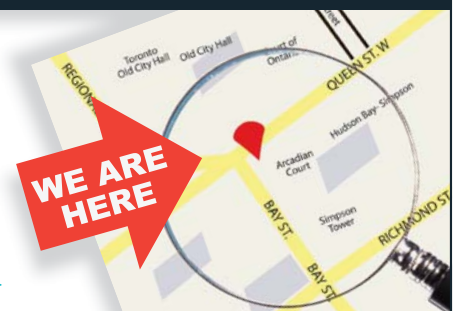
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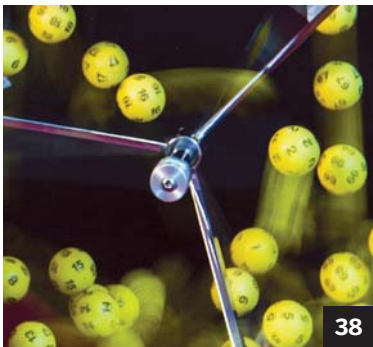
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**ON THE COVER** Clockwise starting at top left:  
2011 – **Conrad Black**, freed on bail pending the outcome of his appeal, arrives for a status hearing. Reuters/John Gress  
2010 – Former Lehman Brothers CEO **Richard Fuld** is sworn in before the Financial Crisis Inquiry Commission. Reuters/Jonathan Ernst  
2012 – **Pierre Duhaime**, former CEO of SNC-Lavalin Group, leaves custody following his arrest on fraud charges. Reuters/Christinne Muschi  
2006 – Enron founder **Ken Lay**, on trial for fraud, leaves Houston federal court with his wife Linda. Reuters/Richard Carson  
2008 – Financier **Bernard Madoff**, under house arrest for masterminding a \$50 billion fraud, walks to his apartment. Reuters/Shannon Stapleton  
2009 – Small investors affected by the Lehman Brothers collapse protest outside London's Financial Services Authority. Reuters/Kevin Coombs  
2006 – Former Enron CFO **Andrew Fastow** is taken from court following his receipt of a six-year sentence for fraud. Reuters/Richard Carson  
2005 – Found guilty of stealing more than \$150 million, former Tyco International CEO **Dennis Kozlowski** leaves court. Reuters/Seth Wenig

# Designated roles

Because more work and recruiting opportunities are appearing on the Internet, a well-defined online presence is a must. What does your profile say about you?

When I became a candidate in the CMA program, I wanted to add the fact to my LinkedIn profile. I searched to see what other candidates were doing. The results varied significantly and I settled on my own description.

Fast forward a couple of years, and a sample of 10 CMA members resulted in seven different educational descriptions. It would be beneficial to have a common description of education and associations for use in social media and resumé. Do guidelines already exist and if not, should they?

— **Darren Price, CMA**  
Vancouver, B.C.



## What do you think? What's the biggest challenge to starting or running your own small business?

- a) retaining and expanding your customer base
- b) staying current with market demands
- c) knowing what your investors want and keeping them happy
- d) being able to play many roles at once, especially in the beginning

We'll expose the big ideas that make small and medium-sized enterprises (SMEs) work in the July/August issue.

Respond online at [www.cmamagazine.ca](http://www.cmamagazine.ca)

## CMA welcomes letters to the editor

Contact us at [letters.editor@cma-canada.org](mailto:letters.editor@cma-canada.org) or [www.twitter.com/cmamagazine](http://www.twitter.com/cmamagazine). Join us in the LinkedIn group named **Certified Management Accountants of Canada**.

Letters may be edited for clarity and brevity.

**Our response:** *There is no formal standard for describing designations or education. But we did find you immediately on LinkedIn, so you're doing something right!*

*How do you define your role as a CMA? Let us know on LinkedIn and Twitter.*

It's nice to know executives have identified growth as a priority and have started to work on it ("Canadian Competitiveness Lagging," Jan./Feb. 2013). But with weak R&D spending and low exports, Canada's economy is affected in the long run. We end up not creating but maintaining what we have. Since the United States is our major trading partner and it's in financial crisis, we can't afford to miss the boat on international growth.

— **Chris Johnson**, Mississauga, Ont.

Great article highlighting Jeff Botham ("Envisioning Success," Jan./Feb. 2013) and his work at Reality Cave!

— **Laurier Entrepreneur** via Twitter

CMA magazine's January/February issue: great content!

— **Jennifer Warawa** via Twitter

Is anyone @CMAmagazine, @cmamb or @CMABC interested in getting a CMA hockey pool started? Maybe get some of our staff and members involved? Visit #NHL.

— **CMA Ontario** via Twitter

## Just. Say. No.

You said you make time by

- a) knocking off emails as soon as you get them 9.3%
- b) feeling it's OK to say no sometimes 67.4%
- c) not taking work home 18.6%
- d) keeping your phone with you at all times, so issues are addressed quickly 4.7%



**And to put it more precisely:**

\* "Not answering emails and phone calls immediately. Most 'urgent' issues are not urgent. Prioritize work issues and home issues."

\* "I was very bad at managing my time. I put everything I had into earning the best grades in the CMA program at the expense of friendships, family and especially my marriage. I achieved my CMA designation, but at what cost?"





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# News and numbers

## THINK GLOBAL

### Emerging markets to hit major milestone

This year, emerging market economies will become bigger than those of the developed world, says the January 2013 issue of PwC U.K.'s *Global Economy Watch*. Emerging economies (particularly China, India and Brazil) will account for more than half of the world's GDP in 2013, as measured by purchasing-power parity.

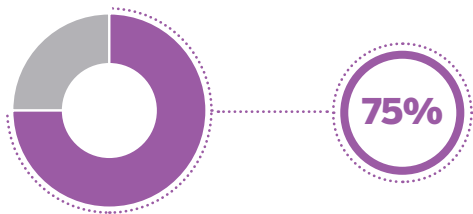
It's not surprising, then, that a December 2012 briefing from the Conference Board of Canada — *Walking the Silk Road: Understanding Canada's Changing Trade Patterns* — shows that Canada's trade relationships with the United States are waning while connections to emerging markets — especially China's — are strengthening.

But it's wise to proceed with caution. A January 2013 report by Eurasia Group, a leading global political risk research and consulting firm, lists emerging markets as the number one risk for the global economy in 2013. Read the full report, called *Top Risks 2013*, at <http://bit.ly/13blTxU>.

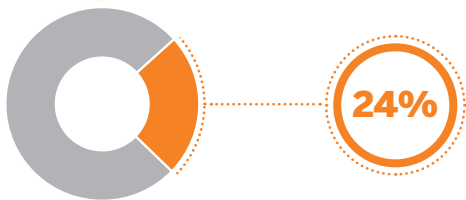
## SUCCESSION PLANNING

### Family-owned businesses poorly prepared for future

Family businesses planning to hand the reins to the next generation within five years



Family businesses that have a succession plan



Source: Nicola Wealth Management's *Business Families Survey*, based on 75 attendees at a Vancouver event, November 2012.

## FED FILES

### Government questions accounting fees

The Canadian Institute of Chartered Accountants (CICA) says contingency-based fee arrangements are critical to promoting innovation in Canadian businesses. But the federal government is concerned that too much of the money earmarked for innovation goes to third-party consultants.

Accounting firms that help companies prepare claims under the scientific research and experimental development (SR&ED) tax credit program get a slice of the pie when the credit comes through. CICA argues that this arrangement allows companies of all sizes and levels of expertise to benefit from the program and says its research indicates that the portion of SR&ED credits paid to preparers under contingency-based arrangements accounted for only 2.3 per cent of the SR&ED program's annual cost.

CICA submitted its feedback to Department of Finance Canada in September 2012. Read the submission at [www.cica.ca/contingencyfees](http://www.cica.ca/contingencyfees).



## HAVE YOUR SAY

### Shape the future of integrated reporting

The International Integrated Reporting Council will release the consultation draft of its International Integrated Reporting Framework on Apr. 16, 2013.

According to the council, integrated reporting is "the language that enables businesses to tell a clear and concise story about how they create value over time." Stakeholders will have 90 days — until July 13 — to provide feedback.

The first version of the framework, shaped by input from across the globe, will be released in December 2013. For more info, see [www.theirc.org](http://www.theirc.org).

## ACCOUNTING WORLDWIDE

### International associations map their futures

The International Federation of Accountants has released its *Strategic Plan for 2013 - 2016*. Find out where the organization is heading and the route it's taking at <http://bit.ly/10wP7Zv>.

In December 2012, the International Accounting Standards Board issued *Feedback Statement: Agenda Consultation 2011*, a report summarizing the comments it received on its July 2011 consultation document and outlining its future priorities. Read the PDF file at <http://bit.ly/TYDwKq>.

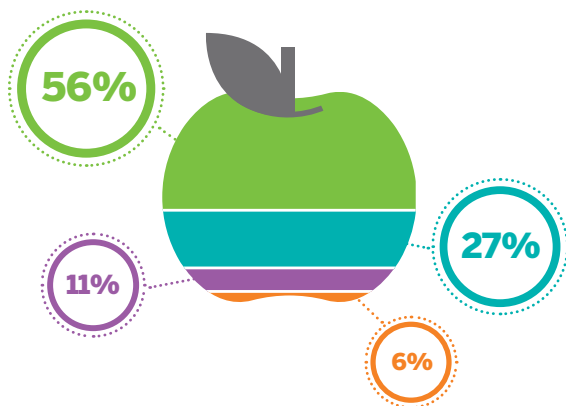


## HR MATTERS

### One bad employee spoils the bunch

How much does a poor hiring decision affect your team's morale?

- Greatly
- Somewhat
- Not at all
- Don't know/No answer



Source: Robert Half survey of 270 Canadian CFOs, November 2012.

## VIEW FROM THE C-SUITE

### More CFOs getting on board

Almost 8 in 10 CFOs surveyed for Ernst & Young's report, *CFO and Beyond: The Possibilities and Pathways Outside Finance*, say their financial expertise makes them a popular choice for board-level roles.

Stats confirm the hunch. In 2002, 36 per cent of CFOs from the world's largest companies held non-executive directorships. That figure jumped to 46 per cent in 2012.

The report advises CFOs seeking to jump "on board" to take on roles outside finance, build networks, gain international experience and start planning early. The report also advises CFOs to increase their expertise in technology, rapid-growth markets, analytics and social media.

Published in November 2012, *CFO and Beyond* is global in scope. It's based on an 800-participant survey, a study of CFO career paths at 347 of the world's largest companies, and key informant interviews. Read the report at <http://bit.ly/Qa5EhD>.

## PROFESSIONAL RESOURCES

### Worth your time to be online

CMA Alberta's new professional development portal deserves top marks. Launched in November 2012, it features links to new programs, the CPLD policy, online resources and a calendar that's updated in real time. Check it out at [www.cma-alberta.com/PDportal](http://www.cma-alberta.com/PDportal).

Fans of *Fortune Magazine's* Geoff Colvin and Harvard academic Tom Davenport will know they presented at CMA Ontario's conference in December. Video interviews have been uploaded. Watch Colvin at <http://bit.ly/13wTjag> and Davenport at <http://bit.ly/V029Zm>.

New resources are available on the CMA Research and Innovation website, including the wildly popular webinar *Future Value Drivers: Leveraging Your Intangible Assets* and a series on strategy mapping (a step-by-step process used to describe and communicate strategies within an organization). Visit [www.ManagementAccounting.org](http://www.ManagementAccounting.org).

## BOOK REVIEW

### Perfecting ecosystems

A customer experience ecosystem is a useful tool for discovering an organization's hidden problems. It encompasses not only the parts customers see, such as retail staff and call centre agents, but also the behind-the-scenes actions of IT systems, procurement and billing staff.

Harley Manning and Kerry Bodine of Forrester Research present their three-stage process for drawing models of ecosystems in *Outside In: The Power of Putting Customers at the Center of Your Business*. The stages of a customer's experiences are placed in boxes across the top of a page. A visibility line appears below, and the accompanying hidden processes are placed in a row of boxes beneath.

A major step in analysis is the placing of green, yellow or red dots on each box to indicate if an experience is seen as OK, somewhat of a problem or a big problem. In other words, below the visibility line, an IT employee rates the way the computer processes an order; above the line, a customer rates the ease of placing the same order.

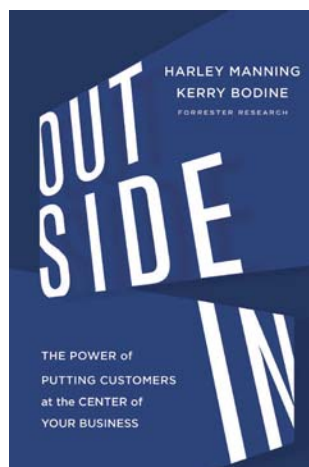
In low-performing firms, when employees think all is OK, a behind-the-scenes process below the visibility line gets a green dot. But, when customers experience grief, a related box above the line gets a red dot.

In high-performing firms, chief customer officers help the organization achieve greater success through analysis of customer experience ecosystems. For example, a major drug retailer acquired a chief customer officer after determining that customer experience is just as important as store location for continued success.

Authors: **Harley Manning** and **Kerry Bodine**

Publisher: **New Harvest**

Reviewer: **Patrick Buckley**, CMA, PhD



TECH TALK

## Canadian companies: big on current data, small on ways to get it

Companies that say it's important to have and act on real-time data



Companies that have invested in the technology to make it possible



Source: IDC, *Big Data in Canada: Challenging Complacency for Competitive Advantage*, December 2012.

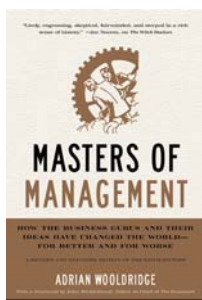
BOOK REVIEW

## Management gems

The world of management gurus is at times bizarre. It features huge incomes, tenured professors who rub shoulders with charlatans, and theories based on abnormal experiences.

Thus concludes Adrian Wooldridge, managing editor of *The Economist*, in *Masters of Management: How the Business Gurus and Their Ideas Have Changed the World — for Better and for Worse*. The author's current critique is noticeably more positive than the critique in his earlier book, *The Witch Doctors*.

*Masters of Management* covers many themes. One is the way that firms in rapidly growing, emerging markets in developing countries have adopted the ideas of management gurus. Wooldridge points to many features that enable these firms to capture a growing portion of global GDP: being powerful, state-owned enterprises; cutting prices through frugal innovation; and growing through contrarian approaches such as scaling out by coordinating with IT infrastructure instead of having centralized production.

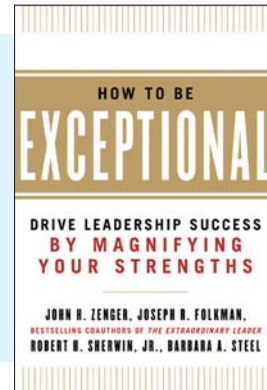


In a section called "The Great Debates," Wooldridge finds gems in management gurus' competing viewpoints on several questions. What's the best way to unleash the innovative powers of brain workers? How should an organization's strategy be determined in the Internet age? Does a firm need to globalize to survive? Always lucid, Wooldridge agrees with some viewpoints and disputes others.

Author: **Adrian Wooldridge**

Publisher: **HarperCollins**

Reviewer: **Patrick Buckley**, CMA, PhD



BOOK REVIEW

## Take three to excel

Many management development programs focus on fixing leaders' weaknesses. *How to Be Exceptional: Drive Leadership Success by Magnifying Your Strengths* does the opposite.

The authors' research shows that leaders attain higher ratings of effectiveness when they improve their strengths. The only exceptions are leaders with fatal flaws.

Underlying *How to Be Exceptional* is the authors' large database combining questionnaire response ratings of more than 100,000 managers, and their colleagues' feedback. The data indicate that great leaders have three to five of the following strengths:

- character and integrity
- technical competence
- problem-solving skills
- innovative ability
- initiative
- excellent communication skills
- strategic-thinking ability

After reviewing research on twins (which indicates leaders are made, not born), the authors conclude that almost anyone can become an outstanding leader by developing at least three of the above-mentioned strengths.

To ensure individuals focus on developing strengths, *How to Be Exceptional* recommends that training programs include soliciting regular feedback on strengths, cross training in related competencies and promoting a corporate program that sustains the acquisition of leadership strengths.

Authors: **John H. Zenger, Joseph R. Folkman, Robert H. Sherwin, Jr., and Barbara A. Steel**

Publisher: **McGraw-Hill**

Reviewer: **Patrick Buckley**, CMA, PhD



It's official! CPA Canada's new executive team — Kevin Dancy, FCPA, FCA, president and CEO, and Joy Thomas, FCMA, executive vice-president — signs papers establishing CPA Canada.

**UNIFICATION**

**We are one**

Pop the champagne! On Jan. 1, 2013, Chartered Professional Accountants of Canada (CPA Canada) became the country's newest national accounting organization.

Established under the Canada Not-for-profit Corporations Act, CPA Canada is a merger of CMA Canada and CICA, and will support provincial accounting bodies that have unified and will unify under the CPA banner.

"This is a landmark event for the accounting profession in this country and for the profession internationally," says Joy Thomas, president and CEO, CMA Canada.

**What's new**

The newly appointed 16-member board of directors is co-chaired by Cassandra Dorrington, FCMA, and Shelley Brown, FCA, and reflects regional representation and the legacy designations participating in unification.

At its first meeting, the CPA Canada board approved CPA Quebec and the Institute of Chartered Accountants of Ontario (ICAO) as organization members of CPA Canada. The number of individual CPA Canada members is now more than 70,000.

The CPA Canada board appointed Kevin Dancy, FCPA, FCA, as president and CEO of CPA Canada. Joy Thomas, FCMA, assumes the role of executive vice-president. They will lead the new national organization.

Michael Dave Dizon

**Cross-country checkup**

Over 80 per cent of Canada's professional accountants are committed to the unification of the profession or have already merged into the CPA. Here's a roundup of news items since the publication of our last issue:

- Alberta's CA council notified its members that it has chosen to re-enter unification discussions with CMA Alberta and CGA Alberta.
- Saskatchewan's CA council voted unanimously in favour of pursuing a merger agreement with CMA Saskatchewan.
- Bermuda's CAs voted 97 per cent in favour of joining CPA Canada.
- The board of directors of Newfoundland and Labrador CGAs has resumed discussions with the province's CMAs and CAs.
- The board of governors of New Brunswick's CGAs has re-entered unification discussions with CMAs and CAs in New Brunswick.

To receive updates on the progress of CPA unification, go to <http://cpacanada.ca/blog/category/news/>.

**KEY LINKS**

For detailed information about the status of unification, visit [www.cpacanada.ca](http://www.cpacanada.ca).

To understand what unification means to you personally, visit [www.cpaone.ca](http://www.cpaone.ca).

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Noteworthy is compiled by Jennifer Dawson and Mara Gulens with assistance from Patrick Buckley, CMA.





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# Reconnect with your provincial association

Compiled by **Jennifer Dawson**

Recharge your professional batteries and renew your personal connections at spring CPLD events from Halifax to Vancouver. Our list includes annual conferences hosted by provincial and regional partners.

## Conference calendar: **spring lineup** Get your learn on at events across the country

**Mar. 18 – 22, Ottawa, Ont.**

### **Leadership Development Program (The Niagara Institute)**

Designed for mid-level and senior leaders, this world-renowned program will refine your leadership skills in a feedback-rich environment. <http://bit.ly/GG35gS>

**Mar. 23, Montreal, Que.**

### **Permit Presentation (CPA Quebec)**

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### **"Be Brave: Success Favours the Bold" CMA BC Leadership Conference (CMA BC)**

Even cowardly lions can learn to roar with the help of CBC News business correspondent Amanda Lang and biz-tech visionary Leonard Brody. [www.cmabc-pd.com](http://www.cmabc-pd.com)

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## Liza Mundy explains why women are in the money

By Gabrielle Bauer

### Q: How pronounced is the trend toward greater female earning power?

**A:** In the U.S., close to 40 per cent of women out-earn their husbands. The trend accelerated during the recession and has not abated since. Canadian figures appear to track fairly closely.

#### Q: What accounts for the trend?

**A:** It reflects both women's rise and men's fall. Women now outnumber men in colleges and universities, both at the undergraduate and graduate level. Seventy per cent of valedictorians are women. Males still dominate the so-called STEM fields (science, technology, engineering and math), but women have made great strides in these areas as well.

Men haven't fallen in absolute terms as much as relative ones: they're not keeping up with women's educational pace. The credentials that used to lead them to a stable and well-paying job no longer cut it. Unlike some observers, I don't believe men are lost or lazy. I think they need to adjust to an economy that places new educational and adaptability demands on workers.

#### Q: Do men feel threatened by women's big paycheques?

**A:** Some men belittle and undermine women who earn more, but women are pretty quick to get out of these relationships. I've interviewed many men who felt privileged to have a lighter earning load and more time to spend with their children.

One of my colleagues, a journalist, thanks his banker wife for having the kind of salary that allows him to be the secondary breadwinner. On the flip side, I've interviewed women who lost respect for their lower-earning husbands, whom they saw as slacking off. I devote part of my book to the growing pains surrounding this shift.

#### Q: Does the glass ceiling still exist?

**A:** Many women tell me they haven't run into it. Perhaps it still exists in politics and on Wall Street because, as one woman told me, "Women don't want to put up with the BS."

#### Q: On a completely different note, what makes you say women are as interested in sex as men, and want it on their terms?

**A:** Some of the young women I interviewed were having the kinds of sexual experiences we traditionally associate with men sowing their wild oats. Other women relished the fact that they didn't have to make themselves more attractive to please a man. They wanted to look good, but if a guy asked them to lose weight or wear more makeup, they could say no.

Perhaps ironically, some of these women were getting very picky about their lower-earning boyfriends' appearance. Now that women are bringing more money to the bargaining table, men have to bring other things, it would seem.

#### Q: What would you tell a young woman starting out today?

**A:** Women still cling to the idea of partnering with an educational equal: the phrase "on my level" came up over and over in my interviews. That said, some progressive young women have made a conscious decision to pair up with less formally educated men. I interviewed one woman whose husband was working as an auto mechanic to put her through law school. Their minds met in a whole different arena, which was hiking.

If women want to realize their ambitions — and we know this is a very ambitious generation of women — they would do well to widen their relationship net to include men who play a supportive role. ■

.....  
**Liza Mundy**, author of the recent book *The Richer Sex*, has written about family life, popular culture, the arts and politics for top-tier publications, including *The Washington Post*, where she works as a staff writer. She has won awards for her essays, profiles and science writing. A graduate of Princeton University, Mundy lives in Arlington, Va., with her husband and two children.





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# Financial steward or business partner?

## The changing role of management accountants

How to manage being both an impartial reviewer and a business partner

By **Andrea Civichino**



### STEWARDSHIP

**Jules Muis** is a former partner at Ernst & Young, vice-president and controller of the World Bank, and director-general and chief internal auditor of the European Commission. Muis is also a past president of the Dutch Institute of Registered Accountants (NIVRA).



### PARTNERING

**Glen LeBlanc, FCMA**, is the executive vice-president and CFO for Bell Aliant Regional Communications. His knowledge of finance and leadership is helping to make Bell Aliant more competitive.

**T**AKE A LOOK AROUND. The role of finance professionals is changing. Traditionally, finance professionals have been stewards providing objective information to internal management and employees. But because of finance professionals' strong analytical skills, organizations increasingly want finance professionals to become business partners. Finance professionals are asked to help other units of the organization with business plans and operations.

The evolving stewardship role, combined with an increasing number of compliance rules mandated by regulators, puts finance professionals in a conflicting position. Can a financial professional remain the steward of an organization and an impartial reviewer while contributing financial analysis to the business? Two experts submit their views.

## THE QUESTION



We asked members of the Pulse, a core group of volunteer CMAs, whether finance professionals should remain in their traditional role of financial stewardship or also take on the role of business partner.

**Financial steward**  
**Business partner**

**16%**  
**84%**

## MORE ON STEWARDSHIP AND PARTNERING



Find the following related CMA Canada Research Foundation publications in the CMA Online Library at [www.ManagementAccounting.org](http://www.ManagementAccounting.org):

- “From Data to Decisions”
- “Forecasting the Role of the Management Accountant”
- “Designing and Implementing a Performance Measurement System”
- Performance Management MAPs

## FOR STEWARDSHIP

**Jules Muis**

**I've been arguing against the powerhouse function of the CFO since the 2007 financial crisis. I see it as a violation of the *trias politica*, which dictates a separation of core management functions.**

Separating “bean counting” from “bean making” is especially critical in organizations that strive to make money out of money, and financial institutions. It is even more critical in non-financial institutions (for example, hospitals and universities in the United Kingdom and the auto industry in the United States) that amateurishly try to get in on the money-making game.

Over the last 10 years, CFOs have taken on responsibilities that are incompatible with maintaining fundamental checks and balances. CFOs are now not only responsible for the proper functioning of controls and the integrity of numbers; they're also major players in financial management.

Combining the management function with the controlling and accounting function is a conflict of interest, particularly when the CFO's job is bonus driven. Dual responsibilities will tempt a CFO to income-manage results to his or her advantage. At the same time, the CFO will sacrifice the separation of duties at the top. We will have tied the cat to the bacon.

But the most important flaw in this

CFO construct is that the financial management function overrides and trumps the accounting function.

The solution is simple. Do without the CFO function and restore the dignity of the controller. Have the controller report directly to the CEO and audit committee, and reinstate the treasurer in the highest financial management function.

## We have tied the cat to the bacon.

Since the poll question (see sidebar, above) focuses on one or two levels below the top hierarchy, I will be more generous in my response. I do not want accountants to waste excellent observations that they could make in an advisory role. If you have a good idea, do share it, but do not compromise your core responsibility to the integrity of the numbers.

## FOR PARTNERING

**Glen LeBlanc**

**The role of finance needs to constantly evolve with the changing dynamics of business. As finance professionals, we need to ask how we are evolving our profession.**

A key role of the CFO and the finance organization is to become the driving force behind stakeholder value

creation. We need to find that sweet spot where we become a partner in strategic decision making to help drive shareholder value, but without becoming detrimental to our role as guardians of integrity.

Accountants need to add value to their organizations by using their analytical skills and providing insight. Finance professionals have a dual role: they are both controller and business partner. The finance professional has to provide a consistent, continued voice of reason in governance while evolving the organization toward shareholder wealth creation.

In many organizations, accountants have often been isolated and left out of the critical business decision-making process. Traditionally, accountants have been invited in at the 11th hour to see if the right decisions are being made or if the rules are being followed. Today, the role of finance should be to minimize roadblocks to allow employees across the organization to focus on advancing the company's business agenda.

In my organization, we've transformed finance to become a strategic partner with our stakeholders. We have integrated the finance function across the business to help us make better decisions and improve performance.

We need to continue to provide a balanced approach in which accountants act as players in business decision making while providing controllership. ■

**Andrea Civichino** is editor, research, at CMA Canada.







# SECRET FORMULA

## Why intangible assets are as important as bricks and mortar

### Following five steps can make your business more successful

By **Sharon Aschaiek**

**C**oca-Cola is bottled at nearly 300 plants around the world, where the soft drink is manufactured, packaged, merchandised and distributed. These third-party bottlers ship Coke to the company's customers — grocery stores, restaurants, street vendors, convenience stores, movie theatres and amusement parks — that then sell about 1.7 billion servings of the soft drink every day.

But as important as Coke's bottling partners are to the company's operations, they're far from the biggest contributor to the company's success, says organizational performance expert Bernard Marr.

"I remember the CEO of Coca-Cola saying, 'If our plants burn down today, I could go to the bank, borrow some money and we'd be up and running in a few months.' Coke's value is based on their reputation, on their branding and other things, on their formula and their secret."

Marr was presenting at "Future Value Drivers," a CMA Canada webinar panel. The founder and CEO of the U.K.-based Advanced Performance Institute argues that the success of companies such as Coke is influenced less by physical assets — manufacturing facilities, finances, products and services — than by intangible qualities and competencies. These include human talent, corporate culture, customer relationships and intelligence data.

In the webinar, Marr — who has 20 years of experience in organizational management and advises companies, organizations and governments globally — explained his five-step process for identifying, mapping, measuring, managing and reporting intangibles to be more successful.

#### IDENTIFY INTANGIBLES

Making the most of your company's intangible assets starts with understanding what they are and how they provide value to your organization. Marr compares an organization's goods and services to apples that are sustained by the hidden yet nourishing roots of its many behind-the-scenes competencies.

"It's the intangibles that really drive performance," says Marr. "We need to make sure we nurture these roots to deliver benefits to stakeholders."

Marr classifies an organization's intangibles into three types of capital:

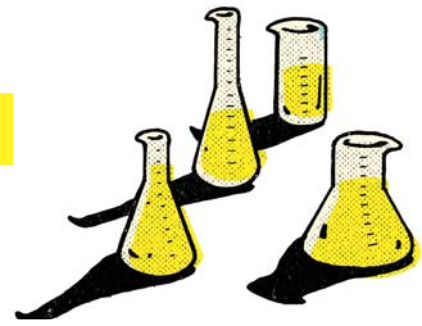
- **human:** knowledge and skills, work experiences, entrepreneurial spirit, emotional intelligence, and employee engagement and loyalty
- **relational:** formal and informal business relationships with partners — suppliers, distributors, licensors et al. — and customers, as well as brand image and corporate reputation
- **structural:** brand names, organizational data, patents and trade secrets, management philosophy and processes, and corporate culture and values

All of these intangibles work in an interconnected way to drive an organization's success, says Marr. Organizations need to determine which intangibles to nourish to achieve their objectives.

Jean Kimpton, CMA, vice-president of CMA Prince Edward Island and co-panellist on the webinar, notes that organizations in different sectors value intangible assets differently.

"Think of manufacturing. If someone is going to leave the organization, you have procedure manuals: this is how we do things," says Kimpton, controller in P.E.I.'s Department of Innovation and Advanced Learning. But when it comes to a sector such as IT, she says, it becomes harder to transfer creative ideas from one person to another.

*Intangibles at the base of a strategy map need the most attention. They're the roots that nurture future performance.*



## MAP AND MEASURE

Once an organization understands its human, relational and structural capital, it should organize these intangibles into a strategy map.

For most organizations, the highest-level elements on such maps are often similar, featuring objectives such as achieving competitive shareholder returns. But at the deepest levels, the features will vary because each organization has unique people, processes and customer value propositions.

It's important to remember that the intangibles at the base of the map need the most attention. "Organizations spend the least effort on the bottom perspective, on what they call the learning and growth perspective," Marr says. "Even though they're at the bottom of the diagram, those are the roots that will nurture future performance."

After figuring out how intangibles figure into a company's structure and operation, it's important to measure how well they perform, says Marr. It turns out the best way is not through quantitative research, but through qualitative tools that collect data about stakeholders' judgment. These include surveys, focus groups, in-depth interviews, mystery shoppers, assessments by external organizations and peer-to-peer evaluations.

It's important to make qualitative observations when you "trust people's judgments and actively seek their feedback," Marr says. All of this helps to better understand intangibles.

## MANAGE AND REPORT

An organization's measurement efforts will provide insights into which intangible assets are most critical. Once you know which of these assets matter most, you can consider how to manage them — specifically, how to allocate resources and protect them from risks.

As companies take action to strengthen their intangibles, they may hire new staff, introduce new work processes, change marketing strategies, even acquire or merge with other companies to complement missing competencies. In this last case, Marr says, it's critical to fully understand the nature and value of the other company's intangible assets to make sure the deal is worth it.

"If you're not looking at the two cultures of organizations and you put the two of them together, you can end up with a disaster pretty fast," says Kimpton. She emphasizes the importance of knowing both your and your potential partner's intangibles.

When managing risks, Marr says, too many organizations focus on traditional threats such as fires or floods at manufacturing plants, or financial losses.

"They don't look at what happens if we lose our reputation. What are the risks of someone stealing our intellectual property? They are the drivers of future performance," he says.

All data on how intangible assets support an organization and are managed should be reported internally and externally, says Marr. Companies can put this information in their annual reports to enhance traditional financial information. They can include images of the organization's strategy maps and outlines of the importance of their intangibles.

"If you think about future employees that you want to attract, talking about the intangibles that matter to you and the importance of employees helps," he says. "Communicating the importance of branding and everything else again helps with partners [and] helps with finances as well. So there are lots of reasons why we want to do this." ■

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**Sharon Aschaiek** is a Toronto-based freelance writer. See [www.cocoamedia.ca](http://www.cocoamedia.ca).

## 5 STEPS TO SUCCESS

### 1. IDENTIFY YOUR INTANGIBLES

Create an inventory of the intangible assets that contribute to your organization's success. These include human, structural and relational capital.

### 2. MAP THE KEY VALUE DRIVERS

Create a visual map of how the intangibles support your organization's strategy. It should include your mission and vision, strategic deliverables and underpinning intangibles.

### 3. MEASURE YOUR INTANGIBLES

Determine how well your intangible value drivers perform, and their strengths and weaknesses, by conducting qualitative research.

### 4. MANAGE YOUR INTANGIBLES

Test and review the strategic impact of intangibles and manage any associated risks to optimize your organization's performance.

### 5. REPORT YOUR INTANGIBLES

Share information about your organization's intangible assets with internal and external stakeholders to create a better understanding of the value and strategic direction of your organization.

## MORE ON FUTURE VALUE

[www.ManagementAccounting.org](http://www.ManagementAccounting.org) has the full *Future Value Drivers* package. It includes

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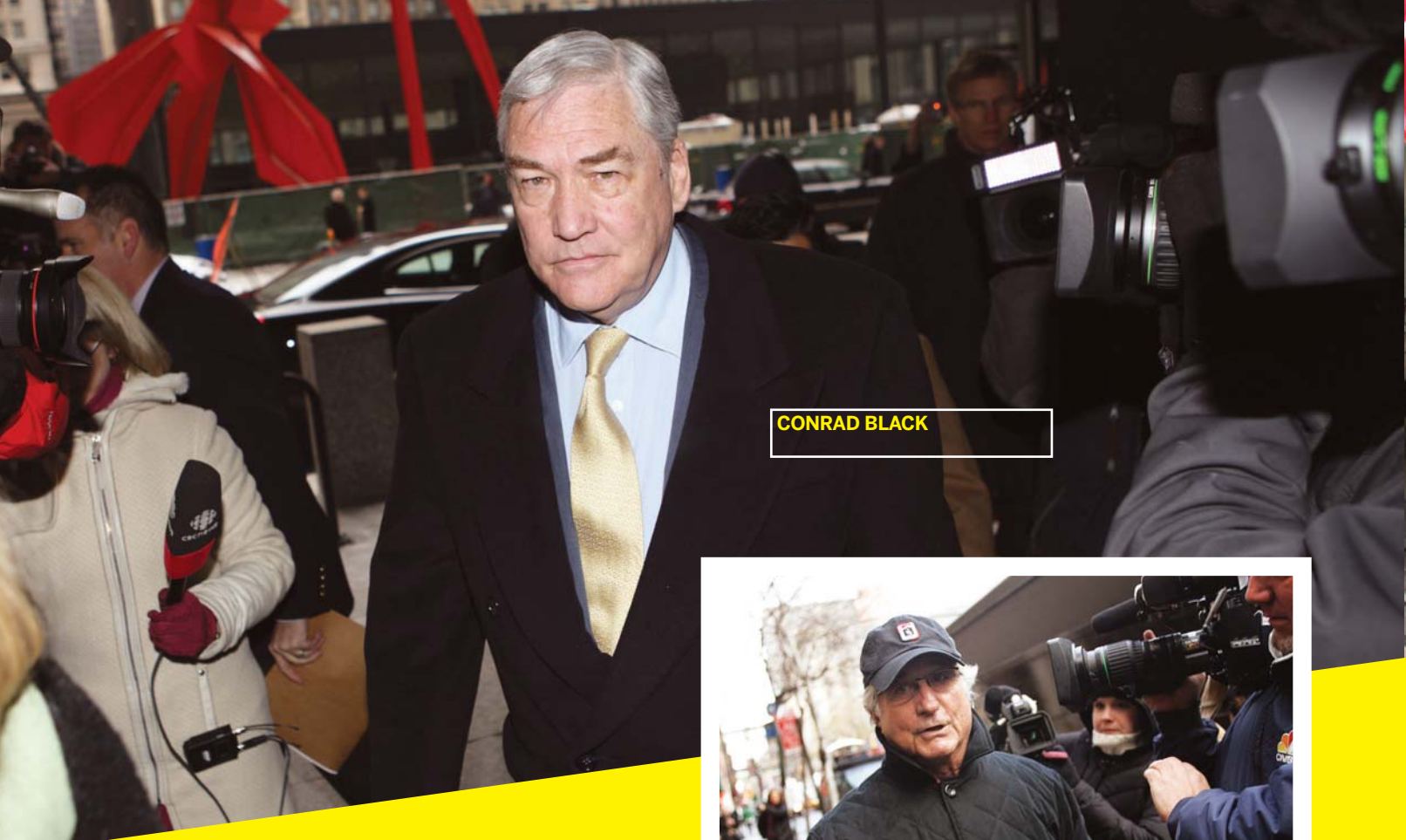
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# Held to account

Protecting business one number at a time

By **Gabrielle Bauer**

## A professional code of ethics helps keep CMAs on the straight and narrow

**L**ehman. Tyco. Enron. Madoff. Our home-grown Nortel, Conrad Black and Quebec construction scandals. And we may as well add Lance Armstrong to the list because the Tour de France is nothing if not big business.

In the wake of these high-profile scandals, it's easy to conclude that the battle between good and evil has been won, at least in the business arena, with good taking second place. News media deliver an unbroken stream of stories about ethical misconduct — doctored accounting statements, padded expense accounts — and financial skeletons routinely pop out of business leaders' closets.

Has honourable conduct truly gone AWOL in the business world? Was commerce more ethical in days gone by? Not according to Peter Dent, national leader of Deloitte LLP's Forensic and Dispute Services in Toronto. "Corruption has always been with us," he says. "The difference is that information technology has made it easy for us to publicize our ethical lapses."

Dent puts these lapses into two types. The first is what he calls "crap on the beach": embezzlements and kickback schemes that occur during financial booms and typically come to light during a reces-

sion, when they're exposed by the ebbing financial tides. The second type occurs during recessions, "when everyone is trying to rub two nickels together and some people become desperate."

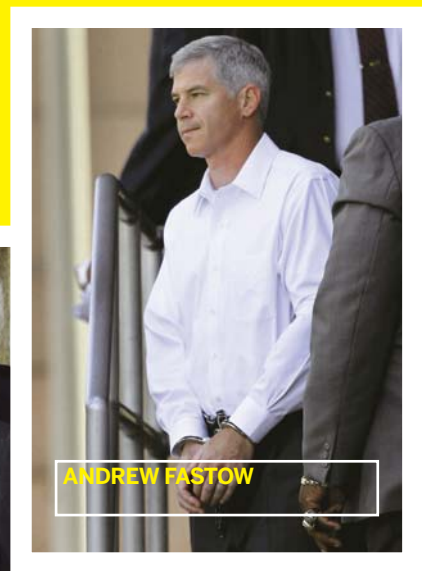
According to Dent, Canada makes it all too easy for people to get away with both types of wrongdoings. "The recent history of fighting white-collar crime is abysmal in this country," he says. "There's little political will to provide law enforcement with the necessary resources."

If there's an upside to the recent spate of scandals, it's that they've put business ethics on the map. Ethics courses have become *de rigueur* in business programs, and ethics seminars abound in the real and virtual world.

More mindful than ever about toeing the line, corporations increasingly rely on formal codes of conduct to steer them through, and many are finding that ethics and profits make good bedfellows.

### ACCOUNTING ETHICS 101

The International Federation of Accountants (IFAC) has created, and regularly updates, a Code of Ethics for Professional Accountants via the independent International Ethics Standards



Board for Accountants (IESBA). The code divides its core principles into five categories: integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

Recognizing that no guiding principles can cover all circumstances, the code gives accountants a framework for making judgment calls instead of a set of inviolable rules.

“Lay people think of accounting as just a numbers game, but there’s an enormous amount of judgment that goes into what qualifies as an expense, investment, or value of inventory,” notes Chris MacDonald, an associate professor who teaches business ethics at Ryerson University’s Ted Rogers School of Management. “It’s all about being fair and reasonable,” he says, adding that “these words are woven into accounting language.”

As members of IFAC, CMA provincial associations use the IFAC document as the springboard for their own codes of professional ethics. Variations appear mainly in the wording. Provincial disciplinary committees handle infractions through fines or suspension of a member’s right to practise.

In questionable cases, authorities typically apply the “prudent person” test to a CMA’s conduct: what would a reasonable person have done in these circumstances? The code also views as an infraction the failure to report a colleague’s infraction.

When it comes to punishing infractions, most CMAs don’t believe in going for the jugular. In a 2012 *CMA magazine* poll, only a small minority of respondents saw public blacklisting as a solution. The great majority favoured reprimands by CMA disciplinary committees, while most others advised reinforcing the code of ethics through continuous communication. The remaining handful of respondents took a fatalistic position: “Do nothing. Unscrupulous individuals will always make unethical decisions.”

To get certified, CMA candidates must demonstrate proficiency in the code and its application. And it’s not just a matter of regurgitating clauses and codicils.

“We don’t teach absolute right or wrong,” says Ian Chan, senior manager of assessments at CMA Canada. Instead, students use case studies in group discussions and get guidance from industry veterans. “We continuously up the ante in our program,” notes Chan. “We talk about ethics more than before.”

Discussions can get lively when cultural differences enter the mix. Many experts agree that a “universal ethics” underlies the layers of disparity: no country upholds theft and bribery as core values. But Chan notes that cultures can have very different takes on business concepts such as plagiarism or loan repayment. “We deal with a lot of grey areas,” he says.

## ETHICS AND EARNINGS

While ethical behaviour brings its own rewards, it’s also good business. Between 1997 and 2011, Fortune 100’s “best places to work” — a composite designation that includes ethical practices — saw annualized stock market returns of 10.2 per cent, or four times the average return during that period.

Along similar lines, a 2007 European-U.S. report entitled *Corporate Ethics and the CFO*, based on a survey of more than 200 senior financial executives, found high-performing companies far more likely to report a superior ethical culture. Two-thirds of survey respondents linked such a culture to overall business performance, and a similar proportion saw ethics as a factor in attracting customers and maintaining good relationships with investors.

Apparently these results are nothing new. In an analysis of 95 studies over 30 years, researchers at the U.S.-based Business Roundtable Institute for Corporate Ethics found a strong link between ethical and financial performance.

None of these results surprises Ryerson’s MacDonald. “Business runs on trust. You can’t have commerce of any kind without it,” he says. “The government can’t police everything, and there aren’t enough lawyers in the world for everything to run strictly on contracts.”

John Dalla Costa, founding director

## REAL-WORLD DILEMMA

### Two experts weigh in

**A CMA Canada member recently asked for guidance in handling this ethical dilemma:** A friend approached me to have a forensic accountant review her ex-partner's true value. The review determined that his company substantially overstated its expenses to depict five-year business losses on its tax return.

Prior to the divorce, the ex also transferred business shares to a parent and started "repaying" the parent for nonexistent loans. The parent does not report this extra revenue. An affidavit documenting these findings was submitted to a court.

Should I inform Revenue Canada of the fraudulent tax filings? I am concerned for the parent, who is on disability income and has limited English.

→ **Peter Dent, national leader, Deloitte LLP's Forensic and Dispute Services:** The right thing to do is report it. An exception would be if the forensic accountant was hired by attorneys and their work is protected by privilege. The government will certainly go after the money owed to them, but if an asset trace shows that the parent didn't ultimately benefit financially from the transactions, the parent may not be on the financial hook.

→ **John Dalla Costa, founding director, Centre for Ethical Orientation:** What I like about this case is that it considers not only the technical implications, but also the human ones. Ultimately, the accountant is bound by the code of ethics, but may be able to request some kind of leniency or remediation for the most vulnerable people in this mess, namely, the parents.

of the Toronto-based Centre for Ethical Orientation, puts it another way: "When ethics works well, it improves managerial imagination."

The insta-info era has made it harder for bad seeds to hide, notes Hélène Yaremko-Jarvis, executive director of the Canadian Centre for Ethics and Corporate Policy. "Companies can't get away with slave-wage or child labour as easily as they used to," she says. "They get boycotted, which affects their bottom line and recruiting possibilities."

By the same token, more consumers — especially younger ones — expect high ethical standards from the companies they patronize. "Discerning consumers will go out of their way to do business with ethical trailblazers," says Sally Gunz, director of the University of Waterloo's Centre for Accounting Ethics. "Those are the customers you want to have on board."

Investors appear to think along similar lines. The 2002 *Global Investor Opinion Survey*, which polled more than 200 institutional investors collectively managing about US\$2 trillion in assets, found North American and Western European investors willing to pay an average premium of 12 to 14 per cent for companies that follow high governance standards.

#### AN ETHICAL ROAD MAP

Whether self-employed consultants or employees of megacorporations, accountants should never underesti-

mate their role in upholding ethical standards, says Norman Sheehan, FCMA, associate professor of accounting at the University of Saskatchewan's Edwards School of Business. "Accounting will save the planet," he says. "We need good numbers to create a good future."

Sheehan urges taking a long-term view of those numbers. If you're in a position to reward colleagues for performance, look beyond quarterly earnings, he says. "We've learned that it's a very short step from kowtowing to the shareholder to fudging the figures." The long view, meanwhile, aligns with "the more meaningful performance metric of sustainability."

To this end, Yaremko-Jarvis suggests beginning by articulating personal values. If you work for an organization, steep yourself in its code of conduct or — better yet — help develop and refine it. Then walk the talk.

"The tone at the top trickles down to the whole organization," she says. "Employees can tell if the stated values are just window dressing." In other words, "Do what I say, not what I do" doesn't cut it for today's discerning workforce.

The next step is communicating these standards to employees. This should be "an ongoing dialogue rather than a one-shot deal," says Yaremko-Jarvis. Yearly sign-offs on the code, newsletters, lunch-and-learn sessions, webinars with case

studies, ethics quizzes and formal training classes can all feed into the conversation.

Some people may scoff at the idea of teaching ethics, claiming a moral compass is something you either have or don't have. But Gunz says her research has shown that most employees take ethical missteps either through ignorance or pressure from superiors. Education makes a major difference for this "middle majority," she says. "It can sensitize them to the issues and give them the tools to address them."

Equally important is developing an action plan for handling ethical breaches. The people who bring these breaches to light — the whistleblowers — must have formal protection, says Sheehan. If they don't, they risk going the way of Matthew Lee, who lost his job a month after sounding the alarm bells about the suspicious number crunching at now-fallen Wall Street bank Lehman Brothers.

Employers serious about protecting such people can install anonymous hotlines so third parties can blow whistles without fear of reprisal. If a financial crime comes to light, Yaremko-Jarvis urges employers to let their staff in on the secret, noting that "workers won't take ethical standards seriously unless they're enforced." ■

**Gabrielle Bauer** is an award-winning Toronto writer. See [www.englishgrammargripe.com](http://www.englishgrammargripe.com).





# My experience managing teams

## FIVE CMAs SHARE THEIR APPROACHES

By Georgie Binks

**T**here's nothing like teamwork to tackle a job and get it done. But working with people who have different personality types, sticky temperaments and different cultural backgrounds can be a challenge.

Each of these CMAs has worked on a team and picked up valuable experience. They provide tips on everything from teamwork to fabulous role models.

### NAME

#### JAY TULSANI, CMA

Manager of Revenue Compliance,  
Alberta Recycling Management Authority,  
Edmonton, Alta.

### THE CHALLENGES

Team members come from diverse backgrounds, and you need to be careful not to offend or stereotype. I'm East Indian and joke that I'm brown, but if a Caucasian does that, it's not good. You have to know where to draw the line.

### WHAT I'VE LEARNED

A team lunch can be a great idea, especially to welcome a new member. I remember when I joined one team, we had a nice relaxed lunch. It made it so much easier to get to know everyone and find out what was expected of me.

### BIGGEST MISTAKE

Don't call people into the office one on one. That isolates everyone and starts the rumour mill.

Instead, I like to have impromptu meetings with all of the team. It helps build an atmosphere of teamwork. I only conduct one-on-one meetings when absolutely necessary.

### LEADERS I'VE LEARNED FROM

Apple's Steve Jobs repeatedly proved limitations are in our mind. It's a matter of challenging those limitations to achieve our dreams.

### NAME

#### ANANTH KOOVAPPADY, CMA

Vice-President of Finance,  
Kelron Logistics, Mississauga, Ont.

### WHAT I'VE LEARNED

You need to recognize people's differences to get the best out of them.

### BIGGEST MISTAKE

In my early days, I held back on praise because I thought it would make people complacent. I've learned that when you have an opportunity to praise, give it wholeheartedly. That provides employees with a sense of pride that motivates them to do more.

### WHAT I WISH I'D KNOWN

The leadership process requires patience, much like farming. You have to till the land, sow the seeds and water the plants before you see the fruits ripen.

### LEADERS I'VE LEARNED FROM

Alfred P. Sloan, CEO of General Motors. His ideas about constructive disagreement ensure everyone's best ideas are used. I like Lee Iacocca's statement: "Don't just stand there. Make something happen."

### WHERE I GO FOR ADVICE

I was mentored by the CFO of a very large multi-business conglomerate in India. I learned that no matter how busy you are, you must make time for people who need your help and ensure everyone in the team gets an opportunity to be involved. If you have to implement an unpleasant decision, take time to explain the rationale.

If you'd like to weigh in on issues for CMA magazine, please send an email, along with a brief description of your interests and expertise, to [mgulens@cma-canada.org](mailto:mgulens@cma-canada.org).





**NAME**  
**TED COTTON, CMA**  
 Business Solutions Manager, Customer Projects, Manitoba Hydro, Winnipeg, Man.

**THE CHALLENGES**  
 People have different motives for being on teams. Sometimes people want to see a project advance; others see it as a stepping stone. I get satisfaction from the journey leading to the successful completion of a project. I want to see it advance.

**BIGGEST LESSON**  
 If the team's going to work, you have to understand each person. A good way of doing this is by using a personality profiling tool.

**BIGGEST MISTAKE**  
 You can get on the wrong track if you don't try to understand from the beginning who's there and why.

**LEADERS I'VE LEARNED FROM**  
 I've learned a lot by watching politicians in the media. I may not agree with their political direction, but I like the way some of them deal with people. Brian Mulroney was a confident speaker. Former Manitoba premier Gary Doer shows the power of a warm smile. The late Jack Layton won over all sorts of divergent groups.

**MY FAVOURITE BOOK ON THE TOPIC**  
 Peter Senge's *The Fifth Discipline*. Senge uses his five interrelated disciplines — one of them being team learning — to help enable success. He ties together analogies and examples into an engaging business story with many easy-to-remember lessons.

**NAME**  
**DEBBIE LEVALLIANT, CMA**  
 President and CEO, Fine Touch Dental Atlantic Management Inc., Halifax, N.S.

**THE CHALLENGES**  
 The HR management of creating a team and keeping it working as a team is the biggest challenge. Because you can't choose who's on the team and everyone's unique, it's how you have people share their opinions, acknowledge each other and agree to disagree that's the biggest challenge.

**WHAT I LEARNED**  
 I've learned that the more minds you have working together, the better. You're more creative and you solve more problems.

**BIGGEST LESSON**  
 People need recognition.

**BIGGEST MISTAKE**  
 Don't be a dictator. Sometimes people get their backs up. Poor communication inhibits what you're trying to do.

**LEADERS I'VE LEARNED FROM**  
 Former General Electric chairman Jack Welch put people on his team who were bright and capable. He didn't just hire for a specific skill.

**MY FAVOURITE BOOK ON THE TOPIC**  
*The Fred Factor* by Mark Sanborn encourages going the extra mile for people as part of your service. That applies to both customers and team members; it's not that prevalent in today's society.

**NAME**  
**LISA KERR, CMA**  
 Regional Director of Finance and Administration, Fisheries and Oceans Canada, Vancouver, B.C.

**BIGGEST LESSON**  
 Leaders often emerge on teams. Sometimes people think the leader has to be the manager or a boss, but every team member has a role.

Many years ago we were implementing a new computer system. We made a huge change from a paper system to a computerized one. A very new and quiet member of the group decided to take the lead and show the others how to use the system. She quickly became an expert.

**BIGGEST MISTAKE**  
 Teams need to have defined outcomes and/or objectives and the authority to make decisions to achieve them. I was on a volunteer board and we were planning for expenses in upcoming years. We had no real plan for a goal, so we accomplished nothing.

**WHAT I WISH I'D KNOWN**  
 It's important to know different personality styles early on to determine the best way to work with them. I'm a more extroverted social person, and if I'm working with someone more analytical and introverted I need to be aware of that.

**MY FAVOURITE BOOK ON THE TOPIC**  
*Our Iceberg Is Melting* by John Kotter and Holger Rathgeber is written as an easy-to-read story that provides practical ideas for all sorts of groups. ■

.....  
**Georgie Binks is a Toronto-based writer. See [www.georgiebinks.com](http://www.georgiebinks.com).**

# A PATH OF ITS OWN

## The new CPA Competency Map

### Canada's new accounting designation is built on the best of the best

By **Richard Fontaine**, FCPA, FCMA, with **Mara Gulens**

**I** remember the time as if it were yesterday. I was excited, having just started the new two-year CMA Professional Program (which later became the Strategic Leadership Program), a required step to becoming a CMA. The program included weekend sessions that allowed candidates to demonstrate their technical and professional skills, and develop as professional management accountants. I loved it.

Today that feeling of excitement is back. The unification of Canada's three accounting bodies (CMA, CA and CGA) is already complete in Quebec and is in progress across Canada. A new kind of accountant is born. The Chartered Professional Accountant (CPA) also has a new competency map.

One thing is clear. The CPA Competency Map is not the sum of the competencies of the three Canadian legacy accounting bodies. Instead, it's a

new set of competencies that brings together the best practices of each designation.

Developed by a team of education experts in consultation with accounting academics, practitioners and employers, the CPA Competency Map meets the needs of public practice, industry and government. It includes all of the important competencies expected of CMAs while providing them with opportunities to excel in other areas of accounting, such as tax and assurance.

Change is not new for CMAs. The Canadian Society of Cost Accountants was incorporated in 1920, and the designation of Registered Industrial and Cost Accountant (RIA) was approved in 1941. The association's name was changed to the Society of Industrial and Cost Accountants of Canada in 1948 and to the Society of Management Accountants of Canada (CMA Canada) in 1977. The Certified Management Accountant (CMA) designation was introduced in 1985.

## A BOLD, NEW MAP

The CPA Competency Map describes the knowledge, skills and proficiency expected of candidates at the moment of qualification. CPAs are required to demonstrate skill in six technical and five enabling competencies.

## SIX TECHNICAL COMPETENCY AREAS

- Financial Reporting
- Strategy and Governance
- Management Accounting
- Audit and Assurance
- Finance
- Taxation

The CMA Competency Map was built on three pillars: accounting, management and strategy. All of the competencies from these three pillars have found their way into the six new technical competency areas of the CPA map. In fact, the architects of the new map relied on the CMA map to develop the Strategy and Governance and Management Accounting sections.

Strategy and Governance includes competencies well known to CMAs, including the alignment of a company's mission, vision and values with management decisions, and the evaluation of an entity's strategic objectives. Management Accounting, also well represented, includes the preparation of budgets and forecasts and the evaluation of costing methods.

## FIVE ENABLING COMPETENCY AREAS

- Professional and Ethical Behaviour
- Problem Solving and Decision Making
- Communication
- Self-management
- Teamwork and Leadership

Enabling competencies, which require personal and soft skills that give accountants the necessary tools to succeed in strategic decision making, have always been important to CMAs.

The CMA Strategic Leadership Program was, in fact, designed so that CMA candidates could demonstrate their enabling (and technical) competencies.

## THE INTERRELATIONSHIP BETWEEN TECHNICAL AND ENABLING COMPETENCIES

**Six areas of technical competencies**



**Five areas of enabling competencies**



**Expected proficiency, as demonstrated through requisite practical experience, at the entry point into the CPA Professional Education Program**



**CPA competency upon entering profession**

A significant part of the CMA Professional Program retained in the new CPA certification program is a complex business case, similar to the board report, which is included in the Capstone Integrative Module. It's here that candidates get to further develop, demonstrate and integrate their enabling and technical skills.

"We had the opportunity to look at the strengths of the three existing organizations and we realized that there was considerable value in the learning outcomes associated with the CMA board report," says Tashia Batstone, vice-president of education services for the Canadian Institute of Chartered Accountants and co-chair of the national CPA Certification Steering Committee.

"The inclusion of a team-based module in the new CPA certification program will provide candidates with the opportunity to develop enabling skills such as the ability to work effectively in teams, communications skills and the ability to manage oneself."

Altogether, the CPA Competency Map defines the qualities of a competent and versatile accountant ready to tackle the world. ■



# FREQUENTLY ASKED QUESTIONS

We asked CMAs across Canada and CPAs/CMAs in Quebec whether they had any concerns about the transition to a new set of competencies. Here's how the architects of the new CPA Competency Map responded to our questions.

**Q: How do CMA competencies compare with CPA competencies?**

**A:** The new CPA certification program reflects the best of each of the existing accounting bodies. The CPA Competency Map sets the educational framework for the CPA certification program. Many of the existing CMA functional and enabling competencies appear in the new CPA Competency Map; other competencies have been added as well. The result is a well-rounded, contemporary professional accounting program with a strong common core in the six technical competency areas. It includes financial and management accounting, as well as performance management, and provides opportunities to gain additional proficiency in assurance, tax and finance.

*Anne-Marie Gammon, FCMA, vice-president of program development at CMA Canada and co-chair of the national CPA Certification Steering Committee*

**Q: When we become CPAs, what happens to management and strategy?**

**A:** Within all of our individual designations, a high percentage of members practise in the field of management and strategy. We took this fact into account during the development of the competencies required for CPAs. The result is a well-rounded skill set that includes these competencies.

*Kara Mitchelmore, FCMA, CEO and president, CMA Alberta and member of the national CPA Certification Steering Committee*

**Q: What competencies do CPAs have that CMAs do not have?**

**A:** Compared with future CPA graduates, current CMA graduates have less knowledge of assurance and tax. Current CA graduates have a little less knowledge of strategy and management accounting.  
*Ian Chan, CPA, CMA, senior manager of assessments at CMA Canada*

**Q: Is it true that CMAs do not have the tax and assurance competencies required of future CPAs?**

**A:** Many CMAs do, in fact, have the competencies of assurance and tax which they have acquired through post-secondary education and relevant practical experience; however, in the previous CMA competency framework, these competencies were not required to the same degree as they are in the new CPA Competency Map. The new competency framework ensures that all future CPAs are proficient in these areas.

*Kara Mitchelmore, FCMA, CEO and president, CMA Alberta and member of the national CPA Certification Steering Committee*

**Q: Are strategy and governance still important?**

**A:** Absolutely. Strategy and governance are key elements in the CPA Competency Map in the core modules, the Performance Management elective and the Capstone Modules.

*Ian Chan, CPA, CMA, senior manager of assessments at CMA Canada*

For more questions and answers, see the CPA Canada website: <http://bit.ly/13CTxgd>.

# CALLING FUTURE STUDENTS

## THE CPA CERTIFICATION PROGRAM

Future CPA candidates will be required to complete academic prerequisites to enter the CPA certification program. As in the three legacy accounting programs, candidates will be required to complete the Professional Education Program and acquire relevant qualifying practical experience.

The CPA Professional Education Program will consist of two core modules: Financial Accounting and Reporting, and Management Accounting, Planning and Control. After completing these modules, candidates will choose from four electives: Performance Management, Finance, Assurance and Taxation.

Based on their interests and field of specialization, candidates will choose two of the four electives. Candidates wishing to work in public practice must choose Assurance and Taxation. Candidates seeking expertise in management accounting would typically choose the two electives of Finance and Performance Management.

After successfully completing the electives, candidates will be required to complete the Capstone Integrative Module. There, candidates will focus on the development of the enabling competencies and the integration of core technical competencies.

“CPA candidates learn about strategy and management through a teamwork activity. The Capstone Integrative Module is designed around the CMA board report, which is an evaluation piece from the CMA program and a signature process of the CMA brand,” says Brenda Bertolo, director of professional programs at CMA Canada.

The last module, Capstone 2, helps prepare candidates for the final exam. Candidates will work individually through complex and integrative cases based on real business issues.

After completing the program, new CPAs will be equipped with the well-rounded set of competencies expected of professional accountants.

**Richard Fontaine**, FCPA, FCMA, PhD, *teaches management accounting at the School of Business at the University of Quebec in Montreal. Fontaine has filled high-level management positions in large and small companies across Canada and is currently chair of CMA Canada’s Competency Development Committee. Mara Gulens is director of publications for CMA Canada and editor-in-chief of CMA magazine.*

### MODULES IN THE CPA CERTIFICATION PROGRAM

#### CORE

- C1 – Financial Accounting and Reporting
- C2 – Management Accounting, Planning, and Control

#### ELECTIVE

- E1 – Performance Management
- E2 – Finance
- E3 – Assurance
- E4 – Taxation

#### CAPSTONE

- Cap 1 – Capstone Integrative Module
- Cap 2 – Capstone Exam Preparation Module

# THE LIST

## CPA COMPETENCIES

The CPA Competency Map brings together the best practices of Canada's legacy accounting bodies. For details, see the complete CPA Competency Map at <http://bit.ly/V82L2V>.

## TECHNICAL COMPETENCY AREAS

### 1. Financial Reporting

Financial Reporting Needs and Systems  
Accounting Policies and Transactions  
Financial Report Preparation  
Financial Statement Analysis

### 2. Strategy and Governance

Governance  
Mission, Vision, Values and Mandate  
Strategy Development  
Strategy Implementation  
Enterprise Risk Management

### 3. Management Accounting

Management Reporting Needs and Systems  
Planning, Budgeting and Forecasting  
Cost Management  
Revenue Management  
Profitability Management  
Organizational Performance Measurement  
Individual Performance Measurement

### 4. Audit and Assurance

Internal Control  
Internal and External Audit Requirements  
Internal Audit Projects and External Assurance Engagements  
Comprehensive Audit Projects

### 5. Finance

Financial Analysis and Planning  
Treasury Management  
Capital Budgeting  
Valuation  
Financial Risk Management  
Corporate Finance Transactions

### 6. Taxation

Corporate Tax  
Personal Tax  
Assessments and Appeal

## ENABLING COMPETENCY AREAS

### 1. Professional and Ethical Behaviour

### 2. Problem Solving and Decision Making

### 3. Communication

### 4. Self-management

### 5. Teamwork and Leadership



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# To lease or not to lease?

## New standards for old practices

### The revised IAS 17 could make you rethink your office space

By **Karine Benzacar**, FCMA

Imagine a business contemplating the choice of a one- or five-year lease on its office space. The one-year lease costs \$100,000 per month, while the five-year lease costs \$75,000 per month. Because the company likes the location and plans to stay for a long time, the owners opt to sign the five-year lease.

Talking to their accountant the next day, the owners express enthusiasm about obtaining a 25 per cent discount. Not for long. The accountant informs the owners that they must soon add several million dollars of debt to their balance sheet — an amount representing the present value of all future lease payments, even though the rental arrangement is classified as an operating lease.

Clearly a one-year lease would have added less debt. The owners are confused: operating leases have never been accounted for as debt. What's going on?

#### A NEW STANDARD

The exposure draft for IAS 17, the new IFRS standard for leases, is expected to be released by April 2013. According to the draft, any non-cancellable operating lease payments must be capitalized on the balance sheet. The justification? These payments represent a commitment to the company and are essentially a form of debt.

Sophisticated users of financial statements are used to searching through the notes to determine lease commitments and then adding them to reported liabilities. It makes sense to provide financial statement users with the information directly.



With the new standard, the present value of all future lease payments will be added to both the liabilities and assets of the balance sheet at the inception of the lease. The asset will be represented as a “right of use” asset since the company doesn’t actually own the underlying asset.

Every month, companies will report operating lease payments as expenses on their income statements. They will report similarly as they do under current accounting standards. In addition, the companies will reduce the liability and the asset on balance sheets and amortize leases on the income statement. Which of two acceptable amortization methods is used will depend on the type of operating lease and significance of the asset.

Almost all companies have operating leases of some sort. Most companies either lease office space, phones, photocopiers or other equipment. So most people can look forward to adding debt to their balance sheets when this new standard comes into effect.

There is, however, some solace. Original discussions about changes to the lease standard started in 2009 and have taken much longer than anticipated. The new standard is not expected to be effective until at least 2014, which should give companies enough time to adopt new business practices if they’re concerned about adding too much debt to their balance sheets.

As for the company that signed the five-year lease without realizing the

implications of the new standard, the debt will not affect its balance sheet this year, so the owners will have at least a year to prepare their financial statement users for increased debt.

If they’re wise, the owners will say that the new debt on the balance sheet is simply a reflection of new accounting practices, not changes to business fundamentals.

To obtain more information on the IFRS lease project, see <http://bit.ly/13A6Q0P>. ■

**Karine Benzacar**, MBA, FCMA, CPA (Delaware), is managing director of Knowledge Plus Corporation which provides financial consulting and training services across North America. See [www.knowledgeplus.ca](http://www.knowledgeplus.ca).

## Coming in the next issue of *CMA magazine*

- **Five CMAs** on managing change
- **Market strategist** Barry Ritholtz on bad debt
- **Pack your own parachute** (and land the job you love)
- **M&As:** From paper partnerships to successful corporate marriages
- **First priority:** shareholders or stakeholders?

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Changjie (Watson) Wu, CMA member & CYBF mentor

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# Cloud coverage

## Spreadsheets go online

### Is it safe to put your data in cyberspace?

By **Jacob Stoller**

**AS CLOUD COMPUTING CONTINUES TO** gain momentum, many believe that companies will soon stop installing desktop suites — typically Microsoft Office — on user machines and opt instead for online equivalents. CMAs who are accustomed to building and storing spreadsheets in their laptops or desktops would face significant adjustments.

The conversation often begins with economics. Cloud providers can host applications so cheaply that in some cases they're literally giving them away, while the cost of supporting in-house computing continues to rise.

Cost reduction, however, is not the only driver. Most online apps can be accessed with any device that will support a web browser, including smartphones, tablets and antiquated PCs.

With the cloud, users can also access commonly shared files. This ability effectively eliminates the headaches of emailing documents and “version hell” where users struggle to manage multiple versions of the same document. Collaboration — the ability of people to work simultaneously on a document — is another benefit.

While many organizations have moved their enterprise applications to the cloud and allow some sharing of desktop files with tools such as Dropbox or Microsoft SharePoint, few have moved their entire desktop to the cloud.

#### Heading upward

There are signs, however, that the trend

is gaining momentum. Many in the education sector, including seven of the eight U.S. Ivy League universities, have adopted Google Apps, Google's web-hosted desktop suite. Organizations such as Empire Life Insurance Company of Canada, pharmaceutical giant Hoffman – La Roche and the City of Edmonton have also taken this step.

Competition for leadership in the online apps space is also intensifying. Google and Microsoft have emerged as the major players, and both have made significant advances in the past 12 months.

Google, a relative newcomer in the spreadsheet world, recently rolled out advanced functions such as pivot tables in its latest version of Google Sheets, an online spreadsheet.

According to Blair Collins, CMA, president of Interlockit — a cloud computing solution provider based in Mississauga, Ont., and a recent presenter at CMA Ontario's SimplifIT conference — these latest features bring Google's core functionality closer to that of Microsoft Excel. “I would encourage anyone who hasn't looked at Google spreadsheets, even in the last three or four months, to try it out,” says Collins.

Meanwhile, Microsoft is progressing rapidly with a cloud version of Excel through Microsoft Office 365, an online version of Microsoft Office that can be acquired by subscription. Although the cost is higher than the cost of Google Docs, Microsoft has lowered prices recently to become more competitive.





According to Collins, the solution is not as clean as Google's because it doesn't provide seamless access to all devices and doesn't yet support collaboration. It does, however, allow companies to move to the cloud without changing their spreadsheet platform.

**Mission critical**

For CMAs, of course, the spreadsheet isn't just another desktop app. Often it serves as a platform for creating professional documents that convey mission-critical information. Change in how spreadsheet documents are created, stored and shared, therefore, should be approached with caution.

Here are the major issues.

**1. Security**

When CMAs store files at a cloud provider's facility, they must trust the vendor to keep the data secure and private. Due diligence is essential.

A common concern for Canadian companies is the USA PATRIOT Act, which allows the U.S. government to intercept and examine data stored in the United States. But some argue that online storage is more secure because it prevents data breaches through lost or stolen devices, and it provides a consistent audit trail for access and revisions.

**2. Collaboration**

While Google and the online version of Excel provide revision tracking and the ability to protect cells, CMAs may not

be too keen on allowing editing rights to their spreadsheets.

"I'm not sold on multi people in one document," says Ken Puls, CMA, president of Excelguru Consulting Inc. in Nanaimo, B.C., and provider of Excel-targeted CPLD training for CMA BC. "I invest a ton of time in spreadsheet design to protect data and model integrity. ... I'm approaching multi-user cloud-based sharing very carefully."

**3. Existing documents and scripts**

Excel is undeniably the industry standard, and many organizations have a considerable investment in macros, scripts and standard reports already written in Excel, many of which are shared with outside stakeholders. Organizations should assess these dependencies carefully before making the switch.

**4. Connectivity**

Cloud apps are reliable in major urban centres, but could leave users stranded without their spreadsheets in remote regions where connectivity cannot be taken for granted. Having a spreadsheet app running on a local device may be the only way to guarantee availability.

**5. Change management**

Last but not least, most CMAs have used Excel on local machines for many years. Even upgrading to the latest version introduces subtle differences that people have difficulty adjusting to.

Moving to online spreadsheets will involve learning new skills and procedures, even if the company goes the Excel/Microsoft 365 route. Training requirements are frequently underestimated, creating drops in productivity after the new solution goes live.

**The race is on**

It's difficult to predict whether online spreadsheets will become mainstream, but the race to create the best online spreadsheet is fully underway.

Paul Mascarenhas, president of Toronto-based Avancer Learning Inc. and an Excel trainer in CMA Ontario's Professional Program, believes that products will improve as a result. "Traditional spreadsheets stand to gain a lot from the proliferation and development of online spreadsheets," he says.

However, the real question for organizations is not the technology, but the processes it supports. Mascarenhas suggests companies considering the online option take a serious look at how they use spreadsheets throughout the organization.

"What are the mission-critical spreadsheet-based processes being used in your organization, and will online spreadsheets offer the functionality and features that these need?" he asks. ■

**Jacob Stoller is a Toronto-based writer and researcher. See [www.jacobstoller.com](http://www.jacobstoller.com).**

# Taking chances

## Réjeanne Hébert, CMA, wins with numbers

By **Jaclyn Law**

### WHEN MAJOR PRIZEWINNERS ARRIVE AT

Atlantic Lottery's Moncton, N.B., headquarters, music plays throughout the building. ("If I Had \$1,000,000" is on heavy rotation.) Staffers converge to greet the winners.

"We always have a nice celebration and they get an oversized cheque," explains Réjeanne Hébert, senior financial advisor since 2007. Has she presented one? "Oh no," she laughs. "I'm more of a behind-the-scenes person."

Hébert is a shining example of how hard work pays off. Before arriving at ALC, she spent 12 years at Service New Brunswick. She already had degrees in liberal arts and education; while working, she earned an MBA from the University of Moncton, finishing in 2006. About a year later, she took a gamble.

"It had always been my lifelong dream to be an accountant. I thought, oh my God, can I still do this? It's hard on the head," says Hébert. "But I realized you're never too old to finish something you aspire to."

Attracted to CMA's combination of leadership, risk management, strategy and analysis, she began part-time studies with CMA New Brunswick and graduated in 2010.

Hébert's new skills come into play daily at ALC, where her main role is business case development for capital investments (anything from desks to video lottery terminals). She draws on CMA's leadership training to work with ALC's businesses on plans and proposals.

Building relationships is essential, she says. "And if you have the skills to speak financial terms in a way that non-finance people understand, that really helps!" ■

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**Jaclyn Law** is a Toronto-based freelance writer.

**Employer:** Atlantic Lottery Corporation (ALC)

**Role:** Senior Financial Advisor

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