

Case #1

**MARKING GUIDE
PACIFIC AIRPORT
ASSESSMENT OPPORTUNITIES**

Assessment Opportunity #1

The candidate discusses the capitalization of costs related to the new international terminal.

The candidate is demonstrating competence in Financial Reporting.

Competencies

1.2.2 – Evaluates treatment for routine transactions (Level A)

To: Carol Marcus
From: CPA
Re: Routine Accounting Issues

New International Terminal

The new international terminal constitutes an addition to property, plant and equipment. Therefore, we must evaluate the costs to be capitalized under the guidance of IAS 16, *Property, Plant and Equipment*. IAS 16 paragraph 16 notes that “*the cost of an item of property, plant and equipment comprises:*

- (a) *its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.*
- (b) *any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.”*

Accordingly, any costs incurred that do not relate directly to the construction of the terminal and bringing it into a condition suitable to conduct airport operations cannot be capitalized. IAS 16 provides further guidance on the types of costs that are appropriate to capitalize in paragraph 17. Paragraph 19 provides specific examples of costs that are not appropriate to capitalize. These are summarized below:

Appropriate to Capitalize (Para. 17)	Not Appropriate to Capitalize (Para. 19)
(a) costs of employee benefits (as defined in IAS 19, <i>Employee Benefits</i>) arising directly from the construction or acquisition of the item of property, plant and equipment;	(a) costs of opening a new facility;

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(b) costs of site preparation;	(b) costs of introducing a new product or service (including costs of advertising and promotional activities);
(c) initial delivery and handling costs;	(c) costs of conducting business in a new location or with a new class of customer (including costs of staff training); and
(d) installation and assembly costs;	(d) administration and other general overhead costs.
(e) costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment); and	
(f) professional fees.	

The cost of land preparation, professional fees, and building costs are considered “*directly attributable to bringing the asset to the condition necessary to be capable of operating in the manner intended by management,*” since it would not be possible to build and operate the new terminal without incurring these costs. They are appropriately capitalized.

While the advertising and promotion activities would not have been incurred if the new terminal was not constructed (supporting potential capitalization), it is not appropriate to capitalize these amounts. I recommend that the \$78,000 in advertising and promotion activity costs be expensed, since this constitutes an example of “*costs of introducing a new product or service (including costs of advertising and promotional activities)*” that are specifically identified in IAS 16 as costs that are not appropriate to capitalize.

Employee salaries and benefits are appropriate to capitalize only in cases in which they are directly attributable and arising directly from the construction of the item of property, plant and equipment. In cases in which it is unclear whether the cost of employees relates to the construction of the asset, the appropriate treatment is to expense the cost. In this case, the employee costs have been allocated using timesheets. If the costs capitalized relate solely to employee time spent on the construction project, I recommend capitalizing them because there is a rational basis for determining the cost that is directly attributable.

The \$100,000 that relates to the fair value of share-based payments may be considered appropriate to capitalize given it is part of employee costs directly attributable to construction of the asset. However, I recommend that the share-based payments be expensed. IAS 16 specifically states that the costs of employee benefits capitalized must be as defined under IAS 19, *Employee Benefits*. Share-based payments fall under the scope of IFRS 2, *Share Based Payments*, and, therefore, do not qualify for capitalization.

We may consider that the \$140,000 in interest costs should be capitalized because the borrowings were the result of the strain on cash flow caused by the construction of the

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asset and, therefore, these costs are incurred as a result of construction of the asset. However, IAS 23 states that borrowing costs are capitalized when they are “*directly attributable to the acquisition, construction or production of a qualifying asset.*” It may be difficult to support the argument that the full amount is directly attributable; however, we can probably argue that at least a portion of the interest costs can be capitalized because PA would not have needed to obtain financing if it had not built the international terminal. For now, we will assume that 50% of the \$140,000 can be capitalized.

Finally, while the training costs would not have been incurred without the opening of the new terminal, I recommend that the \$28,000 in training costs be expensed because this is an example of “*costs of conducting business in a new location or with a new class of customer (including costs of staff training),*” which is stated as being not appropriate to capitalize in the standard.

In total, I recommend that \$276,000 be reversed from property, plant and equipment and expensed. The following is the adjusting journal entry:

Dr. New terminal expenses	\$276,000
Cr. Property, plant and equipment	\$276,000

In addition to costs that may not be capitalized, you noted that the terminal went into operation on November 1, 2014. IAS 16 paragraph 55 notes that “*Depreciation of an asset begins when it is available for use; i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.*” The terminal was substantially complete and in operation for two months of fiscal 2014. Accordingly, we must commence depreciation on November 1, 2014.

Teresa Walsh mentioned that the international terminal is part of the “50-year plan.” Therefore, I have assumed a useful life of 50 years for the terminal. The revised amount to be depreciated is illustrated below:

Initial cost – unadjusted	\$46,907,000
Adjustment – inappropriately capitalized costs	(276,000)
Adjustment – late invoice (see discussion below)	150,000
Initial cost – adjusted	\$46,781,000

With an adjusted cost of \$46,781,000, annual amortization over 50 years is \$935,620. Two months is, therefore, \$155,937.

Dr. Amortization expense	\$155,937
Cr. Accumulated amortization (PP&E)	\$155,937

Assessment Opportunity #2

The candidate discusses the accounting treatment for the subsequent events.

The candidate is demonstrating competence in Financial Reporting.

Competencies

1.2.2 – Evaluates treatment for routine transactions (Level A)

Events after December 31, 2014

IAS 10, *Events after the reporting period*, defines events after the reporting period as “those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and
- (b) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).”

Jetbridges

Given that the fire occurred after year end, this event is not an example of an adjusting event. However, in some cases, IAS 10 requires disclosure of events that occur after the reporting period; paragraph 21 notes that “If non-adjusting events after the reporting period are material, non-disclosure could influence the economic decisions that users make on the basis of the financial statements. Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the reporting period:

- (a) the nature of the event; and
- (b) an estimate of its financial effect, or a statement that such an estimate cannot be made.”

Paragraph 22 continues to discuss examples of events that should be disclosed but that would not require an adjustment to the financial statements. Subparagraph (d) includes “the destruction of a major production plant by a fire after the reporting period” as an example. Accordingly, given that the cost of the jetbridges was \$8.4 million, it is significant enough relative to the total cost of the new terminal to suggest the amount would be material. I recommend that we disclose this event as follows in our subsequent events note:

“Subsequent to December 31, 2014, jetbridges for the new international terminal were destroyed by fire. We estimate the cost to replace these jetbridges to be \$8.4 million.”

Architecture Fees

Receiving an invoice subsequent to year end provides evidence related to an accrual at December 31, 2014, and is an example of an adjusting subsequent event. IAS 10

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paragraph 9(c) provides an example of an adjusting event as “*the determination after the reporting period of the cost of assets purchased, or the proceeds from assets sold, before the end of the reporting period.*” Accordingly, I recommend that we adjust our liability at year end and the initial cost base on our new terminal building to reflect this new information, which provides a more accurate accrual. The adjusting journal entry is as follows:

Dr. Property, plant and equipment	\$150,000
Cr. Accrued liabilities	\$150,000

Assessment Opportunity #3

The candidate discusses how to account for the investment in Regula Regional Airport.

The candidate is demonstrating competence in Financial Reporting.

Competencies

1.2.3 – Evaluates treatment for non-routine transactions (Level A)

The investment in Regula Regional Airport must be assessed for control to determine the appropriate accounting treatment for the investment, including whether it should be consolidated. We do not hold a majority share of the common shares outstanding; therefore, it appears we do not have control over the entity. IFRS 10, *Consolidated Financial Statements*, is the standard that provides guidance on assessing control. IFRS 10 paragraph 6 notes that “*An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.*” Paragraph 7 clarifies that “*Thus, an investor controls an investee if and only if the investor has all the following:*

- (a) *power over the investee (see paragraphs 10–14);*
- (b) *exposure, or rights, to variable returns from its involvement with the investee (see paragraphs 15 and 16); and*
- (c) *the ability to use its power over the investee to affect the amount of the investor’s returns (see paragraphs 17 and 18)."*

Therefore, we will assess each component of control using the facts we have about our investment in the entity.

Power

The application guidance to IFRS 10 provides the best practical application of the definition of control. Paragraph B9 notes that “*To have power over an investee, an*

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investor must have existing rights that give it the current ability to direct the relevant activities. For the purpose of assessing power, only substantive rights and rights that are not protective shall be considered.”

PA was provided with the power to appoint the CEO and COO. IFRS 10 paragraph B12 notes “*appointing and remunerating an investee’s key management personnel or service providers and terminating their services or employment*” as an example of directing the relevant activities.

Further, PA has two of five director seats, and, therefore, it would take a total collaboration of the remaining directors to overturn a decision made by PA. Paragraph B42 notes that “*the more parties that would need to act together to outvote the investor, the more likely the investor is to have existing rights that give it the current ability to direct the relevant activities.*”

Finally, paragraph B38 discusses situations in which power can exist without a majority of the voting rights. One of the items noted in B38 is the existence of potential voting rights, which are discussed further in B47: “*When assessing control, an investor considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has power. Potential voting rights are rights to obtain voting rights of an investee, such as those arising from convertible instruments or options, including forward contracts. Those potential voting rights are considered only if the rights are substantive.*” PA has a currently exercisable option to purchase 18% more common shares, which, when added to our 35% stake, results in a majority of voting rights.

Accordingly, I conclude that we do have power over Regula.

Exposure to Variable Returns

It is clear that we have exposure to variable returns since our interest consists of common shares. By any market-accepted method, the valuation of common shares is directly linked to the performance of the entity.

Link between Power and Returns

IFRS 10 paragraph 17 states: “*an investor controls an investee if the investor not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor’s returns from its involvement with the investee.*”

To assess whether a decision-maker is a principal or an agent, the scope of its authority is evaluated by considering both:

- the activities that the decision-maker is permitted to direct (e.g., by agreement or by law); and

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- the discretion that the decision-maker has when making decisions about those activities.

Given the fact that we can appoint the CEO and COO, who direct the overall operations of Regula, we can conclude that we have full discretion to direct the relevant activities that haven an impact on our variable returns. In other words, if we select a poor CEO, we will likely have a poor return on our investment; however, if we select a high-quality CEO, our returns have a higher chance of being positive.

I conclude that we do control Regula and, therefore, should consolidate our investment at the date we acquired the investment.

Assessment Opportunity #4

The candidate provides the CFO with some insight into what may have happened regarding parking revenue and how PA can improve its controls to prevent something similar from happening in the future.

The candidate is demonstrating competence in Assurance.

Competencies

4.1.2 – Evaluates the information system, including the related processes (Level A)

To: Leonard Castle
From: CPA
Re: Parking Revenue

I have reviewed the parking revenue analysis you provided in Appendix III. I am concerned about the number of lost ticket charges issued. The number has increased from 1,321 to 28,927 in one year, which does not seem reasonable given the fact that the number of cars entering the lot has increased only marginally. When I read through the process narrative, I noted that the parking attendants have the ability to record and handle the cash received from customers.

Combined with the fact that cash revenue has decreased by 38% from the prior year while credit card revenue and total cars entering the lot have increased, it appears that a parking attendant has been stealing cash by issuing fraudulent lost ticket charges and pocketing the excess in cash received from customers. I have the following suggestions regarding the parking revenue process.

Preventative Controls

Preventative Control #1

Weakness: The lost ticket charge is only \$35.

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Implication: Based on 2014 figures for the number of cars entering the lot, the total lost ticket charges, and the total cash and credit card revenue, it appears that the average revenue per car is approximately \$100. Therefore, a customer might intentionally lose their ticket since the lost ticket fee is only \$35 (less than the average cost) and the attendants cannot tell when the customer arrived.

Recommendation: We should increase the lost ticket charge to \$125. This will motivate customers to keep track of their tickets and decrease opportunities for the attendants to pocket the difference between actual ticket revenue and the lost ticket charges. On average, the lost ticket charge should be greater than what would otherwise have been paid.

Preventative Control #2

Weakness: The parking attendants count all of the cash and reconcile it to tickets in an envelope.

Implication: With control over both the tickets and the cash, parking attendants have the ability to simply omit parking tickets from the envelope, document them as lost tickets, and keep the excess cash for themselves.

Recommendation: When customers drive out of the lot, require them to insert their date-stamped ticket into a scanner at the till, which automatically calculates their fee. The scanner should also act as a ticket receptacle to which parking attendants do not have access. This will eliminate the opportunity for attendants to discard paid tickets fraudulently. A separate person should reconcile the tickets and cash received during the day to the number of cars entering the lot to ensure that the revenue is complete when compared to credit card receipts and cash. Alternatively, if that is not an option, you could require the parking attendants to issue receipts to every customer and post a sign informing customers that they should not leave without a receipt. This is a weaker control but one that can easily be implemented if an automated control is not possible.

Preventative Control #3

Weakness: The envelope of cash is only submitted to accounting on a weekly basis.

Implication: Based on cash revenue in 2013, over \$100,000 of cash is held by the parking attendants by the end of the week. This provides a significant opportunity for misappropriation of assets. There is also the risk of an external robbery.

Recommendation: The submission of cash should occur on a daily basis so that it is either deposited more regularly or kept in a more secure location.

Assessment Opportunity #5

The candidate explains what analytical procedures PA staff can perform as detective controls to help them identify, on a timelier basis, any anomalies in parking revenue.

The candidate is demonstrating competence in Assurance.

Competencies

4.1.2 – Evaluates the information system, including the related processes (Level A)

4.3.6 – Develops appropriate procedures based on the identified risk of material misstatement (Level A)

Detective Controls – Analytics

Unusual trends in parking revenue were not identified until the CFO's review subsequent to year end. This indicates there are insufficient financial reporting controls related to parking revenue to detect and correct issues on a timely basis. The lost ticket charges increasing by thousands of percent should have triggered an investigation much earlier in the year. However, the issue remained undetected and parking revenue was lost for a significant period of time.

PA staff can prepare a monthly parking revenue memo, to be reviewed by Carol Marcus, that includes a discussion of the analytics listed below. I recommend that a quantitative threshold be established for each analytic, which requires a follow-up by the reviewer with the control owners.

1. Compare the average parking fee per car entering the lot with the prior period. If there is a significant decrease in the average parking fee per car year over year, it should be investigated because it might be a sign of cash being misappropriated. Unless parking habits change significantly, this amount should be relatively steady year over year, so it could be an indicator of fraud.
2. Compare the percentage of cash parking fees to total parking fees to the prior period. Generally speaking, if the credit card revenue has increased, the cash revenue should have increased in the same proportion. In other words, the percentage of cash revenue over total revenue should be similar from one year to another unless customers' paying habits change over time. If the trend observed with the credit card revenue is not reflected in the cash revenue, it should be investigated. It could be a sign of cash being stolen, since cash transactions are more susceptible to misappropriation.
3. Compare the number of lost ticket charges as a percentage of cars entering the lot with the prior period. If the number of lost ticket charges increases, as it did this year, it should be investigated because it would be unusual for there to be such a large increase in the number of customers who lost their tickets. An increase in the number of lost tickets could mean that fraud is being committed.

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4. Compare expected parking fees based on the prior period average fee per car multiplied by the current period number of cars entering the lot and compare to actual.
5. Compare expected cash revenue by multiplying the total current period revenue by the prior period cash revenue as a percentage of total revenue.
6. Compare expected lost ticket charges by multiplying the prior period lost ticket charges as a percentage of cars entering the lot by the current period cars entering the lot.

Analytics 4 to 6 all help with the completeness assertion because they compare expected results to actual results and identify the differences that should be investigated.

Assessment Opportunity #6

The candidate designs relevant procedures for the new terminal building.

The candidate is demonstrating competence in Assurance.

Competencies

4.3.6 – Develops appropriate procedures based on the identified risk of material misstatement (Level A)

To: Director, Internal Audit
From: CPA
Re: Audit Procedures Requested

Existence

The existence assertion has a higher inherent risk for this account related to the risk that amounts have been capitalized inappropriately.

We will obtain the relevant budgets and approvals related to the project to ensure that additions are being completed in accordance with pre-approved budgets and timelines. For all costs incurred that appear to be approaching or exceeding their budgeted amounts, we will follow up with the PA person responsible to determine why these variances occurred and whether they are errors.

For costs incurred related to external service providers, we will select all additions greater than performance materiality and trace each amount to supporting invoices. We will also select a representative sample of 25 random capitalized items less than performance materiality and agree these to supporting invoices. This will incorporate an element of unpredictability and reduce the statistical probability of a material error existing that is the result of an aggregate of many small errors.

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For a sample of salaries and wages capitalized, we will obtain timesheets of the employees who have worked on the project. We will ensure that the amount capitalized is appropriately calculated by verifying that the time coded to the project has been multiplied by each employee's salary and benefit rate, to determine the amount attributable to the new project. We will also verify the salaries by vouching the amounts to employment contracts or human resources files.

We will ensure that the new terminal subledger reconciles to the general ledger PP&E balance.

Valuation

Valuation could also be considered a significant assertion to be tested, given the nature of the asset. The risk relates to the possibility that carrying value is less than its recoverable amount (higher of value-in-use or fair value less costs of disposal). This is a self-constructed asset; therefore, the risk is that, despite the terminal costing \$46 million, its fair value is lower than this amount. The best way to test the valuation of a newly constructed asset would be to look at the future expected cash flow from the international terminal.

Given that the additions are very recent, the risk of the recoverable amount of the asset being lower than its carrying value is unlikely. However, we will tour the new facility and look for any signs of faulty construction that might indicate a lower valuation.

Assessment Opportunity #7

The candidate performs analytical procedures on the landing fee revenue.

The candidate is demonstrating competence in Assurance.

Competencies

4.3.6 – Develops appropriate procedures based on the identified risk of material misstatement (Level A)

Landing Fee Revenue Analytical Procedure

As you noted, PA has thousands of landings per year, so a good procedure for assessing the reasonability of landing fee revenue is an analytical procedure. I have designed the following predictive analytic, which takes the average landing fee revenue per flight from 2013 to develop an expectation of 2014 landing fee revenue.

Statistics for the Year Ended December 31, 2013	Figure	Average – 2013
Landing fee revenue	\$42,574,000	\$5,342

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Number of landings	7,969
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If we assume the same number of non-international landings in 2014 as in 2013, we only need to factor in the international landings. Given that the international terminal opened on November 1, 2014, and there are several accepted international arrangements as at October 31, 2014, we must add on two months of these flights as well.

Route	Landings per Year	2 Months
Shanghai to Pacific City	250	42
Tokyo to Pacific City	345	58
Singapore to Pacific City	300	50
Total		150

Therefore, the following analysis calculates what we expect landings to be in 2014:

Total landings – 2013	7,969
Additions – 2014 international	150
Total expected landings – 2014	8,119

It was also mentioned that the landing fees were increased 5% in 2014 to account for inflation. Accordingly, we must multiply the 8,119 landings expected by \$5,342 grossed up by 5%, which is \$5,609.

Expected Landings	Expected Landing Fees	Total Expected Revenue	Actual Revenue	Difference
8,119	\$5,609	\$45,539,471	\$45,639,300	\$99,829

The difference of \$99,829 is not material; therefore, this analytic provides assurance that the revenue is appropriate.

Assessment Opportunity #8

The candidate performs a quantitative analysis of the new Asian Continental Airlines proposal.

The candidate is demonstrating competence in Management Accounting.

Competencies

3.4.1 – Evaluates sources and drivers of revenue growth (Level B)

Quantitatively, I have calculated the following:

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Route	Landings in Pacific City per Year	Landing Fees per Flight	Total Landing Fees
Shanghai – Pacific City	24	\$6,500	\$156,000
Tokyo – Pacific City	20	\$6,500	\$130,000
Singapore – Pacific City	22	\$6,500	\$143,000
Total			\$429,000

Route	Landings in Pacific City per Year (x2 for both landings and departures) (A)	Passenger Fees per Person (B)	Passengers per Flight (C)	Total Passenger Fees (A x B x C)
Shanghai – Pacific City	24 x 2 = 48	\$25	400	\$ 480,000
Tokyo – Pacific City	20 x 2 = 40	\$25	400	\$ 400,000
Singapore – Pacific City	22 x 2 = 44	\$25	400	\$ 440,000
Total				\$1,320,000

Accordingly, by taking on this relationship, we will earn landing fee revenue of \$429,000 and passenger fee revenue of \$1,320,000 per year, for a total of \$1,749,000 per year. I have evaluated this against the penalties we will pay to the Canadian government for non-compliance below:

Environmental Impacts (metric tonnes of carbon dioxide)

Opening balance – carbon dioxide production	905	Provided in case facts
Additions – accepted international arrangements	89.5	895 landings and takeoffs x 100 kilograms ÷ 1,000 kilograms
Additions – Asian Continental Airlines (ACA)	6.6	66 landings and takeoffs x 100 kilograms ÷ 1,000 kilograms
Total expected carbon dioxide production	1,001.1	

Accordingly, this relationship will take us 1.1 metric tonnes over our limit, which carries a monetary penalty of \$20,000.

Canadian Airline Facilitation

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Route	Passengers per Year – Canadian	Passengers per Year – ACA	Total Passengers	ACA %
Shanghai – Pacific City	75,000 × 2 = 150,000	24 × 2 × 400 = 19,200	169,200	11%
Tokyo – Pacific City	100,000 × 2 = 200,000	20 × 2 × 400 = 16,000	216,000	7%
Singapore – Pacific City	92,500 × 2 = 185,000	22 × 2 × 400 = 17,600	202,600	9%

Accordingly, all routes exceed the 5% threshold. I calculate that the total percentage overage subject to penalties is 12% (6% for Shanghai, 2% for Tokyo, and 4% for Singapore). This results in a monetary penalty of \$180,000 (12 × \$15,000).

Noise Pollution

The rules state that each flight that takes off or lands during the hours of limitation (11 p.m. to 6 a.m.) is fined \$2,500. The Shanghai flight arrives at 5:45 a.m., which is an infraction. Further, the Tokyo flight departs at midnight, which is another infraction.

Flight	Number of Infractions per Year	Fine per Infraction	Total Fine
Shanghai – Pacific City	24	\$2,500	\$ 60,000
Tokyo – Pacific City	20	\$2,500	\$ 50,000
Total			\$110,000

Accordingly, we will be required to pay \$110,000 in noise pollution fines.

Conclusion

In total, we will receive revenue of \$1,749,000 but will have to pay total fines of \$310,000, for net revenue of \$1,439,000. Accordingly, the addition of the relationship with Asian Continental Airlines (ACA) will be profitable from a quantitative perspective.

Assessment Opportunity #9

The candidate evaluates the ethical implications of the new Asian Continental Airlines proposal.

The candidate is demonstrating competence in Enabling skills.

Competencies

2.2.1 – Assesses whether management decisions align with the entity’s mission, vision, and values (Level B)

1.1.1 – Identifies situations involving existing or potential ethical issues

To: Teresa Walsh
From: CPA
Re: Asian Continental Airlines Proposal

I have evaluated the proposed addition of routes with ACA. I have serious concerns about progressing with this relationship because it will be in breach of certain Canadian government Land Use Rules.

I have factored these breaches into my financial analysis. While the penalty fees we will incur by taking on this relationship are small enough that the project is still highly profitable for us, I still think we need to consider the potentially harmful qualitative impacts of this deal.

You should be aware that, due to the spirit of the government rules, it is likely that if we significantly exceed the allotted quotas for noise pollution, environmental matters, and Canadian airline facilitation, we may be in a position in which the government could cancel our lease or make the penalties more severe. While I think a relationship with ACA is not a significant breach, we cannot be sure of that.

The Land Use Rules implemented by the Canadian government were created with the intention of reducing the impact of our airport operations on the local community and the environment. We serve the community and are already subject to significant public scrutiny as a result of the environmental impact of jet airline travel. We will be exposing ourselves to significant risk of negative publicity in the media if our breach of government rules is communicated to the public, despite the breaches not being severe in nature.

In addition, we should consider whether accepting this proposal, despite knowing that we will be in breach of the government regulations, is in line with our company’s vision and our own ethical standards.

I recommend the decision regarding this potential relationship should be discussed fully with all of our stakeholders. The general public may also agree that having additional choice in service providers is worth the slight breach in environmental and government rules. Without the support of the city’s community, our airport’s operations cannot continue successfully. Therefore, a full disclosure policy is important for maintaining our organization’s integrity and the appearance of transparency.

I also believe that our Land Use Rules were designed for a national airport and not an international airport. We had almost met the limits even without the addition of the new

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terminal building. Accordingly, I recommend that we discuss the limits with the government to determine if they might be extended and whether they are comparable with other airports of our size and scope. For example, the restrictions on takeoff and landing times become much more difficult when flights are departing and arriving from different time zones.