“There might not be a definitive path forward. But Foresight is helping set the direction.”
CPA and Foresight participant Teresa Fortney

WHAT’S NEXT

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DRIVING THE CHANGE

Why accountants can no longer rest on tradition  BY JOY THOMAS

Technological disruption. Competitive pressures. Political uncertainty. We are living in a time of massive, chaotic change, and there’s hardly a business or profession that hasn’t been turned on its head in the last decade.

Accounting is no different, as our members working on the front lines well know. The challenges are complex and fluid. In the era of Big Data, many CPAs, regulators, institutional investors and issuers are testing technologies relating to artificial intelligence, data analytics and forecasting software that could substantially alter the way accounting is done. In the bigger picture, business models are changing, and the way companies create value—and how that value is measured—is undergoing a transformation.

Amid all this, CPA Canada is taking a leadership role in charting the path forward for the profession. That’s why we undertook the Foresight initiative, which you’ll read about in this issue, starting on page 24.

We’re only part way through the effort, but it’s already been illuminating. Last fall, as part of Foresight, we convened a series of roundtables with members, industry leaders and academics. We covered a lot of ground, and three workshops, held in Vancouver, Montreal and Toronto, stood out. Participants dug into four scenarios describing how the future might unfold, not just for CPAs but for Canadian society more broadly.

One theme that clearly emerged was that the explosion of data will create a need for new approaches to data governance and standards, which represent important future opportunities for the profession. As the Foresight Phase One progress report noted, “Participants soon realized that these trends mean that in the future, accountants will need to count more and different things—often things we do not yet know how to count. Presenters and participants alike emphasized that accountants need to be involved in creating the models and processes used to measure and predict value, not just reacting to them.”

In our main feature story on Foresight in this issue, you’ll read about Teresa Fortney, the CFO of Clearwater Seafoods in Halifax, who found that the process prompted her to begin thinking of new ways to measure sustainability, and even innovation, in her business. You’ll also read a story about open banking, a technological revolution that could upset financial services and create huge new opportunities for the profession. And you’ll read an argument from Brian and Laura Friedrich, on page 32, that there will always be a role for professional accountants as the guardians of trust.

I’d like to thank all the participants for their input into Foresight so far, and for all the passionate, spirited discussions that took place during this process—both in person and through our digital engagement.

But we’re not done yet. Our deep dive last fall into various future scenarios set us up for the next phase of the Foresight process: the examination of what role(s) CPAs may find themselves playing in the years to come, and how we get there from here.

We are now well positioned to identify the work streams required to prepare the profession to thrive. One will certainly be around data governance, and we can envision a role for standard setters, regulators and auditors in contributing to that. Another is in value creation—how we identify, create and measure value. We’ll need to develop the right oversight for these work streams and determine which experts to call on.

As part of this next phase, we will also be delving into areas like effective governance for the profession, the importance of fostering a culture of agility and innovation, and updating the skills and competencies required of accountants in the years to come. We’ll need to think of new practice areas that will emerge and how to prepare for them. CPAs already do almost everything—they build companies large and small, they prepare financial statements, they audit, they give advice and guidance. There’s no limit to the opportunities ahead.

This transformation requires leadership, engagement and creativity. Our profession serves as a strategic advisor to all sectors of the economy, so it is essential that we play a leading role in our society’s collective response to rapid, ever-evolving change. We can’t just rest on tradition. We’ve got to drive the changes that are required. Foresight will help assure we stay on the leading edge.◆
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An interesting life
I am very impressed with the new Pivot. How refreshing are the articles, the presentation and the overall approach. I think the article “Right on the Honey,” (January/February 2019) captures why we, as CPAs, are busy everywhere. When Anne-Virginie Schmidt said “all of those departments need procedures, internal control, investment, communication protocols, training,” she noted that her background as an auditor is part of what makes that possible. I totally agree. As a CPA for more than 50 years, I have often annoyed (amazed?) my family when we drove past a factory and I would say I know how they make their product. In volunteer groups, I know how to structure internal controls. I’ve had a very interesting life as a result.

–Walter Knott, CPA
Wolfe Island, Ont.

The fight never ends
Your interview with B.C. Auditor General Carol Bellringer (January/February 2019) was an inspiration to those of us combatting global corruption. In 2007, I attended, on behalf of the Global Organization of Parliamentarians Against Corruption, an International Public Sector Accounting Standards Board (IPSASB) meeting. I recommended it require national and subnational governments provide full disclosure of natural resource revenues in their public accounts. CICA (now CPA Canada) supported these changes, but to my knowledge they were not implemented by IPSASB. Countries dependent on natural resource revenue can be particularly vulnerable to corruption. These revenue streams, characterized by inadequate control systems and a lack of transparency in accounting and reporting, generate hard currency that passes through many layers before landing in national treasuries. Hopefully the International Federation of Accountants (IFAC), with Ms. Bellringer’s help, can advance this agenda.

–Hon. Roy Cullen, CPA
Victoria, B.C.

Busy signals
In regards to your article about busy lives, (“Being busy is the new status symbol,” January/February 2019), there are certain words in the English language that have lost their meaning, such as “nice,” “fine,” and “closure.” I include “busy” in this list. Whether you have a to-do list with 10 items or 100, the only ones that count are those first three or four. The rest are at best a reminder and at worst a method to enhance your self-importance.

–Allan Goldbach CPA
Toronto, Ont.

Three cheers
I really enjoy the new Pivot magazine. Three articles in the November/December issue that I found particularly interesting were “The Minister of Everything,” “The Loyalty Dilemma” and “If You Could Read My Mind.” The first two were well written, informative and entertaining. The third was an eye-opener! Well done!

–Carol Gevers, CPA
Victoria, B.C.

Phoenix fixer
I’d like to thank you for the article on Phoenix…and me (“You Don’t Want This Guy’s Job,” March/April 2019). It is well balanced and comprehensive. (I read both the French and English versions and found the translation to be excellent.) I appreciate the testimonies of CPA colleagues, some of whom pointed out a small mistake: I worked in Moncton, not Halifax, while at the Atlantic Canada Opportunities Agency.

–Marc Lemieux, CPA
Ottawa, Ontario

The truths about offices
As a retired CPA who was a controller for a Vancouver real estate company, I read “iScrapers” (March/April 2019) with interest. I agree that the real estate industry has been slow to adopt certain technology. Two statements, though, seem to be in conflict. The first, that “start-ups are ditching rows of cubicles in favour of open-concept offices tricked out with tech.” The second, that “numerous studies have found that open offices stifle collaboration, decrease productivity and increase absenteeism.” How can both be true?

–James Parke, CPA
West Vancouver, B.C.

WHAT DO YOU THINK?
Send your letter to the editor to pivot.letters@cpacanada.ca or to 277 Wellington St. W., Toronto, ON M5V 3H2. Letters may be edited for length and clarity.
Canada’s decision on whether to ban China’s Huawei Technologies from building 5G infrastructure here couldn’t come at a more difficult time. Tensions between the two nations are uncommonly high: In December, Canada arrested Huawei’s CFO, Meng Wanzhou, at the behest of the U.S. government, which wants her extradited for violating U.S. sanctions on Iran; China responded by jailing two Canadians working in China, and accusing them of spying.

Still, it’s useful to remember this isn’t the first time we’ve wrestled with this sort of dilemma. Nor is it likely to be the last.

Six years ago, Canada allowed a state-owned Chinese oil company to buy Calgary’s Nexen Energy for $15.1 billion, despite concerns it would manage the resource in China’s best interests, not ours. We then tightened our foreign ownership restrictions, prohibiting such deals in the future except under “exceptional circumstances.” Last year, Canada made good on that promise when it blocked a state-controlled Chinese company from buying Aecon Group Inc., a large infrastructure company, citing national security concerns.

The Huawei conundrum is somewhat different. For one thing, it’s not a state-owned company, though few doubt that, if pressed, it would do its government’s bidding. (Chinese law, in fact, compels citizens and organizations to assist the government with intelligence work.) And Huawei isn’t looking to buy our natural resources, or a big Canadian company. Instead, it’s looking to supply Canada with technology to power lightning-fast 5G networks. 5G links traditional cell towers and rooftop antennas with multitudes of small cells able to transmit huge amounts of data almost instantaneously through higher-frequency radio waves. Some Canadian telecoms already use Huawei radio equipment at the top of cell towers and antennas but have not yet allowed the Chinese company to supply equipment for core networks.

But if wireless technology should indeed be considered critical infrastructure, and data the most important resource of the information age, then Canada is on the horns of a familiar dilemma. And so the question is, how great is the risk? Huawei has insisted it would not use its access to the Canadian market to spy on our government, our companies or our citizens. But three of Canada’s Five Eyes intelligence-sharing partners—the
U.S., Australia and New Zealand—have already blocked Huawei over just such concerns. Earlier this year, Huawei itself was charged in the U.S. with attempting to steal trade secrets from T-Mobile. (Canadian corporations and banks have been targeted in the past by Chinese hackers, according to authorities in Canada and the U.S.)

At the same time, freezing out Huawei would further anger China at a time when feelings are running hot. And Canadian companies warn that a ban on Chinese technology will carry a great cost, and will further isolate the global business world into two solitudes—those who do business with China and those who don’t.

There are no easy answers, of course, but there’s something else that’s useful to remember. Cybersecurity experts say Canadian companies must constantly strive to safeguard their data, no matter which way the decision goes. Banning one company is no guarantee. And even the best safeguards won’t be enough to mitigate all the risks. “I’ve been doing this a long time and I’ve never seen it [like this],” says Danny Timmins, a partner and national leader for cyber security with MNP.

Timmins advises clients to identify their “crown jewels”—their most valuable and sensitive intellectual property or data—and concentrate on protecting that first. He also advises crafting instant response plans in the event of a security breach. The sooner an organization finds out it’s been hacked, the easier it is to limit the damage, he says.

Canada is a knowledge-based economy and therefore a natural target, says Robert Masse, national partner in cyber security, part of Deloitte’s risk advisory practice: “How do you protect against foreign-government-controlled and overseas companies getting into the infrastructure, back-dooring it, so they can leverage a potential conflict in 10 or 20 years?” It’s a huge challenge. The U.K. has said it can contain the risks associated with Huawei, but Masse has healthy skepticism about its assessment. Confirming the integrity and security of hardware and software systems is almost impossible to audit today, he says.

Masse shares the belief that to do business globally, all governments and companies must live with some level of risk. Building new walls in a world where the internet, cloud storage and telecommunications have broken them down simply will not work, he says: “It’s very difficult to do that now.”

Sources: Ericsson Mobility Report 2018, Canalys, MacTrends, IDC Worldwide Quarterly Mobile Phone Tracker
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FRAUD

SHAM, WOW

A collection of recent cons

$130,296

Restitution that B.C. widower Miroslaw Moscipan must pay to the Vancouver General Hospital because his late wife, a hospital administrator who died of cancer in 2012, defrauded the institution of more than half a million dollars. She allegedly stole an additional $677,000 from the University of British Columbia. Moscipan told the court he had thought his father-in-law, not fraud, was providing his wife’s suspicious windfalls.

340 KM/H

Top speed of the McLaren 12C, one of several sports cars that 42-year-old CFO Peter Ramdath bought with the $4 million he allegedly stole from his employer, R. Litz and Sons Co., a crane company in Winnipeg. He faces multiple charges (that have not been proven in court) for the alleged con, which reportedly funded his wedding and nights out in Las Vegas, and eventually forced the business to declare bankruptcy.

78%

Increase in major fraud cases that appeared before U.K. courts in 2018, compared to 2017. KPMG’s Fraud Barometer team says high-tech scams and internal fraud are behind the spike.

CBD OIL

One of the cannabis-related products promoted in a newsletter and series of fake blogs that a hacker posted to the U.S.-based CPA Consultants’ Alliance website in February. The organization believes the hacker gained access to the site by guessing a member’s password.

VANDALEE INDUSTRIES

The name of one of several fictional companies concocted by three Nova Scotia sisters and their mother to allegedly defraud the CRA of $3.6 million through GST/HST scams. The name references Vandelay Industries, the fake latex business that Seinfeld character George Costanza infamously invents to con his way into receiving unemployment insurance.

“IT’S AN AWFUL THING TO HAVE TO THINK ABOUT WHEN YOUR LOVED ONE HAS JUST PASSED AWAY”

Edmonton Police Service detective Liam Watson’s statement about scammers who have recently used personal information from obituaries to commit identity fraud. The department recommends families exclude birthdays, employment histories and addresses from their loved ones’ obituaries.

ETHICAL TRADING AND MARKETING LTD.

The name of a phoney philanthropic organization that purported to invest its wealthy clients’ money in HIV research and tree planting in the Amazon. U.K. courts sentenced the company’s two kingpins to a total of 14 years in prison when investigators exposed it as a tax-avoidance scheme.

£599,000

Amount that James Arthur’s accountant stole from the British pop star, who won The X Factor in 2012 and is currently signed to Simon Cowell’s record label.
First Person

THE HARD CELL

Newfoundland and Labrador CPA Colin Corcoran has spent the past decade helping propel his hometown into the 21st century.

The earliest memory I have is sitting behind my parents’ house in Riverhead, St. Mary’s Bay, Newfoundland, mending my father’s fishing nets. This was around the time the cod fishery collapsed in ’92; my father would get up at 3 a.m., go fishing with his father, come home and sleep for an hour, then get up and work at the local store. Sometimes he’d wake up and have to ask my mother what job he was going to. After the collapse, he had a smorgasbord of jobs to support the family—at one he was trained as a microcomputer technologist on software that was already outdated by the time the course was done. Both my parents really taught me the value of hard work.

I had no intention of becoming an accountant; it was on a whim I took a business course at Memorial University and found accounting came naturally. Though my career has been in St. John’s out of necessity, home has always been in St. Mary’s Bay. And like most small Newfoundland communities, it’s facing some really hard questions about the future, and a lot of that has to do with connectivity: there’s no cell tower, and internet access is extremely slow. I’ve been lucky, as an accountant, to be part of trying to solve those issues—especially during a couple of real crises.

The first was in 2011-12. I was splitting my time between Riverhead, where I was on town council, and St. John’s, where I was a policy analyst with the province, and studying to become a professional accountant.

That year things went downhill very fast: the mayor and town clerk resigned, the deputy mayor passed away and the town was regularly in a state of emergency due to an aging water system. There were two schools of thought: one, repopulate the town council and sort out the finances; or two, dissolve the town and let the province take over. I fought for survival.

So we held a town hall, and the community chose the first option. I became the interim mayor, and helped build a new budget, made payment plans with vendors and reallocated spending. It was a wild time; I remember driving straight from Riverhead to St. John’s to take my accounting exam, unshowered and in dirty clothes, since we were in a water shortage. I was in such a rush to get back I almost forgot to turn the exam in.

Then in 2015, my wife, Nanci, and I bought the pub in St. Mary’s. That was when the reality of our situation hit me anew. I could see the demographic decline we faced, reflected in my own customers. I remember a fellow who came to the bar almost religiously, every Saturday. One night I drove him home, and found out the next morning he’d passed in the night. That became a theme—customers, friends, were dying, and it felt like the town was slowly dying with them. We had to do something.

How do you rejuvenate a community like this? We’d fixed the water problem—we needed a whole new pump system, and to fix and replace a lot of lines—but now we had a 21st-century infrastructure challenge. And just as water is necessary for life, connectivity is a prerequisite for economic growth.
The Directors Education Program (DEP), jointly developed by the Institute of Corporate Directors and the University of Toronto’s Rotman School of Management, is offered nationally at Canada’s top business schools. Since the launch of the DEP, over 5,500 directors have completed the program, taking the first step towards acquiring their ICD.D designation.

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development. More than 100,000 people drive what’s called the Irish Loop every year, from St. John’s around the coast of the Avalon Peninsula, and most drive right through the group of communities that make up St. Mary’s Bay—they can’t get service, make a call, check Google Maps, anything.

I’d seen something called the Smart Cities Challenge, a competition by Infrastructure Canada in which winning communities get money for technology initiatives. So I registered a non-profit called St. Mary’s Bay (or SMB) Connect Inc. to apply.

Long story short, we didn’t get the funding, but the province had just put out a call for funds for cell coverage in under-served areas. I’d previously approached Bell Aliant about building a cell tower. They said we’d need a clear business case—pretty tough with only 1,000 people in all the communities. But, I thought, ‘Okay, I’m a CPA. That’s my job.’

Ultimately, we made a deal, with the province contributing 25 per cent and most of the rest coming from Bell Aliant. But the communities needed to kick in 13 per cent. So we transformed SMB Connect into a social enterprise, with each community paying a service fee over a 10-year span to cover it—none could possibly pay up front. We submitted a joint proposal to the province, and in 2020 we’ll be building a $1.03-million cellular system in St. Mary’s Bay.

We’ve also been trying to address internet deficiencies. Again, it’s cost-prohibitive for big telecoms to deliver high-speed service here, but SMB Connect is working with business students at Memorial to look at developing a micro-ISP, taking the one high-speed line we have now and using it to deliver high-speed throughout the communities.

I still work in St. John’s full-time, as director of finance and administration for a technology incubator called Genesis. It helps support technology start-ups from early stages right to investment, and it’s been growing astronomically. I’m the only CPA at Genesis, too, so I can help clients on all kinds of financial and taxation issues, and I’m available to founders and C-suites—sometimes even jumping into clients’ companies as interim CEO, to get them through a tough spot.

I believe it’s important work for this province. But so is what I do in St. Mary’s Bay.

Every time I drive back from St. John’s—even though I’ve driven the route hundreds of times—there’s just something about coming around the rolling green hills, dodging moose and potholes and getting the first glimpse of the lights of Riverhead in the twilight. It’s home.”

—As told to Matthew Halliday

“**I’M ALWAYS ASKED, ‘IS THIS ABOUT MORE REPORTING?’ NO. IT’S LESS BUT BETTER REPORTING.”**

**And how is that going?**

We are making extraordinary progress, but we’re tempered by the size of the task. Right now we have 1,700 companies in 72 countries doing integrated reporting, and it’s already the leading practice in Japan and South Africa. We’re also seeing big numbers in Brazil and Europe. In five years it will likely be the norm in China. And we’ve seen big-name adopters in the United States as well, such as General Electric, Southwest Airlines and Jones Lang LaSalle.

But keep in mind that financial reporting itself developed over hundreds of years. Our target is to make integrated reporting the global norm for corporate reporting by 2025. So that’s a huge challenge.
How would you assess Canadian progress?
Canada is a priority market for us. There is a lower level of awareness here when compared to some other markets, but let’s not underestimate your strengths. CPA Canada has been an important force as a leading and active member of the IIRC globally. [Canadian Dominic Barton is its current chair.]

What explains the low level of awareness in Canada? Is part of the problem that people feel much of this information is already included in Management’s Discussion and Analysis (MD&A) documents?
If so, then that’s a good problem to have. Let’s be honest, Canada is an advanced economy with a pretty good system of reporting. So you are starting from a high point. And if these ideas are already included in MD&As in Canada, then we should consider that a success, not a failure. But can we maximize the benefits of this process? CPA Canada did an analysis and found that integrated reporting is compatible with existing reporting requirements. So that presents a wonderful opportunity for companies here to improve their reporting. And you already have some outstanding examples of integrated reporting in this country.

Such as?
Vancity [Vancouver City Savings Credit Union] was right there at the start of the IIRC. And it produces an outstanding integrated report. Co-operators Insurance also produces a very high-quality report. TransAlta in the energy sector is noteworthy, particularly for showing how its transition to renewable energy has been incentivized by integrated reporting. So I give three cheers to the organizations here that are already doing it.

What will be required to achieve full-scale adoption in this country?
It’s all about a mindset shift—from short-termism to having companies look to the long-term and adopt a holistic view of all their different resources and relationships and impacts. Only when this new mindset comes through will we have truly succeeded. I am always being questioned: “Is this about more reporting?” No. It is less but better reporting. More concise information that is more material to the company. It’s cutting the clutter.

Is concern about reporting on climate change spurring action on this front?
Climate is top of mind for many businesses right now. And so we can see climate change disclosure gaining traction among Canadian firms. It’s a stepping stone. But it doesn’t stop there. There’s population change, demographic change, technological change. All these megatrends are as big in terms of impact as climate change. And only by having a connected—integrated—view can companies really know what is material to their long-term value creation.

What role will accountants play in this transition?
The IIRC was set up as a result of the efforts of the International Federation of Accountants [IFAC, of which CPA Canada is a member]. If accountants are going to ensure their reporting remains relevant in the future, then this work is absolutely essential. Information is changing. The difference between the old days and now is the difference between a tap and a lake. Before, the tap turned on the information once a year, and then turned off again. Now information is coming from all directions. Companies will have to decide whether they want to tell their own story, or if they want to let others do it for them.

Two years ago, IFAC said integrated reporting is the future of corporate reporting. No hesitation. No qualification. And pay credit to accounting schools and the big accountancy firms for their thought leadership and support. The whole profession is behind this mission.
DEATH BY TAXES

Taxes used to be simple. In 1918, when Canadians filed their first tax returns, they filled in a mere 23 lines on a form and forked over as little as two per cent of their income. Today, that’s 328 fields and an average of 23 per cent. And over the past century, the Income Tax Act has ballooned from six pages to more than 3,000 (in the bilingual version). The last major review of Canada’s tax system was completed in 1967. Many, including CPA Canada, believe it’s time for another. —Steve Brearton

$6.9B
Estimated amount that Canadian taxpayers spend to comply with personal income tax rules every year

$1,200,000,000
Estimated federal benefits for low-income households that go unclaimed annually due to excessive tax complexity

53,500,000
Calls to the CRA regarding taxes or benefits, March 2016 to March 2017

70,352
Canadians who filed formal objections to their tax returns in 2015-16

Outcomes of tax return objections

- 42.3% Successful
- 22.5% Partially successful
- 34.8% No change
- 0.6% Increase in tax owing

Days required to complete a CRA audit

- International and large business objections
- Offshore and “aggressive tax planning”

Small and medium enterprises

- 279
- 425
- 213
- 251
- 323
- 541

Time it takes a business to prepare, file and pay all taxes, 2018

SOURCES: CANADA REVENUE AGENCY, CPA CANADA, CPA CANADA BUSINESS FOUNDATION, DELOITE & TOUCHE, OFFICE OF THE AUDITOR GENERAL OF CANADA, PROSPER CANADA, WORLD BANK
The word “tax” appears on this page nine times. It shows up 28,505 times in the full Act.

The Act contains 19 parts, 11 divisions and 18 subdivisions.

The Act concludes with five pages of amendments “not in force.”


783,137 in the King James Bible

40,000 in an average native English speaker’s vocabulary

228,132 entries in the Oxford dictionary

This page contains 642 words.
The entire Act has 1,029,042.

This version of the Act is 3,227 pages long. When it was introduced in 1917, it was six pages.
Canadian politicians might want to look south—way south—to learn how to reform the tax system without dividing the nation.

Are election campaigns a good time to talk about tax reform?

Most Canadian political advisors would say no—it’s too divisive, too complicated. As former prime minister Kim Campbell famously mused on the subject of social policy during the 1993 election: “This is not the time to get involved in a debate on very, very serious issues.”

New Zealanders might offer a different answer, and it’s one Canadians would do well to consider. Over the last 30 years, successive governments and academic groups in Wellington have undertaken comprehensive tax review efforts almost every time power changes hands. And since 1994, legislation there goes through a “generic tax policy process” (GTPP) every time they want to change the system. It ensures that the tax system remains not only calibrated to the political goals of the party in power, but also reflects broader changes the country is going through.

In Canada, by stark contrast, the federal government hasn’t conducted a proper, principles-based review of the national tax system in half a century. The last time we did, Canadians were celebrating the centennial and marvelling at a Toronto Maple Leafs Stanley Cup win. Various governments since then have mainly added, subtracted and tweaked elements of the system, leaving a mishmash of tax measures that look like a frequently mended overcoat. A recent poll by Nanos Research for CPA Canada found that 81 per cent of Canadians see a comprehensive tax review as a priority for the federal government, with 35 per cent saying it should be a high priority. However, hopes by CPA Canada and other organizations that Ottawa would announce such a review in the March budget never materialized.

New Zealand, meanwhile, is in the home stretch of its latest review effort. Its Labour coalition government came to power in 2017 on a promise to implement some form of capital gains tax, saying it would improve fairness and make the national revenue system more sustainable in the face of demographic, workforce and technological change. The government has put its plan through extensive public consultation prior to the GTPP, which provides for “early consideration of key policy elements and trade-offs of proposals, such as their revenue impact, compliance and administrative costs, and economic and social objectives.” The process builds in mechanisms for external feedback at several stages.

A preliminary analysis was done by an 11-member working group, chaired by a former Labour finance minister, that included five tax specialists, two of whom are members of the Tax Advisory Group of Chartered Accountants Australia & New Zealand (CA ANZ). Since it began in late 2017, the process has included opinion polls, written briefs and public hearings. An interim report, released last September, recommended various options on extending the taxation of capital while, in fact, ruling out a capital gains tax that does not form part of the existing Income Tax Act. The government intends to take recommendations from a final report and put them to voters in next year’s election.

John Cuthbertson, tax leader for CA ANZ, says the most salient element of the process is that it’s undertaken “holistically,” meaning that specific changes to the system must account for their impact on the entire tax code, including policies governing charities, retirement savings and the environment. The government has dubbed the exercise “a national conversation on the future of tax.”
It’s an impressively transparent process and it offers some important lessons, quite apart from the fact that New Zealanders don’t wait half a century to make big fixes to their system. As CPA Canada’s recent position papers on the subject point out, Canada’s system is suffering from a host of shortcomings, including the loss of our corporate tax advantage since the U.S. slashed its rates; uncompetitive personal income tax rates and thresholds; an overreliance on income taxes; and administrative complexity.

The federal government’s economic statement last fall offered some temporary measures designed to accelerate business investment, but what is needed is a long-term framework constructed on a rational, consensus-based enumeration of core principles, such as simplicity, fairness, efficiency, competitiveness, transparency and regular review.

New Zealand’s lawmakers realized this back in the early 1990s and constructed a neutral space in which tax policy can be routinely reviewed and improved. That framework has survived several governments with sharply different ideological perspectives and proves there’s a way of talking about difficult subjects that governments would rather avoid. If it can happen there, why not here?◆

Bruce Ball, FCPA, FCA, is the vice-president of taxation at CPA Canada.

THE ECONOMIST

MONEY BLIND

How can we design good public policy with bad, or non-existent, data?

Canada is faced with all sorts of difficult economic questions that we can’t answer. Some are quite old, and we just can’t seem to solve them. Others are newer, but equally difficult to crack. Still others are somewhere in the middle, where we have some evidence for a possible answer, but not one that’s clear-cut. How do we solve chronic homelessness, or how do we prepare Canada’s workforce for a future labour market where AI and automation are ubiquitous? How does a reduction in the corporate tax rate affect business investment?

Regardless of the question, though, at the heart of every unsolved economic quandary is the issue of data. Or rather, our lack of data. Let’s consider an example: designing a GST/HST tax credit for lower- and middle-income households. The idea behind the credit is that, since sales taxes are regressive, some households should get a break by getting some money back. But how much do we give?

The problem isn’t that there’s no data—obviously, since the GST/HST tax credit has been around for ages. The problem is that our data needs aren’t static. For years, the government has used its Survey of Household Spending to collect information on how much people spend on a range of goods and services. This data can then be broken down by income cohort so we can figure out how much lower- and middle-income households spend on key necessities in order to design a tax credit that accurately reflects that spending.

Simple, right?

Not so fast. That survey requires households to accurately track how much they spend on all sorts of goods and services for an entire year. Statistics Canada requires monthly collection cycles where households are asked to fill out questionnaires and keep literal diaries of their spending. How likely is it that you’d be willing to do that?

Actually, I already know the answer—not likely. In the 2017 survey, the response rate to the questionnaire portion was a decent 67 per cent. The response rate for the diary portion was considerably lower at 41 per cent. High response rates are critical because Statistics Canada spends an enormous amount of effort ensuring that their data accurately reflects Canada as a whole.

Statistics Canada called the decline in the diary portion concerning, noting that it had been falling over time. This obviously raises questions about the reliability of the data. How can we be confident in using this data and basing policy decisions around it?

This is not a good situation, and Statistics Canada knows that. This brings us to last October when it was revealed that the statistical agency was planning to go directly to the banks for “individual-level financial transaction data.” It’s difficult to say with certainty that the move was related to the low response rate of the household spending survey, but it’d be a hell of a coincidence if it wasn’t.

Statistics Canada ultimately dropped the idea due to a widespread public backlash. And that points to exactly the problem we face with data today.

Our data needs are getting more complicated as the questions we’re asking get more complicated.
Yet our attitude about data is a constantly moving target—especially today given concerns about how our data is being used. So how do we find that balance between getting deeper, more granular data than we have in the past and privacy concerns that are paramount in today’s environment?

There’s no easy answer. The federal budget this year includes numerous measures aimed at getting dollars in the hands of Statistics Canada and other agencies for the express purpose of collecting better data. Everything from the real estate sector to the health care and energy sectors are getting much-needed investments in this area, and it is here that the CPA profession has an important role to play.

THOUGH IT’S UNDER-APPRECIATED, ACCOUNTANTS ARE RESPONSIBLE FOR THE SINGLE MOST IMPORTANT STATISTIC USED BY ECONOMISTS

Unbeknownst to most, the accounting profession is responsible for a cross-section of data that we use every day. When Statistics Canada asks firms for data on expenditures and financial disclosures, the data is directly aggregated into what we know more commonly as GDP, or gross domestic product. The individuals providing that data are typically in the financial reporting areas, which are stacked with accounting professionals. Though it’s under-appreciated work, accountants are largely responsible for the single most important statistic used by economists everywhere.

And it’s not just financial data. All kinds of data at the firm level are in the hands of accountants, and that data is going to be looked upon in the near future to answer some of those very tough policy questions. That’s a positive thing, because what’s needed now in managing that data is trust—trust that we are using and managing that data in good faith—and the accountancy profession is well-positioned for that, too.

A recent Gallup poll in the United States noted that accountants are consistently rated as one of the most honest and ethical professions, behind only nurses, doctors, pharmacists, school teachers and police. Accountants have a real opportunity to play a leadership role in the future of how we manage our data. Our economic futures depend on it.

Francis Fong is chief economist at CPA Canada.
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A Finance Team Designed for the Future

At Keurig Dr Pepper Canada, CPAs have completely shifted their outlook from tracking transactions to driving growth. It’s great for business—and fantastic for recruiting.

In 2014, when Guillaume Gratton joined Keurig Canada Inc., the Canadian subsidiary of Keurig Green Mountain Inc., he found himself in an unusual corporate environment. While the organization was large and growing rapidly, Keurig still had the feel of a young company. “At home, single-serve coffee systems were barely 10 years old,” he says, adding that the place felt almost like a start-up. “We had to create a lot.”

Four years later, in July 2018, Keurig Green Mountain merged with Dr Pepper Snapple Group to create a US$11-billion-a-year powerhouse. Its Canadian entities, Keurig Canada and Canada Dry Mott’s, merged business forces and now operate under the name Keurig Dr Pepper Canada. With 1,600 employees strategically located in Montreal, Mississauga, and across Canada, they combined forces to grow iconic Canadian brands such as Mott’s Clamato, Canada Dry and Van Houtte. Gratton—who began his career at Deloitte and worked in the media and food sectors before jumping to Keurig—moved from Montreal to Boston, where he is now Vice-President, Corporate FP&A.

What he brings to his new position is the experience of shaking up the Canadian finance function by completely shifting its outlook from a traditional transaction tracking...
mandate to a far more proactive orientation aimed at driving growth. Today, the finance team works closely with other departments to plan and execute corporate strategy and operations. “We focus on what’s going to drive value,” Gratton says.

Continuing some of the groundwork his predecessor had laid, Gratton worked closely with his team to bring real change to their tasks. The story of the transformation he led was all about rebooting the role that CPAs play within a finance team and the company more generally. As has happened in other organizations that have attempted similar cultural resets, Gratton focused on showing the other members of the senior management team that CPAs can boost the performance of even a fast-growing company.

A key step, he says, was encouraging his team members to rethink their relationship to other functions. “It was about shifting the mindset from being purely transactional and GAAP-focused to focusing on insights and analytics.”

For example, Gratton’s group began working with Keurig’s sales, marketing and commercial strategy teams to optimize the promotional spend on various retail accounts. To deliver those insights, he says, the finance team used data analytics tools to track the performance of previous promotions, and use those findings to generate profit-and-loss pro formas showing how to maximize return on investment for a given account without alienating other customers.

That kind of forward-looking financial analysis “forces the business to find new ideas [for driving revenue] instead of just repeating the past,” he says. “It’s all about partnerships with the business [side] and being open and candid about sharing data.”

Another crucial aspect of the cultural transformation involved demystifying the company’s granular financial information so the insights could be useful to the business side of the firm. “If we keep the information to ourselves,” Gratton explains, “the rest of the team can’t know if it’s doing the right thing. We had to remove the complexity and share the insights with all our internal partners.”

Lastly, Gratton’s strategy extended to the way his finance team recruited and retained new talent. Most CPAs who have been involved in hiring in recent years are familiar with the ongoing war for talent. For his part, Gratton knew he wanted a different sort of recruit for Keurig’s finance group. New recruits had to be comfortable with the emerging analytics tools that allow CPAs to make historical financial data relevant to a firm’s growth strategy.

As well, he wanted to hire new CPAs with an entrepreneurial bent and a willingness to do things differently. “I’m looking for people who are interested in business because this is as close as you’ll get to running a business,” he says. “I want people who can identify risk and are willing to challenge the status quo and conventional ideas.”

To that end, in 2015, Keurig began steeping itself in continuous improvement training, and especially Lean Six Sigma Green Belt certification. By the time the program rolled out, almost a fifth of Keurig’s 100-member finance division in Montreal had received their CI certification, which, Gratton notes, produced a critical mass of people constantly looking for new ways to leverage financial data to drive growth and profitability. It’s not a coincidence that Keurig’s Canadian division was named as one of Canada’s Top 100 Employers for both 2018 and 2019.

As validation of the success of the transformation, Gratton points out that other functions, including commercial strategy, supply chain and human resources, actually started recruiting members of his team, clearly demonstrating that finance CPAs understand and deliver value to the business. The result is a further strengthening of the growing partnership between the finance function and the key operational units. “It shows the CPA designation can open the door to other functions,” Gratton observes.
To thrive in the future, CPAs will need to shape it. Inside Foresight, the project to reimagine the profession.

BY LUC RINALDI

Fifteen minutes north of Halifax, there’s a giant lobster on the side of the highway. You can’t miss it. It’s perched atop a sign that says Clearwater, its crimson antennae and faded claws beckoning to motorists to pull over and pick up some seafood. Inside a white-and-blue storefront, customers can pluck lobsters from a cross-shaped reservoir or buy scallops by the pound off beds of ice. Locals who regularly make the pilgrimage know that the only way to get fresher shellfish is to catch it themselves.

What those locals may not know is that, beyond the back wall of that shop, the roadside facility is also the HQ of Clearwater Seafoods, an industry giant that did $621 million in gross sales across the globe in 2017. The best place to see the entire operation in action is inside the office of its chief financial officer, Teresa Fortney. From her window, the come-from-away FCPA can watch sailboats cruise through the Bedford Basin. From her desk, she monitors every aspect of the business, including dozens of processing facilities and vessels across the world, sales in 45 countries, as well as the storage and distribution centre downstairs, where every hour employees send and receive truckloads of lobsters.

It may not look—or smell—like a typical CPA’s office. Nor does Fortney always employ what some might consider typical CPA knowledge. “Accounting practices and audit standards are a piece of my credibility as CPA, but they don’t define who I am or what I do on a day-to-day basis,” she says. “The only person who asks me questions about accounting standards is my auditor.”

Then again, there is no such thing as a typical CPA. Fortney saw that firsthand last fall, when she was one of about 40 participants—accounting firm execs, entrepreneurs, regulators, academics, government representatives, sustainability experts, technology leaders, and professional accountants working in business and industry—to participate in a series of three roundtables on the future of the accounting profession. The sessions were a central element of an ambitious CPA Canada project called Foresight, an ongoing multi-stakeholder process to reimagine the profession. In person
and online, the Foresight process asked more than 1,200 CPAs and non-CPAs: in a world of emerging technologies, changing demographics and new geopolitical pressures, what role should the Canadian accounting profession play?

Over the three roundtables, Fortney and her fellow participants debated all the thorny questions that dog the future of accounting: will artificial intelligence replace auditors? Are historical financial statements becoming obsolete? How much should CPAs know about Big Data, machine learning and blockchain?

Those are not easy questions to answer. “At the roundtables, everybody came together with their own experiences, contexts and frames of reference,” says Fortney. When they thought about what it meant to be a CPA, they thought about their own careers. “People were simplifying it into their own paradigm. Foresight stretched everybody to think about more than their own path and experience. My perspective as CFO of Clearwater might not be the same as the perspectives of the 39 other people.”

But those 39 viewpoints were equally important to the process. “Teresa brought an important perspective as a CPA working within a business,” says Tashia Batstone, FCPA, CPA Canada’s senior vice-president of external relations and business development. “She stressed that we have to think not only about reporting and measuring, but about the strategic role that CPAs play co-piloting an organization in conjunction with the senior management team. Finding new ways to unlock and create value in an organization is core to what she does as a CFO.”

Finding ways to create value is also a central theme of the report that emerged from Foresight’s first phase, which hints at a bold, perhaps unfamiliar vision of accounting. It asks, if the heart of yesterday’s accounting profession was equating value to tangible assets and historical based financial statements, what about today and tomorrow? What skills and proficiencies should Canadian CPAs have in the information age, whether they work in a firm, a start-up or a seafood business? Where can they provide value? Perhaps the Canadian CPAs of
2030 will be not just auditors and accountants, but guardians of data integrity, ensuring the information that flows in and out of AI applications is accurate and unbiased. Or they may be stewards of the planet, measuring intangibles like sustainability as robustly as they record financial information.

Companies will always need business partners and trusted advisors who can provide professional judgment, but what it means to be that advisor is changing. Foresight is trying to get ahead of that change and shape it. “We can’t rest on tradition. We can’t just be the keepers of finance,” says Joy Thomas, FCPA, the president and CEO of CPA Canada. “We have to look at things differently. I know the profession has a future that is valuable and bright and exciting. But to get there, we can’t wait for the change to drive us. We have to be the ones who drive the change.”

For decades, the accounting profession has followed a familiar storyline. “Something happens, regulators come in, a change gets made, more rules get put in and we adapt,” says Thomas. “It’s a very traditional profession, and it hasn’t had a massive shift in a very long time.”

Since 2015, CPA Canada has been trying to interrupt that cycle. The organization released the “Drivers of Change” report, which considered how economic, environmental, technological, societal and geopolitical forces would transform the world in the near future, and how CPAs might employ those drivers in their organizations’ strategies. The takeaway: if CPAs don’t actively prepare, they risk confronting their “Uber moment,” says Batstone. “At CPA Canada, we see it as our responsibility to make sure our members are prepared to change and adapt and continue to add value in a dynamic business world.”

Tim Herrod, a roundtable participant from Saskatoon, agrees. “This is not a comfortable process, but it’s a valuable investment,” says Herrod, CPA, a senior external advisor with Bain and Company who specialized in procurement transformation. “Many other professions sit back and look at the world and wonder why things are changing. CPA Canada is doing something strategic and essential.”

When CPA Canada launched Foresight, they looked at what their international counterparts were doing to prepare for the future. “Accounting bodies around the world have been talking about the future of the profession in terms of financial reporting and finance,” says Batstone. Notable projects in the U.S. and the U.K. are rethinking audit altogether. The Foresight team wanted to go further. “We wanted to understand the future of business—where we’re moving as an economy, how to best position ourselves as professional accountants, and how we can serve and support business leaders while being true business leaders ourselves.”

To do so, CPA Canada hired Catalytic Governance, an agency that helps organizations strategically plot the future. Together, they convened the three main roundtables, held a series of smaller consultations and launched SoapBox, an online forum where the entire membership and other stakeholders could weigh in. Using an AI analytical tool called Lexalytics, CPA Canada summarized the online insights and incorporated them into the roundtable discussions and final report.

At the roundtables, several speakers—including McKinsey Global Institute partner Sree Ramaswamy and former Xerox chief scientist John Seely Brown—presented on automation, artificial intelligence and the rules that will govern Big Data, among other topics. The roundtable participants then developed four “scenarios,” plausible visions of the future of the profession and the globe at large:

- **Slow and Steady:** a world in which the international community values stability above all else. Nations cooperate, but heavy regulation and risk aversion stifle the pace of innovation. Few meaningful steps are taken to combat climate change.
- **Phoenix Rising:** after a series of economic and climate crises, global powers band together to embrace collaboration and transformative change. Smart regulation encourages progress without letting it run wild, achieving major progress in technology, sustainability and inequality.
- **Tech Titans:** without a concerted effort from governments and regulators, global tech firms dominate the economy and dictate the direction of the planet. While mass innovation improves the world in some ways, it also leads to inequality and job insecurity.
My Way: a future in which the planet embraces neither transformative change nor a common global purpose. National governments turn inward, leaving the world more vulnerable to inequality, climate crises and geopolitical friction à la Brexit.

The scenarios were not meant to definitively predict the future, but to show four plausible versions of it. Once the roundtable participants realized what all scenarios had in common, they debated—often passionately—what skills and services would be most valuable in all four of those possible futures. Most importantly, which of those would CPAs be best suited to provide?

Amar Ahluwalia knows speed can be unnerving. His customers told him so. He’s the vice-president of partnerships and capital markets at the online lender OnDeck, a company that uses more than 2,000 data points from more than 100 real-time sources to make small-business lending decisions. In fact, the pace of the information was so breakneck that users complained it was overwhelming. “We’ve actually had to slow our model down so customers don’t find it too fast,” he told a Foresight roundtable in October.

That speech led to a vigorous discussion among the roundtable participants. For starters, what was all that data, where was it coming from and could it be trusted? And if OnDeck was relying on real-time data instead of historical based financial statements, where did that leave accountants and auditors?

A cynic might answer: job-less. But an optimist might instead see the opportunity in OnDeck’s story. Data is messy and incessant. The flow of data (everything from stock prices to industrial gauge readings to social media posts) has multiplied 45-fold since 2005, according to McKinsey. Those figures and tweets might not be important individually, but data as whole is the fuel that powers artificial intelligence, the technology that can teach cars how to drive themselves and predict the outcome of a tax-law court case, among other revolutionary applications across virtually every industry.

On Deck’s platform didn’t need more data, whether from audited statements or real-time stats. It needed someone to make sense of the information, verify it and know when to question it. “I think there’s a huge role there for the CPA to play in that,” says Batstone. “The profession needs to shift from hindsight to foresight. Given the need for real-time decision-making, the ability to wait for historical based financial statements is no longer a luxury most businesses can afford. They require data to support their decisions, and that data must be available in real time. I don’t think all CPAs need to be data scientists. But I do think we need to understand the science of data.”

In many cases, the data won’t be financial at all. “If we have all of our eggs in the basket of measuring financial value,” says Batstone, “we may be focusing on things that aren’t really relevant to business users and investors today.” They may be more focused on, say, sustainability. At Clearwater, Fortney’s colleagues work with government and the Marine Stewardship Council, an independent non-profit, to measure the sustainability of their fisheries, a renewable resource. But they don’t measure sustainability directly within their business. It wasn’t that the topic hadn’t come up. “Being in the seafood industry, sustainability is top of mind for us. We live it every day. We label and package that way,” she says. “But once you get to the financial package we prepare at the end of the year, none of that is woven in.”

So, after returning from the Foresight roundtables, Fortney started looking for ways to weave it in and help readers truly understand Clearwater’s sustainability and innovation story. “These are not easy things to measure or report on,” says Batstone. The profession is exploring approaches, such as integrated reporting, to measure and report on other sources of value, such as natural and human capital. However, there is still inconsistency in the marketplace. Even if businesses decide to report on their sustainability or the integrity of their data, their reporting may not be consistent from company to company, or even necessarily comparable from year to year, Batstone explains. “It’s a bit of a Wild West.”

The second phase of Foresight, currently underway, will determine how CPAs can become sheriffs in that Wild West. “We, as a profession, have a lot of expertise in frameworks and standards, so there’s a role for us to play,” says Thomas. The profession has relationships with government, regulators, standard-setters, private and public companies, international accounting bodies and more than 217,000 members. “There’s no one stakeholder in our ecosystem that can drive change alone,” says Thomas. But CPA Canada is in the unique position to bring all those stakeholders to the same table.

Foresight Phase Two working groups will research how the profession can work with regulators,
standard-setters and other stakeholders to better understand the role professional accountants can play in areas such as data standardization and new models of creating, identifying, measuring and reporting value. They’ll also ask important questions about the skills and competencies that CPAs will need to succeed in the information age. With technologies changing so rapidly, CPAs will need to be adaptable and resilient, and embrace change by undertaking a continuous process of learning, unlearning and relearning.

Their answers may lead to a very different kind of accountancy, starting with the way CPAs are trained. “This is going to come down to new CPAs,” says Herrod. “If we’re going to have an impact on the profession in 2030, it starts with education: who are we attracting, why are they deciding to come to the profession and how are we preparing them for what the market needs?” He argues that the designation should eschew highly technical training in favour of valuable core competencies—whether that’s general business acumen or enabling skills like negotiation and problem solving—on top of which CPAs can develop specialized knowledge.

Still, for every new competency that enters the certification program—e.g., data analytics, accounting for the sharing economy—something must come out. Herrod, for one, questions whether CPAs need to learn the fine print of audit. “Digital automation and artificial intelligence could give us the ability to complete many audit procedures without any humans involved,” he says. “If we want to stake our profession on that, we won’t have a profession.” Ultimately, the decision comes down to: what skills will the CPAs of 2030 need?

Teresa Fortney would like to know—not just for herself, but for her daughter. While Fortney will leave Clearwater this year to pursue opportunities closer to her family in Ontario, her daughter, who is currently pursuing her CPA designation, will continue to work in the audit practice of a large firm. Fortney wonders if her daughter’s future job even exists yet. “In another five or ten years, I’ll be joking with her, ‘So tell me, how does audit connect to what you’re doing now?’”

Fortney is excited, not scared, to watch it all unfold. “It would be easy to see all the change that’s going on in the world, the environment and the political arena and be fearful of it,” she says. But speaking to other CPAs and realizing they all want to work together to remain relevant, she’s optimistic. “It becomes less scary. There might not be a definitive path forward. But Foresight is helping set the direction. It’s starting to get a little bit clearer.”

Gabrielle Loren looks forward to a day when her accounting team no longer has to cajole clients into handing over myriad financial statements to help properly balance their books. Once open banking becomes available in Canada, she says, accountants can get a client’s permission to access financial information directly from the bank. “It will make our lives a lot less complicated in trying to hunt things down,” says Loren, a CPA and partner for business development at B.C.-based accounting firm Loren Nancke.

Jeff Cates, until recently the president and CEO of Intuit Canada, the company behind TurboTax and QuickBooks, is even more enthusiastic. “It’s going to be an accountant’s dream,” he says. Cates sees accountants using open banking to help their clients make better financial decisions which, in turn, will add more value to the profession.

Open banking promises to be the next revolution in the financial services industry, even if many Canadians aren’t aware of it yet. It allows, with the customer’s permission, the sharing of data directly between a bank and a third party, such as an accountant or another financial firm. Everything from bank transactions and loans to investments at various institutions, and more, could be made available. The third party can then use that information to offer a wide range of products and services, like loans, mortgages or financial advice. Open banking is expected to boost competition and innovation in the financial sector and lead to more efficient and effective tax, accounting and audit services.

“It’s a big issue unfolding right now that will have an impact on the profession—a great example of what we are looking at with Foresight,” says Tashia Batstone, FCPA, the senior vice-president, External Relations and Business Development at CPA Canada. “A vast amount of data is going to be moving

£7.2b

The “revenue opportunity” open banking is predicted to create in the U.K. by 2022
It will need structure around it. CPAs have a tremendous amount of value to add, because providing information, integrity and trust is what we’ve done since the advent of accounting.”

The U.K., the European Union and Australia have already passed open banking legislation. In its 2018 budget, the Canadian government promised to study the subject, and last fall Finance Minister Bill Morneau created a four-member Advisory Committee on Open Banking that included Colleen Johnston, a CPA and the former CFO of TD Bank. The members took submissions until early February and in the months ahead are expected to release a report that Ottawa says will assess “the potential merits of open banking for Canada, with the highest regard for consumer privacy, security and financial stability.” The government should move fast, says Cates: “If we don’t get in front of this, other countries will.”

Open banking will have “a profound impact on consumers and the financial ecosystem,” according to a PwC report released earlier this year. In the U.K., where it came in just over a year ago, PwC sees a “revenue opportunity” of at least £7.2 billion by 2022. So far, a lot of the innovation has been in “account integration,” open banking apps that let consumers see and control all their money from multiple institutions in one place. Experts see financial management and credit scoring as big opportunities, as well as integrated lending and accounting platforms for small-to-medium enterprises.

Still, any new technological advance comes with risk, and open banking is no exception. Some of the biggest concerns include privacy breaches, data security, cybercrime and fraud, according to the PwC paper. It cites a 2018 Statistics Canada report showing that banks were the primary target of cybersecurity incidents, at 47 per cent in 2017. “Open banking has the potential to magnify the impact of breach and cybersecurity incidents when they happen,” the report states, while calling on regulators to figure out what “a good data stewardship model looks like.”

Ensuring data is kept private and secure could be more challenging and expensive with the increased flow of information between parties. Industry standards may also need to be developed to ensure the consistency and control of client data handled by accountants. Michael Wong, Principal, Technology, Research, Guidance and Support with CPA Canada, expects to see some impact on the audit side. “One question may be, how will auditors
transition from performing audit procedures on bank statements to data feeds? What controls will be necessary? These are the sorts of things auditors will need to think about.”

Ryan Leopold, a CPA, the national banking and capital markets assurance leader at PwC Canada and a co-author of the report, believes open banking will help drive innovation. Still, “there are challenges to getting this in use and making it widely accepted,” he says. In the U.K., uptake has been slower than expected due in part to concerns around data privacy and protection, and challenges with implementation. “It will take time to get people on board and maximize the potential benefits,” he says.

Leopold says there will need to be an industry standard for accountants on how data is gathered and used. “Institutions across the board are asking the right questions about, ‘What are the controls over the data? How do we know that it’s fit for the purpose?’ There is a role for the CPA profession to take a look at [those controls].”

Accounting professionals will also have to ramp up their knowledge and use of technology, says Abhishek Sinha, a partner in the financial services advisory practice and the open banking and blockchain leader at EY Canada. “Professionals will be a lot more multidimensional than they have been in the past,” Sinha says. “That’s going to be the future: when everyone, no matter which part of the accounting or audit world they’re in, must have a basic level of technology awareness and skill.”

The profession, he adds, will need “to think about how to train [people] to be really comfortable with data and, at the same time, get the insights they need to be able to audit from that data.”

Gabrielle Loren admits she has “mixed feelings” about open banking. While she welcomes the ease and transparency it will bring with audits and other accounting services, her firm—which includes four partners and 23 full-time staff—will also have to invest time and money into training staff on handling this sensitive data, and ensure their security system can meet the new demands. But she believes the investment will be worth it, and that accounting firms need to move with the times if they want to continue to attract and retain clients.

Open banking might even give accountants more peace of mind that their work is accurate, she says. Even though clients are asked to sign a disclaimer saying the information they’ve provided to their accountant is correct, “it isn’t as solid of a backup as being able to use open banking to see it’s all there,” Loren says. “It gives accountants the comfort of saying ‘I’m putting my name on this.’”

MAKING NEW VALUE JUDGMENTS

Jon Lukomnik, a long-time institutional investor, author and corporate governance expert, says the accounting industry faces an “existential crisis.” Pivot spoke to him in March.

What do you see as the biggest challenge facing the accounting industry today?

Accounting was invented in Florence during the Renaissance, and it worked pretty well until the last quarter of the 20th century. It worked because we traded things, and wealth was created by things. Now, though, we have a world where, increasingly, value is in the intangibles. How do you value a company like Uber, where the value is in the business model? How do you value software code? How do you value brands? Coca-Cola spends hundreds of millions of dollars a year, and our accounting systems say that’s an expense with a positive externality, but if Pepsi bought it, then it would become an asset on the balance sheet. That’s irrational.

What’s the impact of this on capital markets?

Look at Amazon. Right now it’s worth around US$900 billion, and it’s trading at a 94 times price-to-earnings ratio, while its price-to-book is 20. Either we as institutional investors have lost our collective minds to pay 94 times earnings for a large company like Amazon, or we’re not measuring the potential to create future value correctly. That’s what’s happening. One study found that intangible assets account for 84 per cent of the S&P 500’s total value.

You’ve said that the proliferation of data is eroding the value that accountants provide. What do you mean?

Our regulatory system is designed as a one-way reporting regime in which audited financial statements are communicated once a year. That used to be where everyone started their research from. Nowadays, you can scrape zettabytes of data from
numerous places in real time, and artificial intelligence and machine learning can help people use it to make decisions. A lot of it is lower-quality data, but still, now a financial statement is a proof statement of all the information that’s already gathered. The information that’s not accounted for by professional accountants is exploding. To me, these are existential issues facing the profession. Traditional accounting is becoming less and less relevant, and it will be even less relevant when we end this conversation than when we started it.

What can be done? There are a lot of really good accountants out there who are doing a good job, but with an increasingly narrow slice of information. There are leaders in the profession who acknowledge these issues, but there’s also a huge base of accountants who are comfortable doing what they’re doing. The place to start is to get the profession’s leaders and their institutions, such as CPA Canada, AICPA in the U.S., the SEC, OSC and the International Accounting Standards Board, among others, to say, “We don’t know the answer right now, but we know we have a problem.” They then need to get together and deal with it.

Do you think that will happen? Well, the only option not worth doing is doing nothing. I want accounting to thrive. There are a lot of smart people in this profession—they need to say, “In three years, we want to know the process we will take to solve the problem, and then that process should take no more than five years before it starts producing results.” At the very least, the industry could ask the standard-setters to think about what criteria should be used to establish which intangibles should be addressed first. CPA Canada’s Foresight initiative is an example of how to put these issues on the table, but this has to be an industry-wide effort. It should be viewed as a market opportunity. If we can address this, then accounting and assurance will grow in relevance for investors like me, and it will grow the industry’s revenues. This is for the good of the profession.

—by Brian Borzykowski

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There are two adages that seem contradictory, yet manage to be simultaneously true: 
*Change is the only constant.* 
and 
*Plus ça change, plus c’est la même chose.* (The more things change, the more they stay the same.)

Both of these are highly relevant for CPAs in today’s world. Let’s start with the first. As the digital revolution amps up uncertainty, CPA Canada’s Foresight project has been exploring the ways the future might unfold. Will society become more fragmented, with self-interest being the priority, or more cohesive, with a collective focus on social capital and the pursuit of a common purpose? Will communities resist transformative change and turn inward to protect against danger, or embrace innovation and attempt to harness its vast power?

Society’s reactions are unpredictable, and many of the technological tools that will be available in the next couple of decades are unimaginable today. We’re already seeing a mind-boggling array of advancements. The ability of artificial intelligence to make medical diagnoses on par with or better than practitioners in areas such as skin cancer is inspiring. Similarly, IBM’s AI platform Project Debater recently showcased its ability to effectively debate a human opponent by framing rational arguments in support of a position, while also understanding and rebutting counter-arguments. This sort of progress highlights the opportunities for technology to enrich human decision-making.

But we’re also seeing threats form. The emergence of “deepfakes”—synthesized videos showing people saying things they never said—warns us that seeing is no longer believing. Even more disastrous is the potential for the militarization of autonomous AI systems. The new frontier will be a magnet for power and corruption, and society will undoubtedly face great challenges in this regard.

“Um...”

Some AI gadgets interject imperfections into their speech to seem more human.
IT’S NOT FAR-FETCHED
THAT AI SYSTEMS WILL ONE
DAY BE TRUSTED
TO SUGGEST TAX PLANS OR
BUSINESS STRATEGIES

Where will CPAs fit in? Will our role as trusted advisor remain intact? There are many facets to trust. We trust those we believe to be knowledgeable, and trust is reinforced through positive interaction. Emerging technologies are being built with these factors in mind. Computers are vastly better at data analysis and are now learning to interpret nuanced human language. Systems are designed to be not only technically impressive, but to present as human, to take on gender and to simulate emotion (like Sophia, a machine-learning robot who was given Saudi citizenship and spoke on the importance of family). AI agents even replicate our imperfections to be more realistic (Google Assistant interjects “um”s and “uh-huh”s into its speech). Given these features, it’s not far-fetched that these AI systems will be trusted to suggest the most favourable tax plan or business strategy in the future.

Which leads into the second adage—the more things change, the more they stay the same. CPAs will still be called upon to ensure information is reliable and relevant, and to guide decision-making with the best interests of the client, employer and, ultimately, the public in mind.

Even if our clients and employers recognize—and they may not always—that there are humans behind the computer, setting the parameters and the base criteria from which systems evolve, these still need verification, interpretation and controls in order to establish accountability. With respect to machine learning, there are significant concerns around bias being built into algorithms that self-perpetuate inequities—for example, in hiring decisions and loan approvals. As machines become more relied upon to help make complex predictions that drive business strategies, most people will likely still want the reassurance that comes from being able to look a professional in the eye, trust in our integrity and know that we’re accountable for our services.

Moreover, once a computer has begun learning for itself and revising its own algorithms, we have a black-box situation where we don’t know what’s going on inside. Only humans can be held accountable for that; regulators and the broader public will only have faith in a system if they know that—at a minimum—a trusted professional understands what goes on inside the box and is duty-bound to be open about it. To quote Mr. Weasley of Harry Potter fame: “Never trust anything that can think for itself if you can’t see where it keeps its brain.”

CPA Canada’s ongoing work seeks to harness the profession’s core strengths, including objectivity, integrity, accountability and transparency, to ensure our strong value proposition in the future. Conversations continue regarding how to help CPAs hone the technical and enabling competencies necessary to thrive. We need to embrace innovation, break down silos and build multifaceted teams that can drive technology forward, while establishing checks and balances to ensure that the public interest remains central to decision-making.

The future has room for many approaches. What the future doesn’t have room for is complacency. In the digital world, our clients and employers still need competent, trustworthy professionals to inform and guide them. It’s up to each of us to evolve to continually meet that need.◆

Brian Friedrich, FCPA, and Laura Friedrich, FCPA, are the principals of Friedrich & Friedrich, which provides a range of education and consulting services for professional and regulatory organizations.

What’s next for the accounting profession? With exponential shifts in technology, globalization, business models, geopolitics, and societal values and norms, the time for transformation is now—or CPAs risk falling behind. Learn more about the key findings from Phase One and how these insights will influence the second phase of the Foresight initiative. Visit cpacanada.ca/en/foresight-initiative to download the Phase One report and find out how you can join the digital conversation.
CPA Ben Gadbois brought Canada’s biggest toy company back from the brink. Now he’s helping Spin Master take on a daunting challenge: relaunching the brand that almost did it in.

Spin Master’s headquarters are everything you’d imagine a toy company’s offices to be. The seven-storey suite, in a downtown Toronto office tower, is still brand new—Spin Master has only been there since June. Floor-to-ceiling illustrations of the company’s products adorn cerulean walls and there are toys everywhere: perched on the dividers between cubicles, sealed in vitrines for public display and strewn about in a special room called the Toy Box, where staff and visitors can cuddle giant Paw Patrol pluses or shake hands with a waist-high Meccanoid robot. T-shirt-clad engineers mingle with preppy marketing pros in a sleek corporate cafeteria where a giant rainbow-coloured mural of the word “play” is made up of hundreds of thousands of Bunchems, Lego-like building toys that look like psychedelic cockleburs.

Just about the only corner of the complex that isn’t completely festooned with toys is the office of chief operating officer Benoit Gadbois, where the decor is spare and modern. Gadbois’s personal appearance matches his surroundings. When we met, his tuft of sandy hair was combed neatly atop a clean-shaven face that would have looked severe if it weren’t so frequently lightened by laughter.

When Gadbois, a CPA, joined the company in 2012, Spin Master was in a bind. Five years earlier, the company had launched Bakugan, a line of Transformer-like toys that start as marble-sized plastic spheres and then, when they come in contact with a magnetic surface, pop open into palm-sized creatures like Dragonoid, a red dragon with a narwhal-esque nose horn. The toys, which Spin Master co-developed with Japan’s Sega Toys, are addictively fidgety, with spring-loaded
limbs and hidden latches that make each one as beguiling as a miniature Chinese puzzle. A Bakugan collectible card game turned the toys into game pieces. An associated anime TV series, which Spin Master co-produced, made the brand into a household name around the world. Bakugan was one of the biggest toy fads of 2008 and 2009. By 2010, largely because of the runaway success of Bakugan, Spin Master’s gross product sales were approaching $1 billion—nearly double the company’s 2007 take.

Then the fad began to subside. Aging fans complained about the simplicity of the card game, the TV show wrapped its fourth season and the plastic figures languished on store shelves. The effect on Spin Master’s balance sheet was dramatic. By 2012, the company’s sales had slid back to pre-Bakugan levels, but its staffing and global infrastructure hadn’t been reduced accordingly, and there were no new products in its development pipeline that seemed poised to match Bakugan’s success. Gadbois’s mission, from day one of his job as COO, was to repair the damage and help Spin Master grow again.

Now, at age 48, Gadbois has largely achieved that goal. While it still trails North American toy industry giants like Mattel or Hasbro, whose annual net revenues are frequently in excess of US$5 billion, Spin Master is on the rise. In the past seven years, the company has redoubled efforts to develop original intellectual property, allowing it to produce toys tied to mass-market TV shows to which it controls the licensing rights. The crowning achievement of this strategy is Paw Patrol, an enormously popular animated show about heroic puppies. Spin Master developed the concept in-house, based on a pitch from an independent children’s TV creator named Keith Chapman, then produced the series in partnership with Nickelodeon. As of 2017, Paw Patrol was the number one preschool toy property in the U.S., as measured by the market research firm NPD.

Flush with cash from its 2015 IPO, the company has embarked on an expansion spree, opening distribution hubs in countries like Poland and Russia. Its new global reach allows it to compete for major third-party licensing deals, a huge source of revenue in the toy industry. In 2018, Spin Master managed an impressive coup: the company reached an agreement with Warner Bros. to produce a number of toys based on DC Comics characters, licences that were previously held by Mattel.

Spin Master has even begun swallowing parts of other companies. In 2013, it acquired Meccano, which gave it a beachhead in the perennially lucrative world of construction toys. Among its more recent acquisitions is Gund, the plush-toy brand, which it bought from the giftware distributor Enesco for a consideration value of US$79.1 million.

In 2017, Spin Master’s gross sales were the highest they’ve ever been: US$1.74 billion. In the three years since the IPO, its net income has nearly quadrupled, to just over US$161 million in 2017. With Gadbois’s help, Spin Master has transformed itself from a company whose fate seemed tied to one-off hits into a genuine behemoth à la Mattel or Hasbro, with several flagship brands that are poised to deliver rich returns for years to come. By adopting a longer-term view and cultivating product lines that can be managed over time—strategies championed by the COO—the company has bought itself some relief from the toy industry’s unpredictability.

Now what? Considering all that Gadbois and Spin Master have done to bounce back, their new move seems counterintuitive: they’re relaunching Bakugan, the trendy toy that fizzled out and almost took the company down with it. Throughout 2019, kids around the world will be bombarded with new Bakugan toys and a revamped TV show. With Gadbois on its team, can Spin Master stick the landing this time?

Toys are a remarkably stable industry. The conventional wisdom among analysts and executives is that toy spending remains resilient even in depressed economic conditions. And the growing popularity of video games—Sony introduced the PlayStation in 1994, the same year Spin Master was founded—hasn’t supplanted toys either. “I think parents will cut in a lot of other places before they cut back on buying toys for their children, particularly in the key buying seasons,” says Joan Ramsay, an entertainment industry analyst at NPD, which pegs the toy industry’s total worldwide sales at about $40 billion. “Nothing is recession-proof, but toys are a pretty strong bet.”

At a micro level, meanwhile, the toy industry can be wildly unpredictable. Children are fickle (remember when they all needed fidget spinners, until suddenly they didn’t?), and it’s rare for any particular product line to stay successful for more than a few years before its pint-sized fanbase grows out of the trend.

The industry’s biggest players have evergreen properties that grow and evolve with the changing tastes of young consumers, like Mattel’s Barbie and Hot Wheels lines. These toys don’t require constant reinvention, only brand management: a new career for Barbie, say, or a Hot Wheels car with a fresh look.

But evergreen properties are the exception, not the norm. Companies that don’t replace tired product lines may find themselves flirting with extinction. The industry’s favourite cautionary tale is Coleco, the fabled maker of Cabbage Patch Kids, one of the most popular toys of the early 1980s. In 1988, having failed to plan adequately for the end of the Cabbage Patch fad, Coleco filed for bankruptcy. When Bakugan’s popularity began to wane, Spin Master could have fallen victim to this same boom-and-bust pattern. One of the reasons it didn’t was Ben Gadbois.
Raised in Montreal (he still has a noticeable Québécois accent), Gadbois moved to the Boston area as a teenager when his father, a general manager for the paint company Sico, was transferred there. “I didn’t speak any English and I figured that would be an opportunity to learn it and check out the United States,” Gadbois says.

On the advice of his father, who believed knowing financial fundamentals was key to understanding business, Gadbois decided to pursue accounting. He rose quickly through the corporate world, first as a senior auditor for Arthur Andersen (“They kindly asked me to leave,” Gadbois says. “They thought I was maybe a little too loud”) and then as an internal auditor for Black and Decker. He earned his accounting designation in 1995. Later, at Newell Rubbermaid, Gadbois took on a series of CFO roles before being made president of Rubbermaid’s Europe, Middle East, Africa and Asia wing at just 31 years old. By 2012, he had been promoted to global president of Newell Rubbermaid’s writing and creative expression division, whose flagship brand is Sharpie, a permanent marker so ubiquitous in North America that it easily dominates its market category.

“He is probably one of the strongest strategic business leaders that I’ve ever worked with,” says Krista DiBerardino, who has worked under and with Gadbois at both Newell Rubbermaid and Spin Master, where she is the executive vice-president of marketing integration and activation. “His ability to see the vision and then set the operational discipline to execute on it is a rare skill.”

Gadbois was considering a move to a CEO position in private equity. “I was very close to signing a contract, until I got a call from Anton Rabie, one of the founders of Spin Master,” Gadbois recalled. “He was so persistent that I finally flew in.” Gadbois had breakfast with Ronnen Harary, another Spin Master founder and Rabie’s co-CEO. “We just hit it off.”

Gadbois joined the company as COO that August. One of his first tasks was leading a wave of layoffs—never a good look for a new boss. With that done, it was time to find a way to put the company back on a path to growth. It wasn’t going to be easy. Spin Master’s leadership structure is uncommon among corporations of its size and reach: the three original co-founders—Rabie and Harary, the two co-CEOs, and Ben Varadi, the company’s executive vice-president and chief creative officer—are still involved in the day-to-day. Rabie had a knack for strategic leadership and working with people; Harary had his hands on the entertainment and licensing side of the business; and Varadi had a nose for the creative side and new product, but none of them had ever managed a billion-dollar company.

Though the founders had hired Gadbois to shake things up, he knew that to implement changes, he would have to win over not only a board of directors, but also the triumvirate who had nurtured the company from nothing. “They were always humble enough to know what they’re great at and where they need help,” Gadbois says. “It took a little bit at the beginning, because it was somewhat radical, what we needed to do. But I think ultimately they realized that in order for us to scale the company for the future, we needed to change some things.”
Gadbois aligned Spin Master leadership behind a restructuring plan that split company operations into a series of units, each devoted to a particular aspect of the business (e.g., robotics, preschool, outdoor). Each unit had its own team, responsible for its own budget. This new structure allowed each part of Spin Master’s business some creative autonomy, but also made each unit accountable for its own results, linking freedom with consequences. Functions that were needed by all the business units, like marketing and legal, were centralized so that they could be shared across the company, eliminating redundancy.

But selling toys isn’t like selling Sharpies. The toy industry’s relentless trend cycle means even the most efficient manufacturer can still founder if it fails to bring enough innovative new products to market to make up for the losses incurred by older product lines as they begin to fade. A toy company is only as good as its next hit.

“When you come to Spin Master, you have to pause and understand how the value gets created at this company,” Gadbois says. “The value gets driven with great innovation. If great innovation doesn’t come, nothing else will happen in the company. Everything else that we do has to really empower the creative process in the company.” To keep the ideas flowing, he instituted a formal product pipeline. The leader of each business unit is responsible for planning three years ahead. In monthly meetings with Spin Master’s executive leadership, unit heads forecast the rise and fall of product lines in an effort to ensure that there’s always something new to fill the hole left by a fizzling fad.

Gadbois’s pipeline approach is evident in the case of Hatchimals, Spin Master’s line of self-hatching robotic animal toys, which were one of the biggest fads of the 2016 holiday season. During the initial rush of Hatchimals euphoria, parents scrambled to put the toys under Christmas trees and eBay merchants resold the toys online for double their retail price—or more. When that enthusiasm began to fade in 2017, Spin Master was ready with an array of new Hatchimals products at different price points, including Hatchimals Colleggtibles: small, inexpensive figurines that capitalized on a recent boom in kiddie collectibles. Now, Hatchimals isn’t a one-off product anymore; it’s a brand.

Deep inside Spin Master’s offices is something employees refer to as the “Wall of Failures.” It’s a monument to all that can go wrong in the toy business. Encased in frames and wall-mounted display cases are a number of specimens left over from Spin Master’s greatest product disasters. There’s Aqua Dots, an art toy that sparked an international panic when it was discovered that some of its plastic dots, when ingested in large quantities, could metabolize into GHB, a compound notorious for its use as a date rape drug. (Spin Master voluntarily recalled Aqua Dots and later released an uncontaminated version of the toy under a different name.) There’s Swypeout, a computer racing game that was supposed to stimulate a craze for a series of collectible cards that could be used to unlock in-game rewards, but instead fizzled out in scarcely more than a year. Saddest of all is Legendary Yoda, an amazingly detailed, near-life-sized animatronic version of the Jedi master. Spin Master tried to market the toy for a jaw-dropping $240 in 2015, around the time of the theatrical release of Star Wars: The Force Awakens—a movie in which Yoda does not appear.

The point of the Wall of Failures is to give employees an opportunity to reflect on, and learn from, the company’s past mistakes. But it also makes an eloquent point about the unpredictability of marketing to children. They don’t always...

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**FURBY**

1998: Tiger Electronics’ fluffy animatronics are an instant hit, fetching more than double retail price on the secondary market. Hasbro quickly acquires Tiger.

2005: Hasbro releases “emoto-tronic” Furbies, with complex electronics and floppy ears.

2012: Furby returns after a hiatus, this time with extra-expressive LCD eyes.

2016: The toy gets yet another reboot. The new model, known as Furby Connect, speaks more than 1,000 phrases and is Bluetooth compatible.

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**MY LITTLE PONY**

1983: Hasbro begins selling the first generation of these long-haired plastic ponies, comb included.

1997: A relaunch brings the toys back to store shelves, where grown-up ’80s kids buy them for their own children.

2003: A third-gen reboot resembles the original toys from ’83.


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**POLLY POCKET**

1989: Bluebird Toys, a British company, debuts the miniature dolls and their tiny clamshell-style play sets.

2003: Now owned by Mattel, Polly re-emerges with costumes that click in place with tiny magnets. When those magnets start coming loose and being swallowed by children, Mattel recalls millions of units.

2018: Mattel relaunches Polly Pocket again, with play sets that have themes like “cupcake” and “flamingo.”
like what they’re told to like. And sometimes the price is just too high. And sometimes the product is accidentally drugs.

Reintroducing an older product line, like Bakugan, mitigates some of these risks. For one thing, the product is a known success: it had a strong run the first time around, before it foundered. That brand familiarity may help Spin Master make inroads with buyers at large toy retailers, who sometimes see a revived toy line as being less risky than an entirely new one.

Even if the new Bakugan product line is able to avoid all the obvious pitfalls, it still has a lot to do: it needs to recapture the magic of the original toy, to please holdout fans from a decade ago so that they’ll advocate for Bakugan to others who aren’t familiar with the brand. At the same time, the new line has to appeal to young children, whose devotion and parental dollars will be critical to making the relaunch a success.

The Bakugan toys have been revamped with new designs. There’s a new line of “ultra” Bakugan that are larger and more complex than the standard variety. Individual figures cost less than $10, making them relatively wallet-friendly.

The Bakugan collectible card game, which was originally criticized for being simple to the point of dullness, has been reinvented with the assistance of Gamer Entertainment, a U.S. game design consultancy, to give it more strategic heft. And since every kid has a smartphone now, there’s also a Bakugan companion app.

A new tie-in TV show, Bakugan: Battle Planet, airing now and made by Spin Master’s entertainment unit along with a constellation of production partners in Canada, the U.S. and Asia, will be the primary vehicle for introducing children to the brand and getting them emotionally invested in the backstory: a group of friends battle evildoers with help from friendly Bakugan creatures. Seemingly in recognition of the fact that television is no longer paramount for YouTube-addicted youngsters, each episode is divided into two completely separate, 11-minute story arcs, mimicking the short-form style of online video. And the premise of the show has been adjusted. The main character, a doe-eyed preteen named Dan Kouzo, is living 2019’s childhood fantasy: he’s an online influencer, with a video channel on a fictional website called ViewTube.

Spin Master’s early marketing strategy for the relaunch has involved enlisting the help of actual YouTube stars. “They are a big part of our strategy,” says DiBerardino, the Spin Master marketing EVP. “A celebrity that a kid is a fan of today, it’s not just your traditional celebrity. Children are heavily influenced by YouTubers. It’s about how they relate to people today online. There’s a social aspect.”

Spin Master flew a handful of YouTube personalities to its Los Angeles offices for a Bakugan junket, which most of them dutifully publicized on their channels. One of them, a 21-year-old from Colorado who goes by the nom-de-Tube Negative Legend, has been making Bakugan videos for about a year.

“The new products in every way have exceeded my expectations,” he told Pivot. “You can tell that they put effort and heart into it and they understood the weaknesses they had 10 years ago and worked very hard to fix those.”

It appears Spin Master is applying Gadbois’s lessons about long-term planning to Bakugan, in the hopes of transforming the brand into something with more longevity. The plan this time around calls for a slow burn, akin to the relaunches of other action brands, like Takara Tomy’s Beyblade, which Hasbro revived successfully in North America in 2010. The brand remained on shelves despite declining sales and recently reinvigorated itself with the launch of a new animated series and toy line.

“We’re going to manage [Bakugan] for the long-term,” Harary told analysts during a third-quarter 2018 earnings call. “It’s going to be year-by-year, and every year is going to be new innovation… tied to the TV show and all the rest of it.” As Bakugan’s creator, Spin Master holds the toy line’s master licensing rights. If the brand develops some longevity, sub-licensing revenue from third-party merchandisers promises to be a bottomless source of additional cash.

For Gadbois, the challenge will be ensuring that Spin Master is able to put enough product on shelves at the right times, without over-committing to the line and fomenting a repeat of the Bakugan bust. The company’s increased global footprint will give it a tighter rein on distribution this time around. “When we did Bakugan the first time around, most of our sales internationally were actually through third-party distributors,” Gadbois said during the same earnings call. “So we’re excited about our ability to control the marketing, to control the investments in these countries around the world.” (The Japanese toy company Takara Tomy will be handling distribution in parts of Asia.)

This time around, Spin Master also has far more sophisticated metrics at its fingertips. The company is able to monitor inventory, shipments and sales data in real time, giving it a constantly updated window into the id of Bakugan’s young, male target demographic. When and if the fat peaks, Gadbois will know.

It’s still too soon to say whether Bakugan’s second coming will be a hit with kids. Spin Master has yet to report on the line’s sales, and online buzz about the brand’s resurgence has yet to exceed a dull roar. The only place it’s possible to see any evidence of uptake is in the toy aisles of stores.

On a recent evening in the toy section of a Toronto Walmart, a mother and her young son were lounging on display patio chairs. The mother was slumped in her seat, tired. The boy was clutching a Bakugan, still in its plastic packaging. This was the moment that all the marketing, metrics and global-supply actions had been designed to bring about. The boy looked at his mother beseechingly. She said, after a moment, “Okay, fine.”

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**“INNOVATION DRIVES VALUE. EVERYTHING WE DO HAS TO EMPOWER THE CREATIVE PROCESS.”**
WHAT IT TAKES TO CLEAN UP DIRTY MONEY

Geneviève Mottard, CPA
President and CEO of the Quebec CPA Order, and chair of CPA Canada’s public trust committee, which oversees ethics standards and self-regulatory processes for the profession.

Carol Bellringer, CPA
Auditor general of British Columbia, and a past member of the G20 task force on integrity and compliance advising the G20.

Michele Wood-Tweel, CPA
Vice-president of regulatory affairs at CPA Canada, and a member of two working groups with Finance Canada’s advisory committee on money laundering and terrorist financing.
“CANADA HAS A REPUTATION for being a good place to launder dirty money, and it’s a reputation that often implicates accountants among others. It’s a reputation we need to correct.” That call to action was how Joy Thomas, president and CEO of CPA Canada, kicked off a panel discussion about white-collar crime and anti-money laundering efforts, held this past February in Toronto. The following is an edited excerpt from the panel discussion.

Joy Thomas: Perhaps we can begin by having each panellist give some opening comments. Russell, could you start off with an international perspective on the problem.

Russell Guthrie: To give some context, the OECD estimates that 5 per cent of global GDP, or about US$2.6 trillion, is lost to fraud and corruption each year. The cost is huge and it impacts public trust. The role of the accounting profession in detecting fraud and combatting corruption is high on the agenda of many international institutions. It’s important to be seen as part of the solution.

The Financial Action Task Force, or FATF, is an intergovernmental body that’s become the de facto standard-setter for anti-money laundering guidelines. Over the past year or so, FATF has revisited their guidelines as they pertain to the profession. What we found in the FATF’s initial drafts was the portrayal of the accounting profession as gatekeepers and enablers of fraud as opposed to detectors and reporters.

At IFAC, we’ve tried to reverse that narrative so the profession is seen to have a more positive and proactive role. And we’ve been successful, at least in the draft guidance.

Michele Wood-Tweel: In the 2016 mutual evaluation report that set out the level of effectiveness of Canada’s regime and its compliance with FATF standards, numerous things were identified that Canada needs to work on, including the need for greater transparency on beneficial ownership. The federal government is working on these things as we speak, and CPA Canada has been a part of the consultations. I expect the requirements for accountants will grow wider and deeper.

Carol Bellringer: There’s a lot happening in British Columbia. There’s a report by Peter German, a former RCMP deputy commissioner, on money laundering through casinos—they are particularly vulnerable to criminal infiltration, to the underground economy, and circumventing international currency controls.
Geneviève Mottard: We’ve also witnessed the response to money laundering and fraud worldwide through the Non-Compliance with Laws and Regulations pronouncement, or NOCLAR. It’s an international ethics standard and framework for accountants to follow when they see something that might be money laundering or fraud. It advises CPAs first to talk with management, to the board and to the audit committee, and to evaluate the gravity of what they’re potentially witnessing. If nothing happens, NOCLAR says it is then permissible for a professional accountant to consider reporting to the proper external authority.

NOCLAR is a fantastic tool but it’s a challenge to implement. In Quebec, we have the constitutional right to professional secrecy—the right belonging to clients that the information they provide to CPAs is protected. Quebec also brought in Bill 141, meant to reform the financial governance of markets in the province. And it completely ignores NOCLAR. It requires CPAs to go directly to the securities regulator with anything and everything non-compliant that they see. If they do, they’ll have immunity. If they don’t report, they won’t. We are very concerned about that legislation.

Guthrie: NOCLAR is, in many ways, a great response from the profession. But NOCLAR is just one half of the regime. We must have the appropriate whistle-blower protections in place. It’s not appropriate to put professional accountants at risk. And in some jurisdictions it can be a matter of life or death.

Thomas: What sort of impact will the collision between professional secrecy and whistle-blowing have on the profession?

Mottard: We don’t have the answer because Quebec’s constitutional right to professional secrecy is not exactly reproduced across the country. But our profession is very mobile. What if, for example, you’re an Ontario CPA doing some work in Quebec or a CPA from Quebec working in a Quebec firm’s Winnipeg office. Does Bill 141 apply to you? What about the U.S.? We exchange professionals across the border.

Thomas: Beneficial ownership has been a central topic in this discussion. How could it impact professional accountants?

Wood-Tweel: Beneficial ownership is about who really owns and controls corporations and trusts. A corporation may have a nominee lawyer who is the person on record associated with the corporation. That does not mean that they are the mind and management of the corporation’s assets. If you don’t have transparency, it’s the perfect tool to hide money or assets and to transfer them without authorities being able to see them.

Worldwide, there is an increasing move to transparency. The most dramatic example is the United Kingdom, which now has a publicly accessible registry of beneficial ownership of all corporate entities. That is huge. It applies to companies that might be very private. It might be someone’s holding company, someone’s incorporated dental practice. It is all publicly accessible data now.

Canada is behind with respect to beneficial ownership transparency. The federal government is changing that, starting with the Canada Business Corporation Act, requiring that there be a recording of beneficial ownership that will need to be kept up to date, effective June 2019. Provincial finance ministers have agreed they’ll introduce similar legislation for companies incorporated under provincial statutes.

This matters because in many cases, CPAs are the people who actually hold the entire picture of what a corporate structure—a complicated one—might look like, including trusts, partnerships and corporate vehicles. Also, if you’re the comptroller or the CFO or the corporate secretary in a private company, you now are subject...
to requirements under this legislation. Next, the government’s attention will turn beyond recording to reporting. Who will have access to beneficial ownership reporting? Will it be accessible only to competent authorities? Or will it be completely public, as in the U.K.?

**Thomas:** Carol, as a board member for IFAC, you worked with the B20 task force on anti-corruption. I’m curious about what parts of the international response to white-collar crime we can bring back to Canada.

**Carol Bellringer:** I sat at the table when the Transparency International report came out that spoke to the frameworks for beneficial ownership and where we ranked. In 2015, Canada was one of six countries with a weak framework. In 2017, we retained that standing—we still had a weak framework.

In 2017, when Germany was leading the G20 arrangements, there was a real emphasis on beneficial ownership. Many countries that were making progress, the U.K. in particular, were pushing for it. But a number of European countries wanted nothing to do with it. They argued that if an individual is named as an owner, then that would expose that they were wealthy, and put them at risk. To which some of us said: “They didn’t notice the Rolls Royce riding up the hill to the mansion?”

When Argentina led the G20 process in 2018, beneficial ownership was not in the first draft of the recommendations. But Argentina welcomed input from everybody. IFAC had a strong role in the discussion, pushed for progress on beneficial ownership and we got it back in. It was one of the three recommendations from the B20 in 2018 to the G20.

**Guthrie:** One thing to keep in mind is the complexity of the B20 or the G20. In the end, the B20 can only make recommendations to the G20 and, of course, they’re competing with a lot of other groups. There’s a C20 for the civil society. There’s a Y20 for youth groups, and so it’s a very crowded space. And the recommendations are not binding. It’s up to the political will of the individual countries to make any of these policy recommendations travel. So it’s a very indirect route to try to get movement. But we do think it’s important to be there.

**Thomas:** In terms of money-laundering, is it surprising that Canada is considered safe place for such practices?

**Mottard:** Canada has such a top-notch reputation worldwide for our governance and our regulation. But I do think it’s because we are a safe place—we have safe banking, we largely avoided the financial crisis—that we sometimes attract people we just don’t want to attract.

**Wood-Tweel:** It’s counterintuitive in a way. People who are interested in money laundering like safe societies, and they like strong financial systems. It’s worth the effort to get money in because they want to be in an environment where the money that they’ve earned through selling drugs, or human trafficking, or what have you, won’t be taken away from them. What they try to do is capitalize on gaps within our system.

That said, we’re about to see a lot of potential changes coming through. One change, for example, could concern white-label banking machines—machines that are not operated by financial institutions but are privately owned. They can be used to launder money and consideration has been occurring that they may become subject to the legislation.

**Bellringer:** There’s still no requirement for any reporting on a cash transaction. For example you can pay cash for luxury goods—a car or diamonds. And

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**COMBATTING MONEY LAUNDERING**

It may not have made big headlines, but money laundering was a focus in this year’s federal budget.

Among other measures, Ottawa announced over $90 million in new funding, over five years, to aid enforcement, improve intelligence gathering and create a new multi-agency task force to fight money laundering.

The federal government has also proposed further amendments to the Canada Business Corporations Act (CBCCA) to allow tax authorities and law enforcement the ability to see who maintains beneficial ownership in federally incorporated private companies when they have reasonable grounds to suspect that certain offences have been committed.

This proposal comes three months after the CBCA was amended to require those companies, as of June 13, 2019, to record in a company register any individual who has a “significant control” over the corporation.

The provinces are expected to have different timelines for when they may amend legislation applicable to provincially-incorporated private corporations, which make up the majority of Canadian private companies.

In early April, B.C. introduced legislation to establish a public registry of beneficial owners of property in the province and to amend its Business Corporations Act regarding new “transparency register” requirements and changes respecting bearer shares. “Shining light on transparency is one of the best things you can do when you talk about money laundering,” said Carole James, the province’s finance minister.

—Bryan Borzykowski
a lot of real estate transactions in British Columbia are being made both on a cash basis and without disclosure of beneficial ownership. In 2015, Transparency International looked at the 100 highest-priced transactions going through the real estate market, and over 50 per cent of them couldn’t be traced back to the actual owner who was transacting. British Columbia has put in a speculation tax now to try to curb some of that. It’s working to a certain degree, but it’s not the full answer.

Thomas: Given Canada’s federated model of governance, how can we have a common anti-money laundering framework?

Mottard: I chair the CPA profession’s public trust committee, which is now looking at adopting the International ethics code’s NOCLAR standard—it would provide a framework of consistency for anti-money laundering across the country. In Canada, each province has its own code of ethics. And, it’s a largely harmonized code, but it is not a complete copy-and-paste of the international code.

Where the rubber’s going to hit the road is having separate jurisdictions with their own whistle-blowing legislation. I can name six or seven different pieces of legislation that have appeared in the last two years in Quebec, whether it’s about abuse of the elderly, or about a company dealing with the state—in each of these instances, legislation has been put in place, piecemeal, to address whistle-blowing. That will be a huge challenge to harmonize.

Wood-Tweel: It is becoming increasingly complex in Canada for CPAs to try to do the right thing if they don’t know where to report, how to report and what protection will be available, especially when there are so many different pieces of legislation speaking to the issue of reporting.

There needs to be a go-to framework—or, in fact, a national whistle-blowing policy. The policy would apply to many other areas, whether it is environmental whistle-blowing or occupational health and safety. In a federated model like Canada’s, it’s all over the place, and it’s growing with each piece of legislation that is introduced.

Thomas: There’s still much to be done, certainly. CPA Canada has been very active when it comes to combatting money-laundering. The federal government asked us to participate in working groups on beneficial ownership information and regulations, as well as to help educate our members on how to properly maintain new corporate registers on beneficial ownership information.

Thank you to all the participants for the informative and lively discussion.◆
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**LAST OUT**

**EXTRAORDINARY ITEMS**

**DOLLAR DAZE**

Is novelty enough to lure shoppers from Canadian bargain giants to a stylish new Japanese-inspired discount store? **BY MATTHEW HAGUE**

Oomomo, a Tokyo-style dollar store named after the Japanese word for big peach, looks anything but cheap. Its most recent outpost, in Toronto’s Don Mills neighbourhood, is an airy, sun-lit space dotted with blond-wood display shelves. J-pop beats fill the bustling store as clusters of students and young families peruse each department—crafts, toiletries, snacks, housewares—hunting as much for novelties as for discounts. The wares themselves—pastel-coloured ceramics (tea sets, decorative bowls), Asian snacks (like Pejoy, which are inverse Pocky sticks with chocolate on the inside), and a wide array of crafting supplies (erasers shaped like sushi)—are a step up from what you’d find at an ordinary dollar store.

But “dollar store” is a bit of a misnomer. Oomomo’s average price per item is closer to three dollars, since 90 per cent of the products are imported from Japan, where manufacturing is more expensive than in China. Some items cost as much as $15. This has retail watchers wondering whether this Vancouver-based chain, which launched in the summer of 2017 and already has five Canadian outlets—it also has two in Edmonton and two more in B.C.’s Lower Mainland—will survive in Canada’s increasingly crowded discount market.

Low-cost shopping is big business. Between 2012 and 2017, sales at stores such as Giant Tiger and A Buck or Two grew at twice the national average. Through 2022, that growth will continue to outpace other retailers by as much as 50 per cent, according to management consulting firm Kantar. But it’s highly competitive and increasingly international. Canada’s largest homegrown dollar store, Dollarama, plans to open 60 to 70 stores per year, to take their count from 1,203 today to 1,700 by 2027. At the same time, China-based Miniso plans to expand its 50 Canadian locations to 500 stores in the coming years, and U.S.-based Dollar Tree is considering quadrupling its 220 locations to close to 1,000.

That makes Oomomo, which wants to expand to 30 stores by 2022, seem almost timid. But it’s bucking the conventional approach of opening as many shops as possible and using that scale to keep prices low and drive market share. Instead, it’s carving out a specific niche. It wants to be a destination discount store, appealing to consumers with its stable of Japanese items that aren’t available anywhere else.

That could be its secret weapon. “Culturally, Canadians are very accepting of diverse brands from around the world,” says Daniel Baer, an FCPA and partner at EY who specializes in retail. “And when a retailer can focus in on a specific marketplace and specific demographics, with specific products, it can do very well.” The go-slow approach may help, too, he adds: “It’s always good when a retailer takes the time to make the best decisions. We’ve seen a lot of high-profile entrants and expansions over the past few years. But not all of them have been successful.”

Because Oomomo is privately owned, there are no financials available. There are, however, other indicators that consumers are buying. When the Toronto store opened in December 2018, there were long lines snaking out the door—not something you’d see at a typical dollar store opening. •
BIG IN JAPAN

Here’s what they’re lining up for at Oomomo

It’s hard to make tofu exciting for kids, but the Tofu Decostamp allows young ones to stamp cute faces into their soy protein before it’s tossed into a stir-fry. $3 for four stamps.

Sakura ceramics are painted with delicate cherry blossoms—perfect for serving Japanese green-tea cookies and other little confections. $1 to $5 each.

Oomomo’s line of beauty products includes $1 DIY face masks with aloe, rice or rose extracts, and $5 “hair mascara” wands that give locks streaks of temporary colour.

The snack options are truly special, including matcha-flavoured Kit Kats for $2 and Striking Popping candy (50 cents per pack)—mouth-puckeringly sour confections that, like Pop Rocks, sizzle when they touch your tongue.
Looking back, Shaun Majumder can see how Plan A may have been overly ambitious: a grand-scale eco-hotel in Burlington, Newfoundland, a remote fishing and lumber community with a population of 314, six hours from St. John’s. Still, his motivation to share his hometown (‘ometown, as the Newfoundlanders say) was strong. It’s why the L.A.-based actor and former CBC star bought the plot of land that was once the site of his childhood schoolhouse. Architects were hired, blueprints drawn up, and a TV series (Majumder Manor) was even launched to chronicle his journey from actor to luxury innkeeper. But when his team didn’t secure full funding for the resort right away, they changed direction and decided to build a community greenhouse for season one. Its opening provided the climactic season finale for the show, and an excuse to throw a party called The Gathering, now an annual food, music and comedy festival.

“That’s why we first got the tents, because we were hosting chefs and musicians, and there was nowhere to sleep them,” Majumder says of the white canvas prospect tents that were placed around the property. In the summer of 2014, when he married his long-time partner, Shelby Fenner, guests stayed in the same basic lodgings, decorated with cozy-chic touches like one-of-a-kind quilts and turquoise Muskoka chairs.

A friend suggested the tents could work as a way to demonstrate proof of concept to investors while welcoming guests and getting the word out. Putting them up on Airbnb meant they could sidestep a good deal of red tape. The original tents were replaced by custom-made versions, hand-stitched in Newfoundland and in keeping with Majumder’s overall goal of a socially responsible, sustainable business. ‘Ome Sweet ‘Ome launched officially in the summer of 2016, charging $75 to $100 per night and pulling in $28,000 in the first season (June to late September). By last year they were up to $120,000. Somewhere along the line Majumder arrived at a realization: “We thought, wait a second, maybe these tents aren’t just a temporary solution—maybe the glamping thing is the main idea.”

And a good one at that, given the growing interest in luxury camping, a travel option that offers the wonders of the great outdoors minus the work. Taking inspiration from African safari tents, the glamping trend first emerged in California about 10 years ago—the term itself entered the popular lexicon in 2012, when El Capitan Canyon resort was featured on an episode of
the Real Housewives of Orange County. Majumder and Fenner took a trip to the Santa Barbara destination in 2013 and learned that the tent accommodations (rather than the cabins or main hotel) were always the most popular. “People want to have this rugged, outdoor, under-the-stars experience, but they don’t want to set up the tents, they don’t want to get wet, they don’t want to worry about safety,” says Majumder. At ‘Ome Sweet ‘Ome, tents are solar-powered and have propane heaters. Compost toilets are a two-minute walk and Wi-Fi is available only at the house where guests check in. Initially a practical limitation, it’s now seen as a selling point. “The whole point is that we want people to unplug and take a break from their devices,” he says—fewer iPhones, more eye contact.

The luxury camping market is projected to reach $1 billion by 2024, according to the research firm Arizton. Over the last few years, high-end tents and variations thereof (tree houses, pods, yurts, igloos) have popped up all over the planet—and then all over Instagram. Here in the Great White (and green and burnt-orange) North, our vast supply of nature makes us a prime location for upscale outdoorsiness. At the recently launched Blue Bayou Resort in South Harbour, Nova Scotia, near the northern tip of the Cabot Trail, guests stay in heated geodesic domes equipped with washroom facilities, electricity, hot water and charcoal barbecues. The Clayoquot Wilderness Resort in Tofino, B.C., is considerably swankier: 25 tents surrounded by untouched rainforest and accessible only by plane, helicopter or boat. Starting at $4,500 per person for a three-night stay, guests experience five-star flourishes like horse-and-carriage transport and a tasting menu featuring locally foraged ingredients. Gwyneth Paltrow’s Goop website called it a “once-in-a-lifetime experience.”

“What we’re seeing with glamping is the evolving definition of luxury,” says Canadian travel consultant Claire Newell. Particularly with the millennial market, luxury is about exceptional experiences. “People want the most unique, the most exclusive, the most remote,” says Newell. And they want to feel good about the choices they’re making. The trend to sustainability has moved into the hospitality market, says Bob McMahon, a retail and consumer business analyst at BDO Canada. “Consumers are willing to pay more for experiences that reflect their core values, and for a lot of people, caring about the future of the planet is part of that.”

A hotel is no longer part of Majumder’s plans. Sometimes, he says, you follow an idea where it takes you. Down the road he hopes to offer fishing and foraging excursions at ‘Ome (current health and safety regulations mean guests must bring their own food or visit one of two nearby restaurants). For now, though, the focus is on expanding the brand all over Newfoundland, then the East Coast, then possibly the rest of Canada and beyond. The concept, he says, is ready-made for the franchise treatment, since the whole idea of ‘Ome is showcasing and celebrating the surrounding environment. In Burlington, that means ocean views, summer icebergs and whale watching. “We have the best sheets, sure, but that’s not the point,” he says. “What’s great about the tents is that they can put you in this magical location.”

**“PEOPLE WANT A RUGGED, OUTDOOR, UNDER-THE-STARS EXPERIENCE. BUT THEY DON’T WANT TO SET UP TENTS.”**

Over the last generation, our collective hoarding habits have sparked an explosion in self-storage units. Now, instead of paying hundreds a month to store our junk, we seem to be spending money to get rid of it altogether.

Marie Kondo might have something to do with the shift. Her books, led by the blockbuster The Life-Changing Magic of Tidying Up, have sold more than 11 million copies around the world since 2011. The so-called “KonMari Method” is simple: people should take an inventory of everything they own, category by category (clothes, books, papers, “komono,” which is almost everything else, and sentimental items) and purge anything that doesn’t “spark joy.”

On New Year’s Day, the Japanese decluttering expert released Tidying Up, a Netflix series that nearly broke the internet. Netflix doesn’t release viewing data, but a week after the show premiered, the number of Kondo’s Instagram followers spiked by 84,700, bringing the total up to a million. Meanwhile, according to Chartbeat, the trailer and articles about Tidying Up—a wave of think pieces, testimonials and debates about the virtues of living with less—acquired more than 700,000 engaged minutes and 770,000 page views on January 9 alone.

In the years between those major KonMari moments, new smartphone apps, books and social media stars have been stoking the home organization market, which is expected to grow from $16 billion in 2016 in the U.S. to $19.5 billion by 2021, according to a report by Research and Markets.

At the same time, home organizing consultants are proliferating, charging upwards of $100 per hour to recreate the same, ultra-dramatic before-and-
afters seen on Kondo’s show—think hoarder’s den turned minimalist art gallery. When Toronto’s Lindsay Whisen started a decluttering company called Ease Up five years ago, she was struggling to find a job as a teacher and wondered if she could use her innate organizing skills to help others live less messy lives. At the time, she was told by people in the industry not to expect full-time hours.

Ease Up now has a staff of seven people and is growing fast. Its fees are around $80 an hour and her big selling feature is that her team is quick. “We do the work two or three times faster than someone could or would on their own,” she says. “We don’t get bogged down in emotional attachments.”

Kondo, says Whisen, has “made it clear that disorganization is a problem for a lot of people and that they want help with it. Almost every single house I visit, I find that book.”

Of POC’s 600-plus members, only a handful are Kondo-certified. Some prefer to organize by room as opposed to category, others focus less on purging and more on systematic storing customized to the needs of the client.

Chu also notes that Kondo is hardly alone in her quest. Among the most notable organizers are Nashville’s Clea Shearer and Joanna Teplin, who launched their organizing company in 2015 and now have one million Instagram followers, as well as a roster of celebrity clients including Mandy Moore and Gwyneth Paltrow. Their new book, The Home Edit, was a bestseller well before its official release in March, and is popular in part because the message is more approachable than Kondo’s. Rather than purging, the magic relies on better organizing your belongings in aesthetically pleasing, colour-coded bins, primed for social media sharing.

And, of course, to meet the needs of DIYers, there is also a proliferation of organizing apps. An app called Sortly creates category-by-category or room-by-room inventories to let its users know what they have and where they have it. It’s free, though Sortly offers a premium version to business clients that has more sophisticated inventory management tools.

Decluttr, on the other hand, helps people get rid of what’s left behind. Like a digital pawn shop, it buys old computers, phones and other valuables then resells them for a markup. Since it was started in 2012, it’s been used by more than six million people and bought more than $300 million worth of would-be waste. For a more altruistic take, there’s an app called Buengo, which not only helps people sell things, but donates the proceeds to charity. Since launching in November 2018, more than 12,000 items have been listed, benefiting more than 80 charities.

“The whole decluttering movement has really helped us get attention,” says Buengo founder Fela Hughes. And it’s reminded us that our own joy isn’t always the point. ◆

TIGHT AND TIDY
How folding a T-shirt like Marie Kondo can “spark joy”
West Point and the Royal Military College aren’t the only places where they teach Sun Tzu’s 2,500-year-old classic The Art of War. Instructors at business schools have a long history of drawing their examples from fields where the stakes are higher than the merely financial. But Bruce Craven, director of Columbia University’s Advanced Management Program, has ramped up the stakes—and the fun—by illustrating his lessons with the cautionary tales liberally supplied by Game of Thrones. The fictional world of Westeros created by George R.R. Martin, known as GRRM (pronounced, fittingly, “grim”), is as amoral and grotesquely violent a setting as anyone has ever concocted, a place where the price of failure is fatal. And, given the popularity of HBO’s TV adaptation of the novels, events in Westeros are known to millions. Virtually anyone who opens Craven’s Win or Die: Leadership Secrets From Game of Thrones and looks at the title of Chapter One, “Don’t Be Ned Stark!” will know what’s coming next. (For those who don’t: that would be advice on how to avoid being beheaded.)

Stark’s problem, says Craven, is that he thinks anyone who doesn’t rank values as he does, with duty and honour at the top, doesn’t share those values at all. Instead of talking to his peers and listening intently, Stark contemptuously dismisses potential allies. That leaves him isolated—and in Westeros, an isolated leader can measure his lifespan in days.

Not that Ned Stark’s mistakes are a central topic in Win or Die. Like GRMM, Craven is most interested in survivors, those who have a chance to learn from their mistakes—that means primarily the two characters who dominate the story line as it draws to a close, Jon Snow and Daenerys Targaryen. The latter elicits Craven’s admiration for her “authenticity,” her actual—and frequently demonstrated—desire for a better life for everyone in Westeros, not just for her own interests.

Craven contrasts her with the other strong female leader, Queen Cersei, consumed by her own ambition. Cersei is thus a skilled but limited
**THE WHITE WALKERS ARE A GAME CHANGER. “EVERY INDUSTRY HAS TO FACE THE FACT THAT THEY WILL ARRIVE.”**

Walkers, are a technological game changer. He thus displays the awareness all corporate leaders need. “Every industry in the 21st century,” writes Craven, has to face “the fact that blue-eyed wights will arrive.” Snow’s situation puts Craven in mind of one that once faced Barry Salzberg, CEO of Deloitte Touche Tohmatsu, the giant professional services network.

For all his awareness of what needs to be done, Snow is woeful when it comes to how, leading to the most nuanced and absorbing discussion in *Win or Die*. He misses the distinction between negotiation and persuasion. Snow is fine negotiating terms with the Wildlings, hostile fellow humans equally threatened by the undead. He lays out unpalatable facts, lets the Wildling leader face up to them and then agrees to what he must. Snow tries the same with his subordinates, when what he really needs to do is persuade them to buy into his vision. It will require each of them to change the beliefs of a lifetime and to trust hereditary enemies. Astonished that his officers do not share his sense of urgency, but more, in Craven’s summation, comes from his foolish optimism that all he needs to do is to present the facts. It’s an approach Deloitte’s Salzberg would have sympathized with, even though it’s one he wisely avoided.

Over a decade ago, Salzberg became convinced Deloitte had to overhaul its employee education and make a significant financial investment in its own training facility. The need was so obvious to him that he optimistically prepared a presentation to the board of directors for approval, without first testing the waters. At a cocktail party the night before the meeting, a colleague warned him the board, whose members had not previously been exposed to Salzberg’s reasoning, would reject the proposal.

Realizing his error, Salzberg and his team spent the entire night adjusting the proposal into a request to board members that “they join him on a journey of considering the choice of Deloitte University.” In 2009, the groundbreaking ceremony was held; by 2013, Deloitte was the largest accounting firm in the world by revenue, a position it’s held almost every year since.

*Win or Die* is full of nuggets like this, all memorably told, thanks to the fictional comparisons. In a final irony, Craven points out that the HBO series itself was rescued at its very beginning by a difficult but optimistically prepared presentation to the board of directors for approval, without first testing the waters.

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*Win or Die* is full of nuggets like this, all memorably told, thanks to the fictional comparisons. In a final irony, Craven points out that the HBO series itself was rescued at its very beginning by a difficult but smart leadership decision. The pilot episode was widely panned by industry insiders for its confusing storyline. HBO and the show runners could have packed it in, refusing to throw good money after bad. Or they could spend the money to fix it. They opted not to die, and won big.

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**TECHNOLOGY**

**AI, AI, O**

They can milk a barn full of cows, pick a field of berries and gather data on a herd with incredible speed and precision. Robots are the farmers of the future.  **BY MARYAM SIDDIQI**

On a dairy farm in Iceland, a laser-guided robot attaches milking cups to a cow’s udder. In Florida and California, robotic harvesters move slowly as they pluck strawberries from the rows of plants below. And in Saskatchewan, an autonomous seeder drives itself up and down the fields injecting barley seeds into the ground.

Robots are the future of agriculture. A 2018 report from IDTechEx, a U.K.-based market research firm, declares “ultra-precision farming and autonomous farming” will revolutionize the industry. It predicts the market for agricultural robots and drones will be worth US$35 billion by 2038.

Population growth is part of what’s driving robotic innovation, says Biren Agnihotri, Canadian intelligent automation leader for EY Canada, and a partner in the firm’s advisory practice. “By 2050 the world’s population will increase to an estimated 9.6 billion people and that will translate into 70 per cent more food than is required today,” Agnihotri says.

According to statistics from EY, a farmer in 1960 was responsible for feeding 26 people, while today a farmer feeds 155. By 2050, that number is expected to jump to 265. That growth is sparking a digital agricultural revolution and, as a hub of artificial intelligence development, Canada is well-positioned to be a leader.

In Saskatchewan, development and testing is already under way for an autonomous power platform called Dot. The U-shaped self-driving vehicle is designed to have implements attached to it—a seeder, sprayer or harvester cart—so that it becomes...
A Harvest CROO robot in action

PHOTOGRAPH COURTESY OF HARVEST CROO ROBOTICS

whatever the farmer needs it to be. The all-purpose machine sells for US$260,000. Given that a single top-of-the-line combine can cost up to US$600,000, it would seem a bargain. It’s even cheaper than a lot of tractors, in part because, as a company spokesperson puts it, “Dot removes the need for AC, comfortable seating and all other amenities that are built for the comfort of the farmer.”

“Finding labour is a major issue in farming, and the limited supply combined with increasing demand results in higher wages for good-quality labour, which can drive up costs,” says Stuart Person, a CPA and national director of primary producers, agriculture, at the consultancy MNP in Edmonton. Agricultural robotics will allow farms to operate with fewer staff, particularly seasonal labourers.

Robotics might also address a coming retirement crisis. Agnihotri calculates that, as of 2016, 54 per cent of the rural workforce was 55 years or older and will be leaving the industry in the next decade. “They will take with them decades of insight and economic expertise,” Agnihotri says. “These trends will make it inevitable for us to adopt different mechanisms to fulfill that demand and supply gap.”

In the meantime, human farmers still in the field are grappling with agriculture’s new direction. “The reaction is quite unique,” says Leah Olson-Fiesen, CEO of Dot Technology. “They get excited about it or they get nervous. It’s very, very difficult for those who have been in the industry to consider what their farms would be like without a tractor. “When we see the Dot units in the field, it’s a little bit of shock and excitement. But from the perspective of a farmer, the wheels start quickly turning,” says Olson-Fiesen. “He

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SINCE 1980...
“WE DO NOTHING ELSE...”
or she suddenly starts to think, ‘I wouldn’t have to be in the cab. I could be doing other things.’”

Down in California, the berry producer Driscoll’s is investing in robotic technologies to address the labour shortages it’s already facing. One of them, developed by Harvest CROO Robotics, is a berry picker and packer machine that can do the work of 30 humans. Nicknamed Harv, it has multiple robotic arms—there’s an arm to lift leaves off the berries, another that inspects the fruit and feeds data back to its AI brain about maturation, and a final multi-tooled arm that picks and packs ripe berries.

Then there’s GUSS, from a company called Global Unmanned Spray System, based in Fresno, California. The self-driving sprayer is made especially for orchards. Because GPS hasn’t worked well in covered spaces, such as the rows under tree canopies, the low-set aerodynamic tank on wheels is guided by sensors and software, and can autonomously move up and down the rows of an orchard spraying citrus, pistachio, almond, walnut and stone fruit trees with pesticides. One operator in a control van can monitor up to 10 GUSS sprayers at a time.

Technology can even tell farmers how contented their cows are. Robotic machines may have already mastered milking, but now the Irish company Cainthus is testing AI-based technology that performs facial recognition on individual cows, collecting 864,000 data points per animal per day. Using surveillance cameras and predictive imaging to monitor feeding and bovine health, Cainthus has partnered with food-and-agriculture giant Cargill to scale this technology on dairy farms; it’s being installed on a handful of farms in Canada. The data gathered by the cameras allow farmers with big herds to know as much about their animals as the steward of a small herd would—when they’re ill, when they’re in labour, whether their output is up to snuff. And unlike humans, cows can’t complain about being watched.

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**DELIVERABLES**

**SOUR DOUGH**

In Quebec, auditors have discovered a new way of unearthing tax fraud in the restaurant industry: ordering pizza

**BY KATIE UNDERWOOD**

During late nights at the office in tax season, there’s nothing like a delivery pizza to keep a team of CPAs full and focused on the job. But for one tax investigator with Revenu Quebec, pizza delivery was the job.

In May 2017, while examining small businesses’ QST collections, Revenu Quebec inspector Katherine Duval-Fillion ordered a small cheese pizza from the Verdun-based Pizza Expresso to test the shop’s compliance with the province’s sales tax act. When the pie arrived, Duval-Fillion “looked for the bill everywhere but without success.” (The delivery man later insisted it had been pinned to the box.) A subsequent investigation of Pizza Expresso’s records found that there was a 20-minute delay between her order and the time a $12.99 sale was registered in the store’s cash register—possibly for a different order altogether.

Together, the missing invoice and delayed transaction were a violation of the sales tax act, which stipulates that when a restaurant fulfills a taxable order, “the operator shall prepare an invoice containing prescribed information, provide the invoice…to the recipient without delay after preparing it and keep a copy of the invoice.” Because shop staff didn’t properly ring up Duval-Fillion’s order, she suspected they were attempting to avoid remitting tax on it. The pizzeria was fined $2,000 for the offence.

This isn’t the first time Revenu Quebec has targeted pizza joints. Back in 2011, Giovannina Pizzeria Inc. of Saint-Marie, Quebec, was audited after an inspector received a handwritten receipt instead of a register printout.

Jacob Nataf, a Montreal-based partner at MNP who specializes in tax controversy and dispute resolution, says fraud-sniffing pizza stings are likely to become more commonplace thanks in part to Quebec’s 2011 crackdown on restaurant billing and a subsequent 2016 crackdown on bar billing, which involved a suite of newer, extended and more broadly applied regulations.

Instead of the antiquated practice of calling a chain’s suppliers, now technology can ferret out funny business. Visiting investigators tap into sales recording modules—mandatory, government-regulated black boxes that can be attached to cash registers to track all customer transactions—to spot any discrepancies in the accounting at bars and restaurants, sectors that historically rely on cash and, from Revenu Quebec’s perspective, “allow more room for evasion and undeclared revenues,” says Nataf. “Sales recording modules can be used to trace any undeclared sales, which may lead to a broader audit—including the use of indirect methods to quantify the amount of unreported sales. For instance, an auditor can go into a restaurant and count, say, how many buns were ordered and compare that with how many were sold as part of a meal.”

Still, in order to find out how scrupulously an operation handles its dough, auditors first have the delicious task of phoning in an order. It’s a cheesy job, but someone’s got to do it.
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A WALK TO REMEMBER

Five years ago, Alberta CPA Mathieu Bilodeau almost retired from sport. Then a chance encounter with an Olympian put him on the path to Rio. BY MATTHEW HALLIDAY

I moved to Calgary in 2011 to train as a skier and triathlete. When I took a job at an oil company called MEG Energy three years later, I felt overwhelmed—I was working a full-time job and training simultaneously—and I thought it might be time to retire from sport.

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Race walking is one of the oddest sports in the Olympics: one foot on the ground at all times, knees straight until they pass your hips. It looks funny. The first month or so, I walked around Calgary at night. Sometimes my wife would bike beside me and say, “That guy we passed was laughing at you.”

One night while training, I met a woman with an Olympic ring on her finger: Janice McCaffrey, one of the best race walkers ever—and, by coincidence, the wife of my boss, Bill McCaffrey. I didn’t even know what race walking was. I asked her, “Can you show me?” It was 18 months before the Rio Olympics qualifying races. I said, “If I’m any good, I’ll try to qualify.”

Combining work and training was tough. I’d wake up at 4 a.m. to walk 30 kilometres, do a full workday, then get back on the track at night. Sometimes, at lunch, I’d sleep under my desk.

My first race was U.S. nationals. Then I qualified for the World Championships in Beijing. I didn’t know what I was doing, and I was competing against the best in the world. My technique was like a robot. But I was there. And I decided, “No, I’m not retired!”

I’m an auditor at Deloitte now. But this year, I took a leave of absence to move to Canmore and train for the 50-kilometre race at the 2020 Olympics in Tokyo. That may be the end of my career as a race walker. After that, I’d like to become a manager or partner with Deloitte. But 2020 comes first.

I competed in Rio, but didn’t finish my race due to exhaustion. During the closing ceremony, my mom texted me from Quebec City: she could see me on TV! That made me realize people all over the world were watching me.

I’m kind of a star in France, where race walking is popular. People love my Québécois accent, and I think they’re interested that I’m a CPA and an athlete. It’s almost impossible in France to combine a career and sport.

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