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1. Important Announcements

A. CGA Ontario Welcomes Dan Pusztai, CFE, CGA, Public Practice Adviser

As a result of an extensive search, we are extremely pleased to announce and welcome Dan Pusztai, CFE, CGA who joins us today as Public Practice Adviser. An announcement with more detailed information has been sent on the PPDL, however, here are the highlights.

Dan graduated from York University with a B.Sc. in mathematics then completed the requirements and became a CGA in 1987. As a student he received the JV Willis silver medal in taxation. Dan held the first vice-chair position within the association for CGA Ontario Ottawa Chapter and served as director of public practice on Ottawa Chapter's board. He was certified as a fraud examiner (CFE) in 1993 by the Association of Certified Fraud examiners.

Dan has worked in public practice, doing audits, compilations and reviews advancing to acting partner with a large regional public accounting firm. He has led both compliance and comprehensive audit teams within the federal government and has taught advanced auditing for Algonquin College. He has continuously taught this course as well as others that are accredited towards the CGA designation through the University of Ottawa.

The current arrangements for our toll free number remain in place to the end of September. You may continue to use that line until that time or alternately you can contact Dan directly at the Association office. He will be attending our public practice conference and you will have a chance to meet him there.

B. Revisions to CGA Ontario's Public Practice Entrance Standards with effect from January 1, 2006:

1. The exemptions sub-committee of CGA Ontario's professional standards and competence committee will not accept requests for exemption from both Taxation 2 (TX2) and Auditing 2 (AU2). Members with ample auditing experience can apply for exemption from AU2. Similarly, members with appropriate tax experience can apply for exemption from TX2. Regardless of the member's competency and experience, the sub-committee will not accept a request for exemption from both TX2 and AU2.

2. All new practitioners who have never written the TX2 and/or AU2 examinations, or have written them more than five years before registration as a practitioner with CGA Ontario, must write that examination. If the new practitioner has written the exam more than two years, but less than five years, prior to initial registration, they must successfully complete all course assignments.

The examinations and/or assignments, as the case may be, must be completed no later than one year after initial registration as a new practitioner.

The exemptions sub-committee will continue to consider requests for exemption from TX2 or AU2 based on extensive tax or audit experience.

3. Three parts of the orientation program—the practice administration seminar, the compilation and review engagement seminar and the review engagement case study—are mandatory in most cases. Exemption requests will be considered in only the most exceptional cases. Completion of the three components is required within a period of not more than two years prior to initial registration as a practitioner. A new practitioner will not be permitted to register with CGA Ontario unless all three parts have been completed; including successful completion of the review engagement case study.

4. CGA Ontario's professional standards and competence committee has ruled that all licensed members wishing to enter public practice must:

- Register with CGA Ontario;
- purchase professional liability insurance;
- have two years public accounting experience (within the last five years before registration) or engage the services of an eligible CGA mentor; and
- complete the practice orientation program (comprising of the compilation and review engagement seminar, the practice administration seminar and the GAAP and GAAS update).

However, they will be exempt from completing the review engagement case study, and the assignments (or exams, as the case may be) of the AU2 and TX2 courses.

Licensed members must complete the orientation program within six months of initial registration with CGA Ontario.

All other members must complete the compilation and review engagement seminar, the practice administration seminar and the review engagement case study prior to initial registration with CGA Ontario. They have up to six months after initial registration to complete the GAAP and GAAS update.

C. Mandatory Continuing Professional Development Program

Mandatory continuing professional development (CPD) credits can be earned in many ways: attendance at seminars and conferences; in-house training and special interest study groups; university or college courses; self-study; volunteer activities; involvement in major projects at work; significant changes in job responsibilities; or lecturing, tutoring, marking for CGA Ontario or other organizations (to name some examples). CPD credits can be reported [online](#).

As of January 1, 2005, and effective from the 2005-2007 three-year reporting cycle, members report 125 professional development credit hours. This number is increased from the current requirement of 100 credits. The member must report at least 20 credits every year. At least 60 out of the 125 credit hours required to be reported over a three-year cycle (from 2005-2007 onwards) must be "verifiable."

Please note that we will have a revised credit granting policy effective January 1, 2006. The revised categories can be viewed [online](#).

D. Website Passwords

For sometime now CGA Ontario has allowed certified general accountants the ability to choose their own passwords to access secured areas of the website. Members can choose any password, provided it is eight characters or longer. To choose your own password please access CGA Ontario's [Online Transactions Centre](#).

Please note that computer-generated passwords (as well as your newly chosen password) can still be retrieved via the password notifier, which will send your password back by e-mail to the e-mail address stored in CGA Ontario's database (ensure your e-mail address is up to date).

E. Public Practitioners' Convention 2005

This is a reminder about CGA Ontario's public practitioners' convention, scheduled from Thursday, September 22nd to Saturday, September 24th. Remember to register as soon as possible (and submit your suggestions for certain workshops).

The fastest and most convenient way to register is [online](#). Register right now!

You can also register by phone (416-322-6520 or 1-800-668-1454, ext. 321), by fax (416-322-5594) or send in the convention brochure's registration form by mail.

How ever you register, the really important thing is to make sure you are there!

Why should you come? Well, CGA Ontario has a great convention line-up in store for you. Some of the very important topics include:

- a GAAP and GAAS update
- recent tax changes primer
- an information technology update
- answers to the 10 challenging income tax issues that you face (which have been troubling you forever)
- a workshop with CGA Ontario's practice inspectors
- the CGA independence standard
- risk management in your practice

The keynote address will be delivered by Christopher Loveless, who is associate director of marketing at Bear Stearns Asset Management Inc. Chris works closely with James O'Shaughnessy, portfolio manager and acclaimed author of *What Works on Wall Street, How to Retire Rich and Invest Like the Best*. Chris will talk about the stock market, key winning investment strategies and more.

There will be sessions on Bill 94, the Public Accounting Act, 2004.

Finally, we are repeating the best practices sessions for practitioners, which were so popular and well received by last year's convention attendees. There is a separate session for new practices, more mature practices and multi-partner practices.

This is all in addition to the opportunity to network with your colleagues and peers, which is one of the best selling features of any convention. There is something for everyone planned at this year's convention...make sure you get to experience your tailor-made parts! Please don't miss it.

F. Personalize Your Personal Tax Planning Covers

Public practice firms have the option of personalizing covers of their 2005/2006 *Personal Tax Planning* booklets.

This personalization can enhance your practice's image by having your firm name, logo and address included on the front of your copies of the popular book. In addition to the front cover artwork, you can include your office or partner addresses and telephone numbers on the inside of the book. The inside design and text remain consistent with CGA Ontario's design.

There are two options for personalization:

- 1) You may have your logo, name and address incorporated into CGA Ontario's cover design (to be determined, but similar to last year's)
- 2) You can submit four-colour process artwork in illustrator. Cover dimensions are 14 cm by 23 cm (5.5 inches by 8.5 inches).

Cost per book is estimated to be 50 cents plus shipping and handling; minimum order has to be for 500 copies.

For more information, contact Mila de los Santos at 416-322-6520, ext. 246 or via [e-mail](#).

G. CGA Ontario's Annual Conference and Admission to Membership Ceremony

Name your Need! Whether it's for professional development specific to the sector you work in, networking opportunities with colleagues or inspiring speakers, the Certified General Accountants of Ontario's Circle of Champion's conference is committed to meeting that need.

As a CGA in public practice, you may be especially interested in the application of Sarbanes Oxley (SOX), keeping up with technology or learning about recent legal cases on the subject of general anti-avoidance rules (GAAR). Less taxing sessions on topics such as leadership development and doing more in less time are also on the agenda. Other topics include ethical theories and their application, XBRL-based technologies and reporting issues in the broader public sector.

Featured speakers include Dr. Nick Bontis, Sherry Abbott and comedian James Cunningham.

New this year is an opportunity to hear conference sponsors speak about their products and services in our "early riser primers." No registration is required for these complimentary sessions. See the online conference brochure for full details.

View the Circle of Champion's [full conference program](#) online today! Register using CGA Ontario's secured [Online Transaction Centre](#) online by September 26, 2005, for your chance to win an Apple iPod mini.

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2. For the Practitioner

1. The Canada Revenue Agency (CRA) announced the prescribed annual interest rates that will apply to any amounts owed to the CRA and to any amounts the CRA owes to individuals and corporations. These rates are calculated quarterly in accordance with applicable legislation and will be in effect from October 1, 2005, to December 31, 2005.

Income tax

- The interest rate charged on overdue taxes, Canada Pension Plan contributions, and Employment Insurance Premiums will be seven per cent.
- The interest rate paid on overpayments will be five per cent.
- The interest rate used to calculate taxable benefits for employees and shareholders from interest-free and low-interest loans will be three per cent.

Other taxes

The interest rate on overdue and overpaid remittances for the following taxes will be:

Tax & Duty	Overdue remittances	Overpaid remittances
Goods and Services Tax	2.3804%	2.3804%
Harmonized Sales Tax	2.3804%	2.3804%
Air Travellers Security Charge	2.3804%	2.3804%
Excise Tax (non GST)	7%	5%
Excise Duty (for periods ending after 2003-06-30, except Brewer Licensees)	7%	5%
Excise Duty (for periods ending prior to 2003-07-01)	5%	5%

2. CGA Canada's *Tax/Valuation Newsletter*

The Tax/Valuation Newsletter is an informative, thought-provoking and sometimes provocative publication on income tax and business valuation matters. Distributed quarterly to public practitioners through CGA Canada's *Public Practice Manual CD*, it examines and analyzes current issues and offers a fresh perspective on a diverse range of topics, including lesser-known tax provisions.

Presented in an easy-to-read format, the newsletter is designed to create and increase awareness and assist CGAs in serving their corporate and individual clients. It's a very useful resource to add to your toolbox!

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3. Volunteers Wanted!

CGA Ontario regularly gets calls from seniors, not-for-profit organizations and the like, requesting names of members who would be willing to volunteer their services for preparation of tax returns, financial statements, acting as treasurer, etc.

We would like to maintain a list of such volunteers.

If you are agreeable to have your name on such a list, please contact Merle Khadoo-Bootan, CGA Ontario's program administrator, chapter services, via e-mail at mbootan@cga-ontario.org.

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4. The Latest *CICA Handbook* Updates

A. The Handbook-Accounting Release No. 36 (September 2005) deals with the following:

EIC Abstracts

Amended

- Flow-through shares

New

- Accounting for pre-existing relationships between the parties of a business combination. (EIC-154)

B. The Handbook-Assurance Release No. 23 (July 2005) deals with the following:

International Standards on Auditing, Section 5101

This Section has been withdrawn. The CICA and the Auditing and Assurance Standards Board (AASB) continue to support international harmonization of auditing and assurance standards. In future, timely information comparing the International Standards on Auditing with Canadian auditing and assurance standards will be provided on the AASB website

Terms of the Engagement, Section 5110

This new Section establishes standards and provides guidance on establishing an understanding of, and agreement on, the terms of the engagement for the audit of financial statements.

The Section requires the auditor to:

- establish an understanding of the terms of the engagement with the entity and to document this understanding in a written agreement;
- include in the written agreement between the auditor and the entity:
 - the objective, scope and limitations of the engagement;
 - the responsibilities of the auditor;
 - the responsibilities of the entity's management; and;
 - other relevant and important matters.

The new Recommendations are effective for periods commencing on or after August 1, 2005.

Audit Evidence Considerations when an Entity uses a Service Organization, Section 5310

This Section has been revised and expanded to set out requirements for the auditor of an entity's financial statements who uses a service auditors' report when:

- planning the audit
- assessing control risk at the entity
- using audit evidence obtained from substantive procedures performed by service auditors; and
- evaluating audit evidence.

It also contains requirements related to communication of internal control weaknesses and to the content of the auditors' report when a service auditors' report is used.

The new Recommendations are effective for financial statements and financial reports for periods beginning on or after January 1, 2006.

Management Representations, Section 5370

This new Section establishes standards and provides guidance on the use of management's representations as audit evidence and on obtaining written representations from management.

The new Section emphasizes that the auditor

- should corroborate management's representations when obtaining sufficient appropriate audit evidence
- discusses the relevance of management representations to the audit evidence and the need to obtain written representations with both management and the audit committee when planning the engagement
- obtains management's written representations for all financial periods covered by the auditors' report
- obtains written representations from current management even if current management was not present for part or all of the financial periods covered by the auditors' report; and
- should express a qualified opinion or deny an opinion if there is a scope limitation as a result of management's refusal to provide written representations requested by the auditor

The new Recommendations are effective for audits of financial statements for periods beginning on or after August 1, 2005.

Auditors' Report on Controls at a Service Organization, Section 5970

This new section replaces Opinions on Control Procedures at a Service Organization Section 5900. Section 5970

provides guidance for service auditors who issue reports on controls at a service organization when such reports are intended only for the use of user organizations and their auditors. The Section includes new requirements for service auditors related to matters such as:

- the service auditors' procedures
- use of the work of others;
- changes in the service organization's controls
- complementary user organization's controls
- consideration of significant deficiencies in the design and/or operation of controls
- reports on controls placed in operation and tests of the operating effectiveness of controls
- subsequent events
- communications of matters such as illegal acts, fraud and uncorrected errors;
- distribution of reports; and
- reporting on substantive procedures

The new Recommendations are effective for engagements covering periods commencing on or after January 1, 2006

Public Accountant's Review of Financial Statements, Section 8200

This Section has been revised to include standards and guidance on

- establishing an understanding of the terms of the engagement and documenting the terms of the engagement in a written agreement
- using management representations when gathering information regarding important matters to support the conclusion expressed in the review engagement report; and
- obtaining management's written representations

Appendix A has been revised to update the example of the engagement letter for review of annual financial statements.

Appendix C has been added as an example of a representation letter that the public accountant may obtain from management.

Assurance and Related Services Guideline

Amended

Performance of a review of financial statements in accordance with Sections 8100 and 8200 (AUG-20)

C. The Handbook-Assurance Release No. 24 (August 2005) deals with the following:

Authority of auditing and assurance standards and other guidance, Section 5021

This new Section provides guidance on the authority of Recommendations, explanatory material, interpretive publications and other auditing and assurance publications that a practitioner may refer to when performing an assurance engagement, or when providing related services

The Section includes requirements for the practitioner to:

- identify and comply with Recommendations in the CICA Handbook – Assurance
- be aware of and consider interpretive publications; and
- when applying the auditing and assurance guidance included in an "other auditing and assurance publication", be satisfied that the guidance is both relevant and appropriate

The Section also includes Appendices listing interpretive publications issued under the authority of the AASB, and other auditing and assurance publications published by the CICA that have been reviewed by CICA Auditing and Assurance Standards staff

The new Recommendations are effective with respect to financial statements and financial reports for periods commencing on or after September 1, 2005

Analysis, Section 5301

This Section revises and replaces existing Section 5301 to incorporate into the Handbook concepts related to the new audit risk model.

The following are the principal changes to this Section:

- increased emphasis on the use of analysis and analytical procedures as risk assessment procedures to obtain an understanding of the entity and its environment, including its internal control
- additional guidance provided when analytical procedures are used as substantive procedures, when their use can be more effective or efficient than tests of details in reducing the risk of material misstatement at the assertion level to an acceptably low level; and
- additional guidance provided related to the use of analytical procedures as an overall review of the financial statements at or near the end of the audit

The new Recommendations are effective with respect to financial statements and financial reports for periods commencing on or after January 1, 2006

D. The Handbook-Assurance Release No. 25 (September 2005) deals with the following:

Planning, Section 5150

This Section revises and replaces Planning and Supervision, Section 5150, to incorporate ISA 300, "Planning an Audit of Financial Statements," into the Handbook with changes only to conform to Handbook references and terminology. Section 5150 establishes standards and provides guidance on the considerations and activities applicable to planning an audit of financial statements

The Section requires the auditor to:

- plan the audit so that the engagement will be performed in an effective manner
- perform preliminary engagement activities including engagement acceptance and continuance procedures, evaluating compliance with ethical requirements, and establishing an understanding of the terms of the engagement
- establish the overall audit strategy
- develop an audit plan
- during the course of the audit, update and change as necessary the overall audit strategy and audit plan
- plan the nature, timing and extent of direction and supervision of engagement team members and review of their work
- document the overall audit strategy and audit plan; and
- prior to starting an initial audit engagement, perform client and engagement acceptance procedures and communicate with the predecessor auditor

The new Recommendations are effective with respect to financial statements and financial reports for periods beginning on or after January 1, 2006

Assurance and related services guideline

New

Service organizations that use other service organizations (AuG-42)

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5. Marketing: Partner Selection Process

In this issue of *Practice News*, CGA Ontario continues to reprint extracts from the book, *Seven Principles for Effective Firm Management*, by J. Curt Mingle, CPA. This is a real-world book filled with exhibits and examples to help the professional accountant—on any level—create a more effective and efficient working environment. Many partners, managers and staff working in solo practices to large CPA firms do not always grasp the “business side” of managing a firm. This new guide—short on theory and filled with practical knowledge—explains each principle and offers answers to your most important firm management questions.

Included hereunder are two exhibits from Chapter 6 of the book (*If You Are Short of Leadership the Firm will Fail*), which was reproduced in the last issue.

Exhibit 6-1

Sample Partner Selection Process Policy

Partner Selection Process

There is no fixed number of partners, and we expect the number to grow as our services and organization expand. To insure the selection of only those persons possessing the characteristics needed for the continuing quality growth of the firm, we have adopted this policy.

As the firm continues to grow it is more and more difficult for firm management to personally know the abilities and potential of firm managers. Accordingly, it becomes even more critical that local office partners, particularly the office partner-in-charge (PIC), give careful consideration to the partner selection process. As we continue to expand, more and more responsibility must be shifted to the local office. Firm management's role in the process will continue to be the overall management of the number of partners the firm needs and can afford. Firm management must continue to challenge local office nominations to insure that only those candidates who clearly possess the characteristics outlined below are admitted to the partnership.

As indicated above, firm management has the responsibility to manage the number of partners admitted in any given year and the impact on partner earnings as well as the total number of partners in the firm at any given time. Admission of partners by merger and from the staff and the retirement or out-placement of partners are all factors in this management process. Section V of the Manager Performance Evaluation form asks for the local office recommendation as to when an individual manager will be considered for partner. Future overall management of the number of partners will utilize this information. Accordingly, careful consideration should be given before completing this section.

Throughout the selection process it is important to remember the characteristics we are looking for in a partner. The following definition is one of the best we have found.

Characteristics of a Partner

It has been said that the chief function of the partners is to set the tone and create the climate in which staff development can best flourish. Partners demonstrate through their own behaviour the high standards of performance and character required for advancement in the career of public accounting. Whether they realize it or not—and whether or not it may embarrass them personally—they can and do serve as a basic source of inspiration to the persons who work for them. It is most important that the partners strictly adhere to policy pronouncements of the firm

as expressed in the partner and office manuals, and other firm publications. The status of partner represents the goal of the ambitious young staff person and is the mark of arrival in the profession. Upon becoming a partner, he or she assumes personal responsibility in the eyes of the public for his or her actions and those of the firm. Each partner obligates him- or herself to maintain a high standard of professional work and conduct. Every effort should be made to build up the business as a firm, and not for the individual partners thereof. The partner should conduct himself or herself in a manner befitting a professional person and in strict accordance with the ethics of the accounting profession and the rules and regulations of the State Society of Certified Public Accountants, the American Institute of Certified Public Accountants, and other regulatory bodies.

In selecting new partners, the following basic qualities should be prevalent:

A. Technical Ability

A prospective partner's technical achievements are measured in terms of his or her intelligence, skills, and experience, and by the manner in which he or she applies these attributes. He or she must be able to plan, program, and see that assignments are carried out properly. Closely allied with this is a combination of creative ability, initiative, imagination, perseverance in solving problems, and an analytical aptitude considered necessary to the proper application of technical skills.

B. Personality and Temperament

Of great importance is a prospective partner's social characteristics—his or her ability to work well with other people, and his or her capacity to command the confidence and respect of clients, partners, staff, and administrative support personnel. He or she should also be a superior supervisor, able to work effectively under pressure. He or she must be able to train and encourage staff members. He or she should be a leader, but not a "climber," and give evidence of ability to continue to study and grow. It is naturally assumed that any partner has to be a person of unquestionable integrity and high moral standards.

C. Dedication and Understanding of Client Needs

Partners should place the interests of the firm and client above their own. They should be deeply devoted to their chosen field and to further develop their professional abilities. They are expected to have a sense of responsibility toward their work, the firm, and the profession as a whole.

Partners should understand and carry out the firm's mission. They must understand that close personal attention to client needs is the driving force of their firm. They must also understand and practice the one firm concept. The firm is more important than any individual or any office—all partners must understand this.

Successful partners must be able to understand and meet the needs of clients. They must understand that the role of a partner has changed. It is no longer acceptable to just be technically competent. Partners must also provide forward-looking services that are creative and innovative. They must have the ability to understand a client's problems and needs. Like our clients, partners must possess the characteristics of the entrepreneur.

Specific Guidelines and Criteria

In addition to satisfying the above general characteristics of a partner, the candidate should meet the following specific criteria, fit into the long-term plans for the firm and office, and have demonstrated his or her ability to achieve specific goals established for each individual manager. In addition, financial considerations such as office profit, volume, and number of partners must be weighed.

A. Specific Criteria

The following criteria have been agreed to by management as required for promotion to partner.

1. Objective Requirements

- Generally at least eight years of public accounting experience including at least two years as a Clifton Gunderson manager.
- After consideration of the verbal and written evaluations, the person must receive a positive vote of at least two-thirds of all partners in the office.
- A definite track record for acquiring new business and expanded services for existing clients.
- Have demonstrated the ability to manage work in process (WIP) and accounts receivable to the satisfaction of the Chief Operating Officer for a period of at least one year prior to nomination.
- Absolute adherence to all firm and professional quality control standards and compliance with all firm professional and business requirements.
- Willingness to sign the partnership agreement.
- Approval by the Partnership Board and the Partners as a whole in accordance with the partnership agreement.
- Continued achievement of previous criteria.

2. Subjective Requirements

The person considered for promotion shall:

- Have demonstrated the ability to be innovative and creative
- Be deeply involved in the non-technical area of client management.
- Have demonstrated the ability to gain the confidence of his or her clients to the extent that they look to him or her for counseling and advice and call on him or her directly for most of their required services.
- Be able to manage personnel and have the absolute respect of all staff and administration support personnel.
- Be an active participant in our firm's marketing program and have demonstrated the ability to attract new clients and expand services to existing clients.
- In cases where previous specific goals have been set, have fulfilled these goals to the satisfaction of the office partners.

Exhibit 6-2

Sample Part-Time General Partner Policy

Part-Time General Partners

Section 37 of the Firm's LLP Agreement authorizes part-time status for general partners.

Section 37 states, in part, "the board has the power to negotiate and enter into agreement on behalf of the firm with such general partner(s)." The purpose of this policy is to state the basic parameters the board will use in entering into part-time general partner agreements to insure that all such partners are treated consistently.

The parameters or guidelines are as follows:

- Part-time status for general partners will be permitted during a phase-out period leading to full retirement for a period not to exceed five years, or due to a lifestyle change for a period not to exceed three years. After the three-year period, a request for extension or renewal of the part-time general partner status will be subject to approval of the partnership board, and must have unanimous approval of all local office general partners.
- If otherwise eligible, these partners may elect to receive Section 38 benefits.
- Section 38 benefits (base for calculation and vesting) will be frozen once the part-time partner elects to begin receiving them.
- Capital requirements of all part-time partners (special or general) will be based on estimated income in the same ratio as full-time general partners.

- Part-time general partners will remain in the partner evaluation and profit-sharing system. Any special compensation arrangement will only be considered if the partner withdraws from the Firm, and enters into a special partner arrangement with the firm.
- Part-time general partners will have profit-sharing units in the same ratio as full-time general partners (presently 75 percent of total profit share), will be allowed to vote these profit-sharing units, and may be elected to the partnership board.
- A part-time partner, special or general, may not have any employment other than as a partner of the firm without specific written approval of the firm's CEO, subject to approval of the partnership board.

These guidelines or parameters may be modified at any time by the partnership board.

However, any existing agreement entered into using the above parameters and guidelines will remain in force and will not be affected by any modifications.

J. Curt Mingle, CPA, is the senior executive partner of Clifton Gunderson LLP, and a leading adviser to CPA firms and associations

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6. Interesting books from the AICPA:

1. *Securing the Future: Building a Succession Plan for Your Firm*

By: William L. Reeb, CPA

Format: Paperback + DVD

AICPA Member Price: \$76

Non-Member Price: \$95

Succession planning continues to be a perennial practice management issue for accounting firms of all sizes. This new product demonstrates that succession planning makes money for your firm today.

In developing *Securing the Future*, Bill Reeb surveyed more than 500 CPA firms and conducted in-depth interviews with 30 managing partners representing firms in transition or about to grapple with succession. This intelligence has been distilled into a hands-on, tactical guidebook for CPAs wishing to develop a successful practice transition plan. Its content shows you how to best position the firm for succession or transition, advises you on avoiding common pitfalls, and guides you through the development and execution process.

Included with this book is a two-hour DVD containing expert-panel discussions on topics covered in this guide plus checklists, templates, and a test for gauging your readiness for succession.

2. *Marketing: Successful Strategies for CPA Firms*

A CPE Self-Study Course

Format: 1 120-min. DVD/Manual, 120-min VHS Tape / Manual, Additional Manual

Marketing/practice growth has been ranked as one of the five most important issues that accounting firms face. More than ever, accounting firms in today's highly-competitive environment need to create and implement effective marketing strategies to survive and thrive.

This marketing strategies course provides a step-by-step method for achieving practice growth. With strong coverage of the important areas of branding and lead generation, it stresses identifying and defining measurable outcomes, assigning responsibility and meeting regularly.

The additional manual is for group-study training and does not include a self-study exam answer sheet.

**The DVD disk, playable on a DVD player or a computer with a DVD drive, contains the video presentation and a viewable copy of the manual.

Member Price: \$160

Non-Member Price: \$200

The AICPA's shopping website is: www.cpa2biz.com.

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7. Professional Development Opportunities

A. CGA Tax and Financial Strategies Program: A CGA BC Program:
Next Session Starts November 9, 2005

Tax and Financial Strategies is a unique business solutions case study program with a concentration on real-life fact patterns that you are likely to encounter in your practice. In addition to tax compliance and planning issues, you will also create correspondence to lawyers and clients, and journal entries to record the accounting treatment of advanced tax transactions.

You will also deal with family relations concerns, shareholder disputes, estate issues, banking and financing and the whole array of tax and financial issues that affect day-to-day business activities. These activities include important tax considerations such as federal and provincial income and capital taxes, GST and PST.

All the issues that financial advisors routinely face when dealing with common business planning strategies from incorporation to succession and all major events in the life cycle of a business enterprise are part of the program. You will receive extensive checklists and valuable practice management tips on practicing safe tax, as well as practice and risk management considerations.

Using integrated case studies, the program will cover the tax and business aspects of the following stages in the life cycle of a business enterprise:

- incorporation
- year-end tax planning
- corporate groups
- capital gains exemption planning
- the holding company reorganization
- dealing with the CRA
- purchase and sale of a business
- corporate consolidations and liquidations
- business succession; and
- estate planning and death of a taxpayer.

The program will take place over a 10-month period, beginning November 9, 2005 and consists of two teleconference discussions per month and monthly assignments.

This program is facilitated by the principals of TaxMentor, Deborah Graystone, B.Sc., TEP, CGA and Bill Cooper, LLB, CGA. Combined, they have more than 40 years of public practice and industry experience in the area of taxation. Deborah and Bill are advisers to many public practice firms and their clients.

This program is specifically designed in conjunction with the CGA-BC public practice division. The cost of the 10-

month program is \$250 plus GST **per month** for a total of \$2,675.

For more information, please contact Anita Fortune, CGA Association of British Columbia, 300 – 1867 West Broadway, Vancouver BC V6J 5L4

B. The Business Planning Boot Camp: A Comprehensive Program of Strategic and Operational Planning Skills for CGAs

The Business Planning Boot Camp is an intensive, hands-on learning program designed specifically for CGAs to help their clients and employers be more successful.

If you have any business planning responsibilities, or would like to offer business planning to your clients, follow this [link](#) to learn more:

The camp is conducted by Peter Wright, CGA, [The Planning Group](#): Phone 519-740-2725; Fax 519-740-9573

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8. Tax News

The income tax rulings directorate, policy and legislation branch of the Canada Revenue Agency (CRA) recently dealt with the following:

The issue was whether awards paid to Canadian residents under the Manitoba Bursary program (the "MB program") and the Canada Millennium Scholarship program (the "CMSB program") fall within the meaning of bursary as contemplated under paragraph 56(1)(n) of the *Income Tax Act* (the "Act").

Manitoba Student Loans and Canada Student Loans are subsidized loans that are interest free while a student attends school and do not become payable for six months after the student completes their full-time studies. Manitoba Student Aid administers the MB program and the CMSB program, which are designed to reduce student loan debt for eligible students and are made available to students with the highest assessed needs and debt level. Usually, the bursaries are paid directly against the student's loan. In the limited cases where the student does not have a student loan outstanding, the awards are paid directly to the student. The awards are not repayable by the student, unless the student fails to fulfill certain conditions, such as completing the study period or failing to provide an accurate representation of income.

It was the taxpayer's opinion that amounts received from each of the MB program and the CMSB program are taxable income to the recipients pursuant to paragraph 56(1)(n) of the Act.

The CRA's view: Paragraph 56(1)(n) of the *Act* provides for the inclusion in a taxpayer's income for a taxation year certain scholarships, fellowships, bursaries and prizes for achievement, to the extent that the total of such amounts received in the year exceeds the scholarship exemption amount, computed under subsection 56(3) of the Act. In this regard, reference is made to paragraph 43 of Interpretation Bulletin IT-75R4 Scholarships, Fellowships, Bursaries, Prizes, Research Grants and Financial Assistance, which states in part:

Under subsection 56(3) the scholarship exemption represents the greater of:

- \$500; or
- \$3,000 when the amounts included under subparagraph 56(1)(n)(i) are in respect of a scholarship, fellowship or bursary received in connection with the taxpayer's enrolment in an educational program for which he or she may claim an education tax credit for the year.

Paragraph 6 of IT-75R4 describes scholarships and bursaries as follows:

'Scholarships and bursaries are amounts paid or benefits given to students to enable them to pursue their education. Scholarships and bursaries usually apply to education at a post-secondary level or beyond, such as at a university, college, technical institute or other educational institution.... Normally, a student is not expected to do specific work for the payer in exchange for a scholarship or bursary. If a scholarship or bursary program provides allowances or reimbursements to pay for specific educational costs, such as those for lodging, personal travel, tools, books or equipment, those amounts are generally included under subparagraph 56(1)(n)(i) (see paragraphs 27 to 29). Subparagraph 56(1)(n)(i) can also apply to the value of benefits in kind, such as free accommodation or equipment.'

Accordingly, in the CRA's view, bursary amounts under the MB program and the CMSB program that are paid against the students' loans represent benefits given to the students to enable them to pursue their education and fall within the meaning of bursaries as contemplated under paragraph 56(1)(n) of the Act. This view is consistent with the definition of bursary that was adopted by the Court in the Federal Court of Appeal decision in *Simser v The Queen*, 2005 DTC 5001.

Interpretation Bulletin IT-340R-Scholarships, Fellowships, Bursaries, and Research Grants - Forgivable Loans, Repayable Awards and Repayable Employment Income indicates that particular award, that may become repayable if the recipient does not meet certain conditions, represents a bursary and is taxable income under paragraph 56(1)(n) of the Act:

"2. (b) a "repayable award" is a scholarship, fellowship, bursary or research grant which the recipient is committed to return if certain conditions are not met.

3. If the agreement under which an amount is paid gives rise at the time of payment to an enforceable debt, it is the CRA's view that the amount is a loan. If the agreement specifies that the amount paid does not become a debt of the recipient unless the recipient fails to fulfill certain conditions, the amount is generally considered to be a repayable award.

8. Repayable awards are included in computing the recipient's income in the year received under paragraph 56(1)(n) or (o)."

The fact that a bursary may be required to be repaid if the student does not complete the program would not change the taxable nature of the awards as bursaries. If subsequent to the payment of the bursary, a condition arises in which all, or a portion, of the award has to be repaid in a future year, the repayment may be deductible, in certain circumstances, under paragraph 60(q) of the Act (refer to paragraph 10 of IT-340R and paragraph 2 of IT-340(SR)).

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9. Recruiting Strategies in a Tight Market

by Lance Osborne

In these days of exuberant economic growth, companies are finding it harder to attract capable, qualified people. Most companies rely on a standard suite of tools in their recruitment programs (advertising, internet job sites, placement agencies, etc.). However, if everyone is competing for the same resource in the same way, no one will come away with extraordinary results unless they start using a different set of tools than their competition.

Here are some tips to turbo charge a recruitment program:

1. Tapping into the out of town market

Canada is a big place, with a relatively uniform standard of education and workplace skills. Though there are some

regional differences, on the whole, someone from British Columbia is pretty much like someone from the Maritimes, preference for lager over ale notwithstanding. For better or worse, some economic disparity will always exist; some markets are hot, some are not. So if the GTA is currently one of the hot markets, there could be better results to be had recruiting in a market place that doesn't offer the same range of opportunities.

2. Being flexible with lifestyle

A great source for highly qualified, hard to find candidates, albeit somewhat limited in numbers, are those professionals with lifestyle considerations. More specifically, professionals with small families who may want to get back to the workplace but on their own terms. A position offered on a three day-a-week or limited office hours basis can often result in a highly qualified individual that no one else would be able to attract. From a company's point of view this strategy may have limited application, but it often works well for highly technical professions where quality of the work is more important than face time in the office.

3. Promoting reward based referrals

Asking employees for referrals is one thing, paying them generously for successful referrals is quite another and produces far better results. A reward of \$1,000 for every referral that gets hired, may result in dozens of employees racking their brains and hitting up friends and relations for possibilities every time there is an opening. Often the right candidate is sitting right under someone's nose but unless they're properly incented, employees don't usually go out of their way to approach that person on their company's behalf. \$1,000 may seem like a lot of money for a referral but if compared to the cost of other recruitment programs, it's actually a tremendously cost effective way of sourcing candidates.

4. Tap into primary sources

Skilled workers often maintain a connection to whatever the alma mater they sprang from. Most post secondary educational institutions have placement centres or referrals services and a lot of their alumni will use this service even after they've been in the workforce for some time.

There are also technical, trade and lobby associations, most of which publish newsletters or magazines that accept advertising. Maintaining a presence with these types of organizations is a long-term strategy but one that can pay off in spades if a recurring recruitment need can be identified. For example, if typically twelve logistic types are recruited per year, it makes sense to find out if logistics types have an association. Ads could be placed in their newsletters, jobs could be posted on their web sites or perhaps the company's chief logistics guru could speak at their next seminar. All of which will dramatically increase the company's profile in a particular market. Once the initial legwork is done, these relationships are very easy and economical to maintain on a long-term basis.

None of the above are sure-fire magic bullets that will solve all recruiting challenges; none of these techniques will work all or even most of the time. However, they should work a lot of the time, depending on specific needs, market conditions, and most importantly, how well these techniques are followed through on.

Lance Osborne has more than 25 years of experience in the executive search industry having worked on a broad range of assignments in virtually every major industry sector. After graduating from university in 1976, Lance served in the Canadian Navy for three years. In 1979, he began his recruiting career in Toronto, then moved on to Calgary where he managed an executive search firm servicing the oil industry. In 1984, Lance realized that there were no firms specifically specialized in the recruitment of mid-level to senior accounting professionals in the GTA. The executive search firms at that time weren't interested in anything but the very senior searches and the traditional placement agencies weren't set up to do headhunting. As a result, Lance went on to found Lannick Associates in 1985 with an executive search model that was geared exclusively to the recruitment of qualified middle to senior echelon accounting professionals and executives.

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