



E-Insights

June 1, 2009

Newfoundland Chartered Accountants launch strategic partnership with MUN Business Faculty

On May 25, many of our members joined with Memorial University's Faculty of Business Administration to celebrate a new strategic partnership. It was a celebration of our commitment to significantly enhance our support for students pursuing a Chartered Accountancy designation and our commitment to strengthen our ties to the university.

Over the next ten years, our members will offer their expertise and guidance to future CA students in the areas of CA program advising, support for SIFE's new *Based in Business* program, and a competency-based accounting development fund that includes an annual lecture series. We've also made a financial commitment that will provide increased access to scholarships and student activities.

By providing students with ample education resources, we're helping to ensure their education is grounded in methods that meet today's industry standards. The program will also help students make links between their formal education and the workplace. When these students join our team as CAs in Newfoundland they will be prepared for the challenges ahead and be integrated members of the business community.

"The Faculty of Business Administration works diligently to ensure our students participate in and have access to first-rate learning experiences," said Dr. Gary Gorman, Dean, who was on hand to help us celebrate our new partnership. "Our relationship with the Chartered Accountants' Education Foundation is a good example of how we can partner with the business community to further enhance our existing programming, in this instance to the benefit of our accounting students."

Dr. Gorman said the combined efforts of both parties will add valuable resources and support for students who are interested in pursuing their chartered accountancy designation.

Mary Beth Handrigan, B.Comm., Past President of Students in Free Enterprise (SIFE) Memorial and future CA student, was also there to help us celebrate this significant event. From her perspective, "Business students are

very fortunate to have such strong support from the Chartered Accountants' Education Foundation.”

As past president of SIFE, Mary Beth is particularly interested in our commitment to SIFE's *Based in Business* program, which aids discharged war veterans in pursuing their entrepreneurial dreams. Our role as partners in this program is to provide our professional CA expertise and guidance.

Mary Beth said, “CAs' support of our *Based in Business* program is invaluable for both veterans and students. The guidance offered by CAs in this province is also particularly meaningful to students, like myself, who are pursuing their CA designation.”

The \$350,000 funding commitment, spread over ten years, comes from the Chartered Accountants' Education Foundation of Newfoundland – our charitable organization whose mission is to promote excellence in accounting through strengthening resources to support accounting education. Sharon Forsey, chair of the Education Foundation, spoke alongside Dr. Gary Gorman and Mary Beth Handrigan at the celebration event on May 25.

Sharon said, “The Chartered Accountants' Education Foundation has long been involved with Memorial University as it prepares graduates to take the CA program. Both parties have benefited from this partnership that has allowed for a sharing of expertise between practicing CAs in Newfoundland and Labrador and business students. Today's announcement cements that relationship and improves the way forward at both a strategic and operational level.”

Cheers to this exciting new partnership and here's to the next ten years of strengthening a great relationship with the Faculty of Business Administration!

Annual General Meeting – Reminder

Members are reminded that the Annual General Meeting of the Institute of Chartered Accountants of Newfoundland and Labrador will be held on Friday, July 10, 2009 at 10:00 at the Ramada Inn, St. John's, NL. Please join us for a member luncheon to follow the meeting. RSVP to Karen Harnum kharnum@icanl.ca. Cost of the luncheon is \$25.00.

Practice Inspection Information Request Forms – Please Respond

In its 2009-10 fee package to members the Institute send out the annual practice inspection information request forms. These forms are circulated annually on behalf of the practice inspection committee to determine which members are engaged in the practice of public accounting and subject to practice inspection under by-law 56. If you have not already completed and returned these forms to the Institute office, you are required to do so on or before June 1, 2009.

Continuing Professional Development Survey – Deadline June 15

On May 14th, members were sent a link to a CPD survey. The purpose of this survey is to get your input into the CPD programs offered by the Institute. To assist us in continuing to develop and offer courses that help you meet your continuing professional developments needs, please take a few minutes to respond to this survey. The deadline for responding is June 15, 2009. To access the survey [click here](#) or visit our website at www.ican.nfld.net.

Accounting Standards for Private Enterprises - ED

New accounting standards for private companies take an important step forward.

After three years of research, consultation with stakeholders and deliberation, the Accounting Standards Board (AcSB) is inviting public comment on proposed financial accounting standards for private enterprises. The AcSB's proposed changes to Private Company GAAP are outlined in a recent Exposure Draft *Generally Accepted Accounting Principles for Private Enterprises*.

Much attention has been focused on the 2011 adoption of International Financial Reporting Standards (IFRS) for publicly accountable enterprises but Canadian standards setters recognize that IFRS might not meet the needs of all private companies. Ron Salole, Vice-President, Standards - Canadian Institute of Chartered Accountants says, "The board recognizes that one size does not necessarily fit all. While some private businesses will opt to report under IFRS, the majority will prefer to adopt a more straightforward set of standards specifically tailored to address private business issues."

Basic approach

The proposed standards are built from the existing *CICA Handbook– Accounting*, which will be familiar to many users thereby not requiring extensive education or training. The AcSB retained a significant number of recognition and measurement requirements—those it determined would not cause substantive concern for private enterprises—and removed certain sections and guidelines deemed irrelevant for this sector. The AcSB also reconsidered those issues in the *Handbook* identified as significantly problematic for private enterprises, and the proposed alternatives are highlighted in the Exposure Draft.

In addition, the AcSB re-examined existing disclosure requirements to focus on the needs of private company financial statement users, recognizing that users in this sector generally have the ability to obtain additional information from the enterprises in question.

Proposals – recognition and measurement

The Exposure Draft includes proposed changes to the existing recognition and measurement requirements. These proposed changes can be categorized into three general categories: significant changes, moderate changes, and no changes.

Significant changes:

The Exposure Draft proposes significant changes to the existing recognition and measurement requirements in the following areas:

- Financial instruments
- Employee future benefits
- Asset retirement obligations
- Internally developed intangible assets
- Impairment testing for goodwill and other intangible assets
- Stock-based compensation

The most significant of these changes for the majority of private enterprises is the proposed financial instruments standard, which would provide for a much simpler approach than that set out in section 3855 of the *Handbook*.

Moderate changes:

The Exposure Draft proposes moderate changes to the following:

- Future income taxes
- Investments (subsidiaries, significantly influenced investees, and joint ventures)

Differential reporting options are being incorporated in these two sections. Because these differential reporting options already exist in the current *Handbook*, the changes are expected to have only a moderate impact.

No changes:

The Exposure Draft proposes that no changes be made to the following:

- Leases
- Callable debt (EIC 122)

Private enterprises planning to adopt this proposed set of standards need to review the proposals first and assess the impact of these changes on their operations and financial reporting.

Disclosure requirements

One of the goals in developing the proposed standards for private enterprises is to reduce the number of specific disclosure requirements while, at the same time, providing sufficient information to give a fair presentation of an enterprise's financial position and operating results, and to help users gauge when to ask for further information on specific issues or transactions.

Users of private enterprise financial statements have stated that disclosures on accounting policies, risks and uncertainties, and unusual events are vital when it comes to understanding and analyzing financial statements. In focusing on these users and their needs, the AcSB has effectively reduced the number of disclosure requirements by about half.

In the Exposure Draft, the AcSB added two new disclosure requirements viewed as important by users in the private enterprise sector: the disclosure of the amount payable at the end of the period in respect of government remittances (and whether any such remittances are in arrears) and the compensation of key management personnel as a group.

EIC abstracts

In creating a principles-based financial reporting system, the AcSB concluded that it would not be appropriate to include the type of detailed guidance contained in the EIC Abstracts; therefore, abstracts have been excluded from the proposed standards. However, some abstracts do contain guidance that is important to this sector; accordingly, this guidance was incorporated into the appropriate sections of the proposed standards.

First time adoption

The Exposure Draft also contains a new section that sets out transitional provisions for first-time adoption of the proposed standards. Section 1500, *First-time Adoption*, is designed to ensure an enterprise's first financial statements prepared in accordance with the new standards contain high-quality information that is transparent and comparable, provide a suitable starting point for accounting under new standards, and can be generated at a cost that does not exceed the benefits to financial statements users.

The proposed standards would be effective for annual financial statements relating to fiscal years beginning on or after January 1, 2011, but early adoption would be permitted. The AcSB expects that the final standards will be issued in time for use for 2009 calendar-year end financial statements. They will be available to any private enterprise. No size threshold or other barriers, such as unanimous consent by shareholders of other users, will be imposed.

“The Board has consulted widely in the development of standards for private business,” says Mr. Salole. “The 2007 Invitation to Comment and accompanying Discussion Paper generated valuable insight into financial reporting priorities in this important sector of the Canadian economy. As well, the Board recognizes the valuable effort of the appointed Advisory Committee that provided broad based input from a range of industry sectors. The Exposure Draft released in April is another opportunity to gain public input.”

Exposure Draft *Generally Accepted Accounting Principles for Private Enterprises* can be accessed [here](#): The ninety-day comment period for the exposure draft closes on July 31, 2009.

Also, for more information see the cover story in CAmagazine (May) [Private Matters](#) and visit the CICA's [Canadian Standards in Transition](#) website for developing orientation and training materials.

Updates on the deliberations will be made public on the [AcSB website](#) following the comment deadline.

Financial Reporting by Not-for-Profit Organizations

The Accounting Standards Board (AcSB) and the Public Sector Accounting Board (PSAB) have jointly issued an Invitation to Comment (ITC) to invite feedback on the future of financial reporting by not-for-profit organizations. The ITC presents several approaches for consideration and directs stakeholders to consider the position papers of both the AcSB and PSAB, appended to the ITC, and to answer a series of questions in preparing their comments. Individuals, governments and organizations are invited to send written comments to either Board on this important topic. Comments must be received by June 30, 2009. It is the preference of the Boards that comments be sent by e-mail (in Word format) to ed.accounting@cica.ca.

To access the Invitation to comment document on the CICA website, please [click here](#) or visit the CICA website at http://www.acsbcanda.org/download.cfm?ci_id=48584&la_id=1&re_id=0.

New Quality Control Standard for Firms

Are you ready for the new quality control standard for firms coming into effect on December 15, 2009? If your answer isn't an emphatic "yes!" read on and find out how to get your firm on the right track.

The Auditing and Assurance Standards Board (AASB) staff recently issued a *Risk Alert* called, *New Quality Control Standard for Firms* that looks at the two significant differences between CSQC 1, *Quality Control for firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*, and extant standard GSF-QC, *General Standards of Quality Control for Firms Performing Assurance Engagements*.

Most of the requirements in existing GSF-QC are similar to those in CSQC 1 and it is likely that most of the quality control policies and procedures already developed by firms would still apply. There are two significant differences that firms may need to address and they relate to the timing of engagement quality control reviews and requirements regarding who can perform inspections of completed engagements.

Information on how the standards compare regarding rotations of senior personnel on an engagement and timing of inspection of completed engagements are covered as well. Firms should undertake their own review of the entire CSQC1 to understand the standard and how it applies to their operations. All firms are responsible to ensure they have the required policies and procedures in effect by December 15, 2009.

To read the full *Risk Alert* and learn more about what your firm needs to understand, visit www.aasb.ca.

Changes to Qualification Requirements for CFP

CA's considering CFP designation should act now

On July 1, 2010, the Financial Planning Standards Council will implement additional qualification requirements for its Certified Financial Planner (CFP) certification. CAs with financial planning experience should act now to be assessed under current requirements.

Chartered Accountants of Canada have an agreement with the FPSC which recognizes the expertise of CAs. The current agreement exempts CAs from the FPSC's Core Curriculum program, and allows them to earn their CFP with:

- Three years financial planning experience;
- Success on the current a six-hour, competency-based multiple choice CFP Examination; and
- Agreement to adhere to the FPSC's Code of Ethics and Practice Standards.

This agreement will change effective July 1, 2010. CAs will continue to be exempt from the Core Curriculum program and to be eligible for the CFP after three years experience, and will be required to:

- Pass the FPSC's two new Professional Competence Examinations PCE 1, which is multiple choice, and PCE 2, which comprises a variety of competency-based question types;
- Complete a mandatory capstone course in order to sit PCE 2
- Adhere to the FPSC's Code of Ethics, and
- Maintain continuous registration with FPSC throughout their CFP certification process.

There will be three more examinations sittings in the current six-hour, multiple choice format: June 13, 2009, November 14, 2009 and June 12, 2010.

Full details of the guidelines and examination application are available online at www.fpssc.ca. If you have any questions, please contact FPSC staff at: 416.593.8587, or toll-free at 1.800.305.9886 or e-mail: inform@fpssc.ca.

Independence Requirements to be Reviewed

Changes to the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants (Code) were approved at the meeting of the International Ethics Standards Board for Accountants on April 27 and 28.

It is expected that the revised Code will be released in July 2009, after the Public Interest Oversight Board (PIOB) has confirmed that due process was followed in its development. If approved by the PIOB, the revised Code will be effective on January 1, 2011.

As a member of IFAC, the CICA and the Canadian CA profession will need to consider what changes are necessary to ensure that the Rules of Professional Conduct adopted by the Provincial Institutes/Ordre "are no less

stringent” than the requirements included in the IFAC Code.

Among the more important revisions made to the IFAC Code are a number of changes to the auditor independence requirements.

The profession’s Public Trust Committee has formed an Independence Task Force (ITF) to review the revisions to the IFAC independence requirements to determine what changes, if any, may be appropriate to the CA profession’s Rules.

Rule 204 on independence was significantly revised in 2003 and took effect in 2004. The standards were further revised in 2005 to address mutual funds but have remained essentially unchanged since then.

The ITF is being chaired by Manitoba Institute CEO Gary Hannaford FCA who also is the Chair of the Public Trust Committee.

Other members of the ITF include Donald G Wray FCA, who led the study of changes to the independence rules in 2003, Michael Tambosso FCA who is a partner with PricewaterhouseCoopers LLP in Toronto and James Salamon, FCA, a partner with the firm Salamon & Ratzlaff in Saskatoon.

The ITF plans to consult extensively at various stages throughout the process with a number of stakeholders including regulators, firms, members, provincial Institutes and the public at large. As part of this consultation process the ITF will prepare an Exposure Draft containing any proposed changes to the independence requirements and distribute it to these stakeholder groups for comment.

The timetable calls for completion of consultations during 2011 with presentation of proposed changes for approval to the Provincial Institute/Ordre Councils/Boards by the end of December 2011.

Final approval will involve a vote of the membership of each provincial Institute/Ordre as soon as possible thereafter. In most provinces this will take place at either a Special General Meeting or the next Annual General Meeting of members.

Discussions are taking place with the Auditing and Assurance Standards Oversight Council to establish a protocol that will provide for appropriate public oversight of the changes needed to the CA profession’s rules regarding independence.

Volunteer Opportunities

The following organizations are looking for volunteer treasurers.

- Sport Newfoundland and Labrador
- Food Security Network
- Canadian Park and Wilderness Society Newfoundland and Labrador Chapter
- Kidney Foundation of Canada – Newfoundland and Labrador Branch

For more information on these organizations and details of the volunteer position available, please visit our website at http://www.ican.nfld.net/index.cfm/ci_id/41284/la_id/1.htm.

Upcoming Events

Mark your calendars....

July 10, 2009

Annual General Meeting

September 9, 2009

CA Education Foundation Golf Tournament

September 15, 16, 17, 2009

UFE

Editor's note...

ICAN E-Insights is a publication of the Institute's Communications Committee.

If you would like to comment on this newsletter or if you wish to submit an article for publication please contact:

Tashia Batstone, CA, MBA, CEO

tbatstone@icanl.ca

Kim Mayo, CA , Director Member Services/Practice Advisor

kmayo@icanl.ca

Karen Harnum, Executive Assistant

kharnum@icanl.ca

