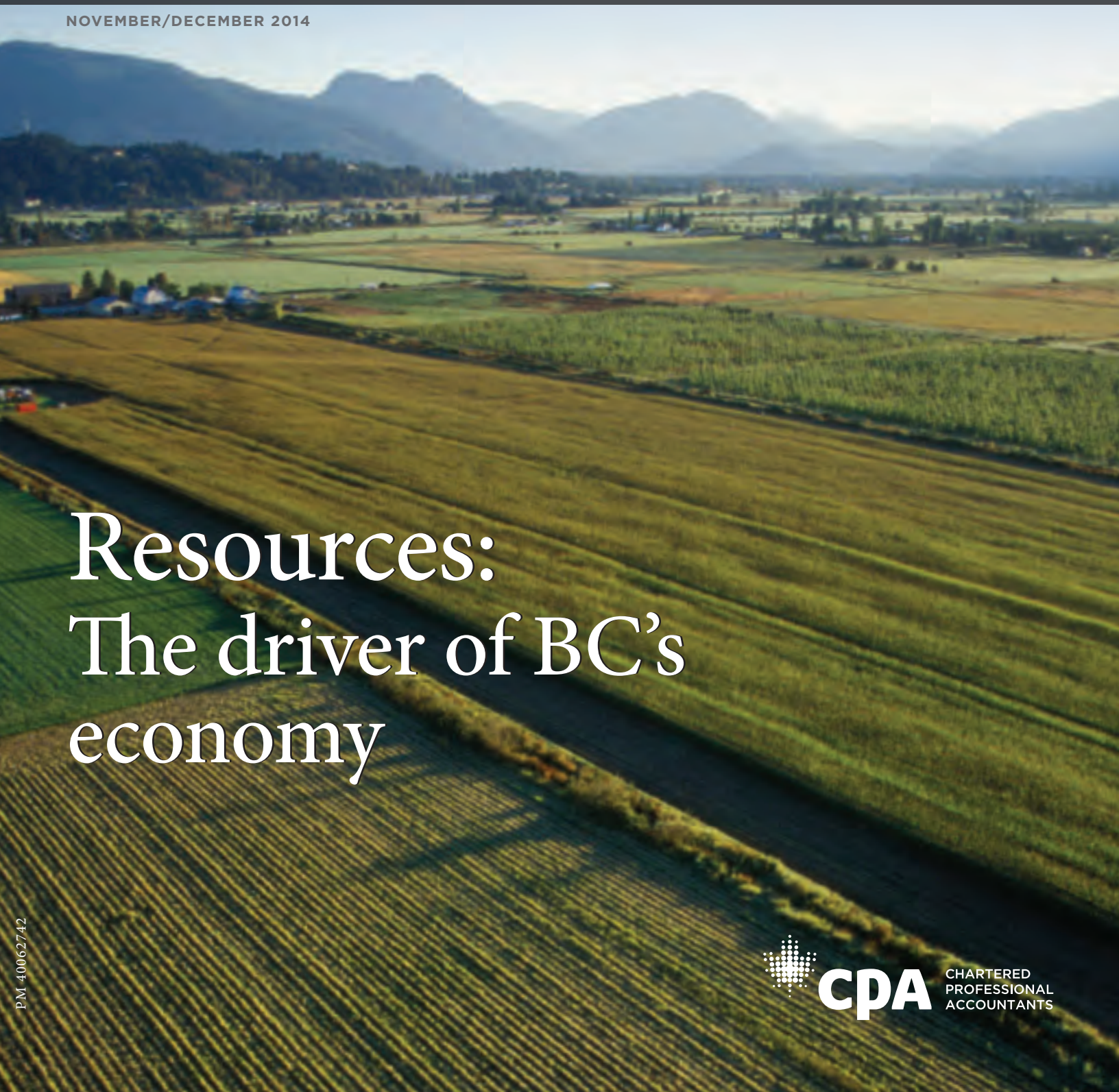
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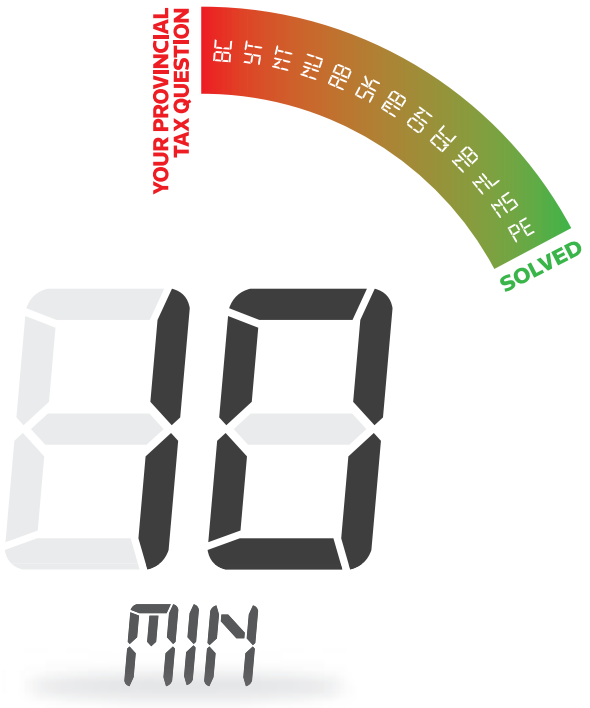
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Resources: The driver of BC's economy

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In its February 18, 2014 Budget, B.C. announced the introduction of an LNG income tax. In B.C., natural gas is a Crown-owned natural resource. The government stated that the overall proposed taxation framework including all taxes will be competitive with similar jurisdictions with LNG businesses. The general proposal involves a two-tier tax with a tier-one tax rate of 1.5 per cent and a tier-two rate of up to 7 per cent, with the final rates to be determined. The LNG income tax will apply to income from liquefaction of natural gas at LNG facilities in B.C. The tier one tax rate of 1.5 per cent will apply to an operator's net proceeds (revenue less expenses) after commercial production begins...

Access this insightful content on B.C.'s two-tier tax law for liquefied natural gas (LNG). Find answers on mining, foreign tax credits, film credits and more – they're among the multitude of areas for which you will find in-depth provincial and territorial commentary and analysis on Taxnet Pro.

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CPABC INFOCUS

November/December 2014, Vol. 2, No. 6

British Columbia's CA, CGA, and CMA bodies are currently working to unite under the CPA designation. *CPABC in Focus* is their flagship magazine.

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	David Sale, CPA, FCGA
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About

CPABC in Focus is published in British Columbia six times a year, and is sent to more than 36,000 CA, CGA, and CMA members, candidates, and students. Opinions expressed are not necessarily endorsed by the ICABC, CGA-BC, or CMABC.
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Notes from the Leadership

By Dan Little, CPA, FCA, Simon Philp, CPA, FCMA, and David Sale, CPA, FCGA

As we near the end of 2014, there is a great deal of success to acknowledge and many milestones to look forward to. Highlights from the past year include the first joint CPABC budget and annual report, the joint retreat with the Transitional Steering Committee, and the launch of a new CPABC website.

Since our last issue of *CPABC in Focus*, fall recruiting events were held across the province (page 8), and feedback regarding how students perceived the new CPA certification program was extremely positive. The annual *BC Check-Up* was released (page 12), the CPA *Business Outlook Survey* was conducted to seek members' views on the economy and government policy (page 18), and CPABC presented to the Select Standing Committee on Finance and Government Services to highlight our priorities for the upcoming provincial budget (page 6). In addition, we launched our first Member Engagement Tour, and have been thrilled by the response from members thus far (page 9).

We also held a joint board orientation for new members of all three legacy boards, during which we welcomed our new colleagues to the boards/council, and a joint board meeting was held in Victoria in conjunction with the CPABC Fall Leadership Conference, which was a resounding success (page 43). The three of us also attended the National Council of Chairs meeting in Toronto with Richard Rees, CPA, FCA, CPABC's president and CEO. We're excited by the forward momentum taking place across the country—in particular with respect to the regional CPA Western School of Business, which will be established in 2015.

Lastly, the final group of fellows and life members for CGA-BC and CMABC were announced. You'll find their names and photos—along with those of CGA-BC's R. W. Caulfield Award for Leadership recipients and the names of its J. M. Macbeth, Harold Clarke, and Community Service Award winners—starting on page 47. For profiles of the fellows and life members, check out our new online supplement for member recognition: **www.bccpa.ca/members/member-recognition**. The ICABC's last group of FCAs and Lifetime Achievement Award winners will be profiled similarly this spring.

CPABC's new, integrated member recognition program will launch in 2015/2016. It's one of many milestones that await us in 2015, as we anticipate the opening of the new CPABC office and are hopeful for the enactment of CPA legislation and the establishment of our new regulatory regime. With so much change still to come as CPABC is established and becomes fully operational, we urge you to continue reading *CPABC in Focus* and *eNews* for important updates and links to information regarding the transition. We also encourage you to follow us on social media to stay informed and connected (see page 29 for a list of our social media offerings).

Spreading the word about CPA and communicating with members and students are always key priorities. CPABC's marketing and business development department (management team profiles on pages 28-29) continues to work diligently to raise awareness of the brand and refine our communications services. Did you know, for example, that information can now be tailored to meet your needs? All you have to do is update your profile online at www.bccpa.ca and indicate which offerings interest you—whether it's events in your area, PD offerings, publications, standards changes, or all of the above. Having heard from you that less is more, staff is also implementing a process that will cut down on the amount of email sent to members, and will work with CPA Canada to ensure that the national body is aware of your needs and wishes in this regard.

Finally, as this is the last issue for the calendar year, we would like to take this opportunity to wish everyone health and happiness over the holiday season. We'll see you in January 2015!



Dan Little, CPA, FCA



Simon Philp, CPA, FCMA



David Sale, CPA, FCGA

Sponsorships & Events

In September and October, CPABC sponsored or attended a number of industry events to promote the CPA designation, including the Jack Webster Awards (October 29) and the MLA Luncheon (October 30). Upcoming sponsorships include the BC Business Summit (November 7), and *Business in Vancouver*'s CEO of the Year Awards (November 18).

Promoting the profession on campus, CPABC sponsored or attended a variety of on-campus events, including the UVic Workplace Skills Conference (September 11-13), UVic Co-op and Career Fair (September 23-24), SFU Fairs Week (September 23-25), BC Financial Healthcare Professionals Conference (September 29-30), UBC Grad Fair (September 30-October 2), Nanaimo Chamber of Commerce Tradeshow (October 16), the Vernon Women in Business Leadership Conference (October 24), Vancouver Board of Trade Show and Reception (October 29), and the Vancouver Island Economic Alliance Conference (October 29-30). Upcoming events include the Kwantlen Polytechnic University Careers in Accounting CPA Roundtable (November 14).

For more information on CPABC's events activities, visit the News, Events & Publications section of **bccpa.ca**.

CPABC Presentation to Budget 2015 Consultations

Being on the front lines of business in this province gives professional accountants first-hand knowledge of the issues that affect investment and the economy here.

On September 15, Simon Philp, CPA, FCMA, chair of CMABC and co-chair of the Transitional Steering Committee for CPABC, shared some of this knowledge during a presentation made to the province's Select Standing Committee on Finance and Government Services.

Philp presented a summary of two major CPABC public policy initiatives—the *BC Check-Up* report and the *CPA Business Outlook Survey* (see pages 12 and 18)—and conveyed CPABC's recommendations for government.



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Based on the input of CPABC members and our economic analysis, this year's recommendations focused on four major areas: the impact of foreign speculation on BC housing prices; municipal transparency and accountability; business input tax credits; and supporting provincial venture capital investment.

Housing costs

In this year's *CPA Business Outlook Survey*, 81% of respondents ranked housing prices as a moderate or major challenge for business success. One of the factors driving the increase in housing prices is foreign speculation, with foreign buyers already accounting for approximately 40% of Vancouver's market for luxury single family homes. In our survey, 55% of respondents rated foreign ownership of properties as a moderate or major business challenge. To address housing-related issues, the City of Vancouver recently approved the establishment of the Affordable Housing Agency; the Agency will collect data and provide information on ways to limit investor speculation and unnecessary vacancies in Vancouver's housing market.

CPABC recommendations:

1. The BC government should monitor this initiative and consider implementing it provincewide. Having relevant data at the provincial level would help policy-makers explore ways to potentially mitigate some of the negative impacts of foreign speculation and bring housing prices in line with provincial economic conditions.
2. BC should monitor the results of a mitigation strategy recently implemented by Hong Kong called the "stamp tax," which was introduced for foreign buyers purchasing property that will not serve as their primary residence. If the stamp tax has a positive impact on housing price reduction, BC should consider introducing a similar policy.

Municipal affairs

A full 66% of *CPA Business Outlook Survey* respondents said municipal governments were doing either a poor or fair job of creating a good climate for business and investment in BC. In addition, half of our survey respondents described municipal business taxation as a moderate or major challenge to business success. Interestingly, however, despite having a significant and direct impact on the province's business climate, municipal governments have traditionally faced the least amount of scrutiny of all levels of government, despite having a significant direct impact on the province's business climate. Appointing the country's first Auditor General for Local Government (AGLG) in 2013 was an important step forward in ensuring transparency at the municipal government level, but more could be done.

CPABC recommendation:

1. The BC government should create a uniform municipal reporting framework the AGLG can work within; establish key performance indicators for municipal governments in order to assess, compare, and benchmark municipalities of a similar size using standardized indicators for service delivery; and establish best practices.

Tax policy

Good tax policy at every level of government helps create a strong, competitive economy. When looking at the BC PST, one of the biggest issues at stake for business is the loss of input tax credits. The repeal of the HST and the reinstatement of the PST have likely had a negative impact on BC's growth rate, which has been lower than forecasted over the last two years, and have likely contributed to our mediocre GDP growth rate. Many CPA *Business Outlook Survey* respondents ranked the reintroduction of input tax credits as one of the most important steps government can take to improve our province's competitiveness, and 69% described the current PST a moderate or major challenge to business success in the province.

CPABC recommendation:

1. The BC government should begin planning for the return of an HST-like system that would restore input tax credits; and if one of the myriad of LNG or other resource projects receives the go-ahead, the reintroduction of input tax credits should be a top priority.

Venture capital

According to research conducted for our most recent *BC Check-Up* report, venture capital investment in BC more than doubled in 2013, reaching $478 million. This was the largest increase of any Canadian region in 2013, giving BC a 24% market share. The increase in venture capital investments in BC implies that technology and knowledge-based industries are continuing to grow and mature.

Increased venture capital investment is also one of the factors driving the need for highly skilled labour. In 2013, recognizing the potential for growth in this sector, the federal government announced its $400-million Venture Capital Action Plan. However, BC has not yet benefited from the federal government's funding.

CPABC recommendation:

1. Given BC's growing high-tech sector and burgeoning venture capital market, the provincial government should urge the federal government to shift significant venture capital investment support to BC under the Venture Capital Action Plan.

To access the full budget submission, visit **bccpa.ca** and choose "Government Relations" under the News, Events & Publications tab.

CGA-Canada Unifies with CPA Canada to Create a Single National Body



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On October 1, 2014, CGA-Canada joined CPA Canada, completing the integration of the country's national accounting bodies. The 190,000 members of Canada's accounting profession are now represented by a single national body: CPA Canada.

"With integration, we are one of the largest national accounting bodies in the world," said Kevin Dancey, FCPA, FCA, the president and CEO of CPA Canada. "A common vision with a strengthened voice gives Canada's accounting profession greater influence both at home and abroad."

Integration of the national bodies is the latest milestone in unifying Canada's accounting profession under the CPA designation.

"This is an exciting transition period for Canada's accounting profession," said Pat Keller, CPA, FCGA, the chair of CGA-Canada. "There is still work to be completed at the provincial level, and it is important that all stakeholders recognize the Canadian CPA as Canada's pre-eminent business and accounting designation."

CPA Canada's 20-member board of directors reflects a cross-section of perspectives based on regional representation, the legacy designations, and public input. Following CPA Canada's 2014 annual general meeting in late September, Bob Strachan, CPA, FCMA, of Victoria, was appointed chair of the board. Bob (interviewed in the November/December 2013 issue of *CPABC in Focus*) previously served as the board's vice-chair.

CPABC Fall Recruit Program

On September 4 and 5, 2014, over 1,100 students and recent grads from all across British Columbia flocked to the Fairmont Waterfront Hotel and Vancouver Convention Centre to attend the profession's annual Mid-Size Firms & Industry and National Firms recruiting events in hopes of landing an articling position with one of the participating approved training offices.

The Mid-Size Firms & Industry Recruiting Event took place on September 4, and featured representatives from Crowe MacKay, D+H Group, Davidson & Company, DMCL, James Stafford, KNV, Manning Elliott, MNP, the Office of the Auditor General of Canada, Smythe Ratcliffe, TELUS, and Wolrige Mahon. The National Firms Recruiting Event was held the following day, and featured reps from BDO, Deloitte, Ernst & Young, Grant Thornton, KPMG, and PwC.

Recruiting events also took place on Vancouver Island and in the BC Interior in mid-September, and these events were very well attended.

As is the case every year, the event days were followed by an application and interview period, and then a one-week offer period.

Our thanks to everyone who participated in the fall recruit, and our congratulations to the students who received articling offers!





Students and company/firm reps network at the two-day recruiting event in Vancouver. Photos by Brian Hawkes Photographic Inc.











CPABC Chapters Launch

After many months of planning, the CPABC chapters officially launched in September. By the time of this writing, two chapters had already held their inaugural events; others were slated to host their inaugural events very soon.

The CPABC Vancouver Chapter held three events in September, starting with the first of its free monthly networking breakfasts, which was held on September 9 at the Vancouver Club. More than 40 members and students attended the event, where they got a chance to meet the Chapter's first board, including its chair, Derek Johnson, CPA, CMA.

Next came the official Chapter launch event, which was held on September 18. Although the venue was flooded just days before the event, the Chapter board managed to find a new location quickly, re-routing the 50+ attendees to the Marriott Renaissance, where they enjoyed an evening buffet of delicious canapés.

On September 25, the Vancouver Chapter held its first PD breakfast session, offering a presentation on "Fair Market Value and Fair Value" by Michael Sileika, CPA, CA, CBV, a partner with MNP's valuation and litigation support group.

The CPABC Richmond/South Delta Chapter held its first PD session—"Lead Indeed!"—on September 20. Presented by Carol Ann Fried of Friedom Training & Coaching Services, this session provided the 60 participants with useful information about leadership styles and tips on how to deal with difficult people.

More about chapters online

As detailed in the September/October 2014 issue of *CPABC in Focus* (page 25), each CPABC chapter has its own unique blog and events page. Visit **www. bccpa.ca/members/cpabc-chapters** to find out more about upcoming events, to subscribe to chapters' RSS feeds (these feeds provide automatic notification of new posts), and/or to find out which chapters are also active on Twitter and Facebook.



Allison Burton, CPA, CA, vice-chair of the Vancouver Chapter, with attendees Grace Wong, CPA, CMA, and Hitesh Kothary, CPA, CA, at the Chapter's official launch event in September.

Member Engagement Tour

During the months of October and November, CPABC President & CEO Richard Rees, CPA, FCA, along with council/board president/chairs Dan Little, CPA, FCA; Simon Philp, CPA, FCMA; and David Sale, CPA, FCGA, will be touring the province to meet with local members and students and provide an update on the accounting profession in BC and Canada. The tour encompasses 21 stops across the province, with the first stops located in the Cariboo and Okanagan regions (Kamloops, Kelowna, Penticton, and Vernon), followed by the Pacific Northwest (Terrace), Vancouver Island (Victoria, Duncan, Nanaimo, and Campbell River), the Kootenays (Nelson and Cranbrook), the Central Interior (Prince George), and the Lower Mainland.

The first leg of the Tour was very well attended. A total of more than 250 members turned out for the first four events, which were held at the Coast Kamloops Hotel, the Ramada Kelowna Hotel, the Penticton Lakeside Resort, and the Prestige Hotel in Vernon. At each stop, Rees delivered a 45-minute presentation that covered unification, CPA certification, proposed regulatory changes, and various other topics.

CPABC thanks the chapter leaders in the Cariboo and Okanagan regions for their spectacular efforts in organizing and hosting the receptions during the first leg of the Tour.

More information about the Tour is provided online at **bccpa.ca**.



From top to bottom: MET stops in Kamloops, Kelowna, Penticton, and Vernon.

Notes on Licensing

Pursuant to its meeting of September 26, 2014, the ICABC's Practice Review & Licensing Committee announces that the following public practice offices are now closed:

A. Leonard Kositsky Inc.	Surrey
Cheryl Archambault, CA	Richmond
Clark Moore Professional Accountants	Sidney
Dome Duong Chartered Accountant	Kelowna
John L Buchanan	108 Mile Ranch
Michael Funk Inc.	Penticton
Nicola D. McLaren Inc.	Vancouver
NTA, Chartered Accountants	Vancouver
S.B.R. Accounting Services	Langley
Smyth & Company	Port Hardy
Stefan Gashus, CA	Sooke
Terence M. Miller, CA	Vancouver

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*For more info on CPABC's social media, see page 29.

All CPABC publications are online



CPABC in Focus



Industry Update

Digital editions of *CPABC in Focus*, the *BC Check-Up*, *Industry Update*, *CPABC eNews*, and *CPA Today* are available at **www.bccpa.ca** under the News, Events & Publications tab.

Student & Candidate Resources



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CPA Prerequisite Education Program (PREP)
Summer 2014 intake
Module 6: Corporate Finance
• *Classes begin – November 24, 25, and 29*

Fall 2014 intake
Modules 1-4: Introductory Financial Accounting (Mod 1), Introductory Management Accounting (Mod 2), Economics (Mod 3), and Statistics (Mod 4)
• *Exams – November 15 and December 13*

Winter 2014 intake
Module 11: Business Law
• *Exam – December 14*

Module 12: Information Technology
• *Exam – December 14*

Summary schedule at **www.bccpa.ca**.

CPA Professional Education Program (PEP)
Fall 2014 term – key dates:
Core Module 1
• *Exam – November 22*

Core Module 2: Tax, Assurance, and Finance electives
• *Withdrawal deadline – November 14*
• *Exams:*
  › *Assurance – December 19*
  › *Tax and Finance – December 20*

Winter 2015 term – key dates:
Core Module 1
• *Module start – January 24*

Core Module 2: Performance Management, Assurance, Finance, and Tax electives
• *Module start – January 24*

Summary schedule at **www.cpasb.ca**.


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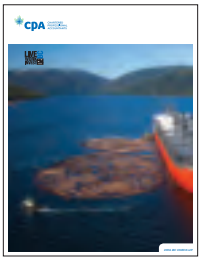


Cover Story
By Marlyn Chisholm

Resources: The Driver of BC's Economy

Each year, CPABC produces the *BC Check-Up* report to evaluate British Columbia's overall economic health. Research gathered for the report informs CPABC's public policy recommendations to government (see page 6) and drives public affairs activities that promote the business and economic expertise of the CPABC membership.

This year's *BC Check-Up* reviewed the state of the province's economy in 2013, and created a forecast for 2014. The focus piece in this year's report looks at the province's resource sector, which is a key—but often forgotten—player in the BC economy.



A digital edition of the *BC Check-Up* is available at **www.bccpa.ca** under the News, Events & Publications tab.

What we've forgotten

British Columbia has witnessed profound changes in its economic structure and trade patterns since the beginning of the 20th century. Over the past 100 years, our province has transformed from an economy primarily reliant on the export of commodity lumber and minerals to one that is far more diversified and dominated by a rapidly proliferating service sector.

But what prompted this shift?

From its beginning, BC has been a resource producer and exporter, starting with the fur trade in the mid-18th century and timber and gold in the 19th century. Coal, energy, other minerals, and agricultural products subsequently emerged as other key BC exports. Over the past 150 years, the provincial economy has grown and built on these "basic" industries—either directly, in support of industries such as construction, transportation, and wholesale supply, or indirectly, in support of a wide range of services such as retail and accommodation.

Traditional resource industries continue to spur development in both the goods and service sectors, and continue to constitute a large part of the economic foundation of this province. However, for the Lower Mainland, the current economy is dominated by a combination of the knowledge economy, tourism, and a vast array of services, and our province's historic role in the resource sector seems to have receded. It appears that we've lost sight of the importance of resources in our economy, particularly in the Lower Mainland and other major urban centres.

A snapshot of resource industries today

The **forest products** industry is a major employer on the coast and in the Interior. The industry has seen periods of boom and bust throughout the years as markets and prices varied, with corresponding effects on company revenues, employment, and earnings. The forest industry's fortunes began to wane in the late 1980s, as revenues slumped and many mills closed, and thousands of jobs were lost permanently throughout the province. As a result, between 1988 and 2012, the forest product share of the value of BC global exports declined from 57% to 32.3%.

However, this industry's fortunes have improved in the past two years. In 2013, solid wood product exports from BC rose by 25.5%, stimulated by renewed demand in the US. Employment in wood product manufacturing rose for the second year in a row. At the same time, however, pulp and paper exports declined slightly.

BC's **agriculture and fisheries** industries are integral to the resource sector and the provincial economy. Altogether, the value of BC's agriculture, seafood, and agri-food industries has risen over the past 25 years. In 2013 alone, BC producers exported $2.9 billion worth of products to more than 140 countries.[1]

BC's most productive farmlands lie in the Fraser Valley, the Peace River Valley, and the Okanagan Valley, and produce a range of dairy products, livestock, grain, fruit, and vegetables for domestic consumption and national and international export. With the consolidation of farms over the past decade, employment in agriculture has remained static.

[1] BC Stats, *BC Origin Exports to All Countries, Selected Commodities*. Accessed April 2014.

Design Pics/iStock/Thinkstock

BC has sustained a strong seafood industry as well, both commercially and in terms of aquaculture, despite a collapse in the Pacific salmon catches in the 1990s, which led to the closure of most of the province's salmon canneries, and despite the government's reduction of the fishing fleet in 2004.

Activity in BC's **mining** industry spans the province. Metal mining is concentrated in the Interior and Northwest BC. Coal mining takes place predominantly in the southeast (east Kootenays) and the northeast (Peace River Region).

In the past few years, several major mining investments have been proposed, including the Blackwater Gold project in the Cariboo (with a capital cost of $1.5 billion) and the resumption of operations at the dormant Quintette coal mine near Tumbler Ridge (with a capital cost of $500 million).[2] But a downturn in both gold and coal prices in 2013 has delayed capital investment decisions in some cases. Nevertheless, there continue to be many new proposals for metal and coal mines throughout BC.

BC's **energy** industry offers some of the largest provincial economic opportunities seen in a generation. By early 2014, over 12 liquid natural gas (LNG) and pipeline projects—all at different stages of environmental approval—had been proposed in Northeast and Northwest BC; however, none have received the go-ahead as of yet.

Gas prices were low in 2013, but a cold winter in the US in early 2014 renewed demand for Canada's natural gas, boosting prices; and gas prices are predicted to rise over the next year.[3] Taking a longer-term view, the Asian market holds enormous export potential for BC and Alberta producers with the advent of pipelines and shipping facilities on the north coast (Kitimat and Prince Rupert). But this is an opportunity with a finite window—BC lags behind its American and Australian competitors in developing its gas reserves.

In addition to its natural gas reserves, there are currently several hydro and wind-power projects either proposed or under way in BC, particularly in the northeast. By far, the largest project would be the $7.9 billion Site C Clean Energy Project, which consists of a third dam and hydroelectric generating station on the Peace River.

Finally, we cannot exclude the benefits of the northern Alberta oil sands, which continue to generate a great deal of employment, earnings, and business revenue, not only in Alberta, but also in BC and throughout Canada. In the fall of 2012, a survey of oil sands producers demonstrated that there were at least 322 suppliers to the Canadian oil sands projects located in BC, most of which were located in the Lower Mainland.[4]

Provincial employment and income effects

The employment and income effects of the resource sector extend far beyond the local community level. Resource companies often have offices in the Lower Mainland, where they generate more direct jobs. These companies may also hire workers from other parts of BC who choose to live temporarily in camps or hotel accommodation while they work on site, and spend their earnings elsewhere in the province.

Resource companies also outsource to other industries, particularly in the service sector, and do not import a large share of their inputs. Moreover, many workers are employed indirectly throughout BC in businesses that serve the resource sector—primarily in finance, insurance, and real estate; professional, scientific, and technical services; transportation; business services; and the accommodation and food industries.

[2] Quintette project was deferred in April 2014.

[3] TD Bank Economics, "Finally Some Good News for Canadian Natural Gas Producers?" *Observation*, February 24, 2014.

[4] Canadian Association of Petroleum Producers, *BC Suppliers to Canadian Oil Sands*, fall 2012.

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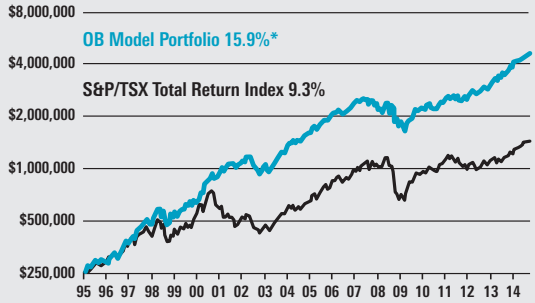


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OB Model Portfolio vs S&P/TSX Total Return Index



*Compound annual returns are from inception December 15, 1994 to September 15, 2014. The Odlum Brown Model Portfolio was established by the Research Department in December 1994, with a hypothetical investment of $250,000. Trades are made using the closing price on the day a change is announced. These are gross figures before fees. Past performance is not indicative of future performance. Member-Canadian Investor Protection Fund.

The distribution of expenditures on material, equipment, and services depends on the industry, the operation, and the mode of transportation necessary for shipping supplies and final products. For example, in 2000, the Kemess gold mine, which is situated 280 km north of Smithers, spent 63% of its payroll in the Bulkley-Nechako and Peace River regional districts, but its expenditures on goods and services were distributed across several regions. Approximately half the goods and services were obtained from businesses in Prince George, the Okanagan, and Vancouver, while Ontario and Alberta supplied another 27.4%.[5]

Labour and materials for the construction phase of new pipelines and gas processing plants in northern BC would likely be sourced primarily from BC and Alberta, depending on transportation costs and logistics. New economic opportunities in communities like Prince Rupert and Kitimat would attract temporary workers who live in camps, as well as new permanent residents: workers and their families and new businesses.



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What share of the benefits generated by BC's resource sector goes to the Lower Mainland? A study undertaken in 2014 demonstrates that 55.5% of all jobs generated by BC's resource industries—direct, indirect, and induced—in 2013 were in the BC Lower Mainland.[6] In other words, the part of our province that seems most dominated by the services sector is still very much dependent on resources.

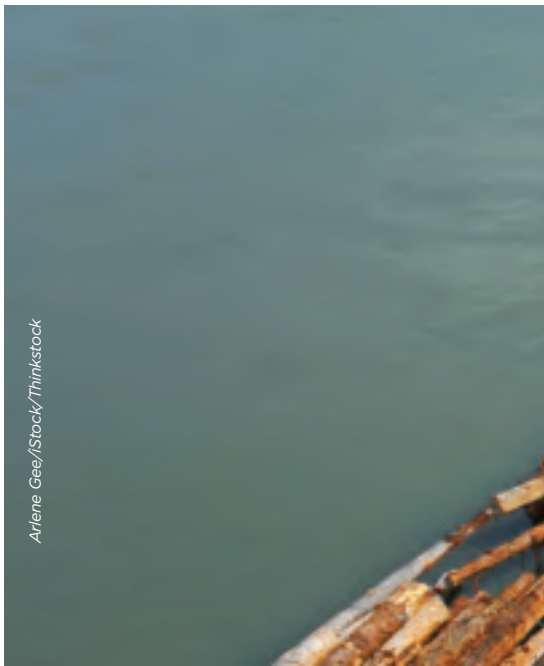
Economic impact

According to estimates, the resource sector's output in BC was $21.4 billion in 2010, or 11.2% of the provincial GDP.[7] The sector has myriad linkages to other sectors of the domestic economy. Data from Statistics Canada shows that if BC's resource sector boosted its output by 10%, it would expand BC's GDP by $2.2 billion, and Canada's GDP by $4.5 billion. It's estimated that over 40% of the increase in BC's GDP would be in mining, and 20% would be in resource-based manufacturing.

[5] Donald McInnes, *The Case for Hydropower Development in the Highway 37 Corridor* (2005 presentation to the Select Standing Committee on behalf of Northwest Powerline Coalition).

[6] Philip Cross, *The Impact of the Growth of Natural Resources on the Economy of British Columbia* (undertaken for the Resource Works Society of BC), April 2014.

[7] P. Cross, Op. Cit.



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Operators in the resource sector also generate municipal, provincial, and federal government revenues in the form of royalties and via corporate taxes, property taxes, and the personal income taxes paid by their employees.[8] These government revenues are used to build infrastructure and support a myriad of social and health-care programs, bettering the quality of life of all British Columbians.

The BC government's most recent budget predicts a small fiscal surplus over the next two years, to be achieved through a combination of reduced spending and higher taxes (e.g., tobacco and MSP premiums); but this prediction does not take into account the significant future royalties and corporate taxes that would be paid if at least one of the proposed LNG projects were to go ahead. The provincial government forecasts that royalties from the new LNG industry could amount to more than $100 billion over the next 30 years[9]; these new revenues would put the provincial budget well into the black and help support the growing costs of health care and education.

Advances in technology

Although the resource sector's effect on BC's technology industry is difficult to quantify, it has been profound. Out of necessity, resource operators worldwide have rapidly adapted new technologies to harvest or extract, transport, and add value to their commodities more efficiently and cost-effectively. This has spawned a new generation of BC-based technology providers who tailor their products for resource applications.

Advanced technology is being used in all stages of operations in agriculture; sawmilling; mining, and oil and gas; and energy production. Here are a few examples:

- New extraction and processing technologies in the mining industry have had a direct impact on BC's gold production, which has tripled since 1980.[10]
- Through the use of software optimization systems, sawmills are able to make better decisions regarding operations and capital investment.
- Natural gas producers combine hydraulic fracturing ("fracking") with horizontal drilling to access unconventional gas deposits in shale, producing affordable and reliable quantities of natural gas. However, there is growing public concern about the associated environmental effects on groundwater.
- Farmers now use computer monitors and GPS locators to make tractors more efficient and to be less wasteful in their use of seed, fertilizer, and fuel.

By continually investing in new technology and by refining the production and transportation chain throughout BC and Canada, resource operators are able to stay competitive and are better able to process and transport raw materials.

In addition to improving competitiveness, resource operators are also using new technology to address another key concern: environmental protection and mitigation. With the advent of tighter government regulations pertaining to environmental and social impacts and with a corporate trend towards more accountability and transparency, the resource sector is one of the biggest users and implementers of environmental technology. Numerous clean technology (cleantech) companies have been developed in BC with the goal of helping clients reduce their environmental

[8] This is not a complete list of taxes paid by companies and employees.

[9] BC Government, "How will LNG provide a prosperous future for B.C.?" (**http://engage.gov.bc.ca/lnginbc/b-c-s-lng-story**). Accessed June 2014.

[10] BC Technology Industry Association, *BC's Advanced Technology Sector: Reaching for the Next Level* (prepared for the Business Council of BC's Outlook 2020 initiative), March 2009.



impact, reduce costs, and boost performance.[11] Cleantech's biggest customers are conventional companies in oil and gas; energy and oil sands production; mining and related services; renewable energy; and utilities.[12]

Resource companies have also partnered in many cleantech initiatives, and have implemented the technology in a variety of ways. For example:

- In New Westminster, Kruger Products (a tissue manufacturer) replaced its natural gas boiler with biomass gasification to produce process steam, with the goal of attaining lower emissions and costs and reducing its carbon footprint. This technology was developed by Nexterra Systems Corp. of BC.[13]
- Vancouver-based MineSense™ Technologies has developed an ore recovery process that enhances the sustainability and longevity of mining operations.
- NuWave Research of Burnaby has developed NuGenesis™, a high-tech method for drying goods that enables farms or food processing plants to minimize food waste. This reduces the energy and transportation costs associated with transporting food to drying facilities.

The cleantech industry is expanding in BC, creating challenging and high-paying jobs in the service sector. These producers are also achieving a worldwide reputation for innovation and leadership, and further contributing to BC's exports of goods and services.

[11] Cleantech companies develop products, services, or processes that enable industrial users to harness renewable materials and energy sources, reduce the use of natural resources, and minimize or eliminate emissions or waste.

[12] Deloitte Canada and Sustainable Technology Development Canada, *Cleantech, Positioned for Growth – Western Canada Cleantech Report*, 2009.

[13] Pulp and Paper Canada, *Kruger's Biomass to Syngas Venture Pays Off*, May/June 2010.




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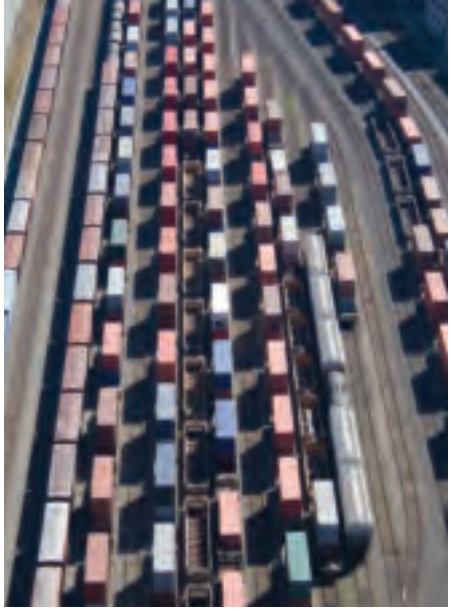
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Conclusions

Due to more complicated corporate structures, the increase in electronic communications, and changing trade patterns, the relationship between the resource sector and the rest of the economy has strengthened and become more sophisticated. The untold billions of dollars in capital that have flowed into BC's resource sector over the past century have generated jobs, income, and business revenues not only in resource-focused towns but throughout the provincial economy, with the Lower Mainland being a major beneficiary.

There is no denying that some resource industries experience cyclical booms and busts by virtue of their dependency on world commodity prices. Nevertheless, these industries have generally sustained many BC communities for several generations, through good times and bad. And they continue to seek ways to reduce their vulnerability to world markets. Moreover, resource operators have become far more attuned and responsive to social and environmental issues—one reason that the cleantech industry has gained traction so quickly in BC.

In a world where most people are employed in the service sector and where high technology is regarded as the beacon of the future, it is easy to lose sight of what really makes our economy tick. The resource sector is the foundational stone on which the BC economy was built, and it's as important today as ever. ■

Marlyn Chisholm is the principal of Chisholm Consulting and the lead economist on the BC Check-Up *reports.*

Key Indicators from CPABC's 2014 *BC Check-Up*

BC in 2013:

POPULATION
up 39,800 to **4.6 million**

LABOUR FORCE
down **8,400** workers

LABOUR MARKET
down **4,400** jobs

WORKING

GOODS
down **12,900** jobs

SERVICES
up **8,500** jobs

BUT... 3,300 jobs created in mining and oil & gas extraction



INVESTING

EXPORTS
up by **5.9%** to **$33.3 billion**

VALUE OF EXPORTS
per worker up by **6.6%** to **$13,543**

LABOUR PRODUCTIVITY
up by **1.8%**

LIVING

CONSUMER DEBT
per capita increased by **4.6%** to **$58,312**

LONG-TERM UNEMPLOYMENT
fell to **0.8%** *(still well above the pre-recession level of 0.2%)*

SHARE OF YOUTH AT RISK
fell to **5.3%**, below the national average of **8.7%**

Infographic by Linda Mitsui, Profile Design Group Inc.

Data source: Chartered Professional Accountants of British Columbia, BC Check-Up *2014.*

BC CPAs Weigh In on the Economy

Business Outlook Survey shows that despite challenges to business, optimism prevails

By Vivian Tse

In our 2014 *Business Outlook Survey*, we tapped into the knowledge of our members to identify the challenges faced by BC businesses and to assess BC's economic performance and outlook. More than half of the professional accountants in BC who completed our survey said they were cautiously optimistic about BC's economic performance over the next two years, and nearly one-third said they believe our economy will grow faster than the Canadian average over the same two-year period. However, respondents also identified some ongoing challenges that could hinder business success in BC.

The results of the 2014 survey are summarized below.

On the global economy

Given that the global economy continues to recover from the effects of the 2008 recession, it's hardly surprising that our 2014 survey respondents gave it mixed reviews.

Over half of the respondents who conduct business in Asia rated the current state of the Asian economy as either "good" (46%) or "excellent" (9%), compared to 31% who described it as "fair."



Those with business in Asia are generally optimistic about the outlook for the Asian economy, as 41% said they expect the economy to improve over the next two years, and 49% said they expect it to improve over the next five.

Almost half of the respondents who conduct business in Australia rated the current state of the Australian economy as either "good" (43%) or "excellent" (9%). However, only 22% of these respondents said they expect the Australian economy to improve over the next two years; another 39% expect it to improve over the next five.

Of those survey respondents with business in the United States, only 26% rated the current state of the American economy as "good"; another 52% rated it as "fair." However, these respondents did express some optimism about the future outlook for the American economy, as 48% said they expect the American economy to improve over the next two years, and 59% said they expect it to improve over the next five.

On the Canadian economy

Although 42% of survey respondents described the Canadian economy as "good," a slightly higher percentage—48%—described it as merely "fair." Looking ahead, respondents are optimistic about the future, with 33% saying they expect the economy to improve over the next two years, and 55% forecasting an improvement over the next five. Less than 10% of respondents said they expect the Canadian economy to worsen over the next two (8%) and five (7%) years.

On the BC economy

Demand for BC's exports continues to increase, and the province's role as the gateway to the Asia-Pacific region continues to expand, as does its role in the Canadian economy.



When asked about the BC economy, 40% of survey respondents rated it as "fair," and 50% rated it as "good." Looking to the future, they expressed optimism for BC, with 34% predicting that the provincial economy will improve over the next two years, and 58% predicting that it will improve over the next five. Only 8% of respondents said they expect the BC economy to worsen over the next two and five years.

Respondents also indicated that they consider BC to be a driver of the Canadian economy, with almost 30% saying they expect the provincial economy to grow at a faster pace than other regions in Canada. Another 36% said they expect BC's economy to grow at approximately the same pace, while 18% said they expect it to grow more slowly.

On business challenges

Asked to rank 10 potential challenges to business success in BC, survey respondents chose the following as the top three (listed by order of ranking): 1) the ability to attract and retain high-calibre employees/skilled labour; 2) the ability to raise capital; and 3) government red tape.

Overall, 78% of our survey respondents identified the ability to attract and retain high-calibre employees/skilled labour as a major or moderate challenge to BC's business sectors. The percentage was slightly higher among respondents from the rural regions of BC (regions of the province other than the Lower Mainland and Vancouver Island), with 82% describing attraction and retention as a challenge to business success—this reflects the labour skills gap rural BC is currently experiencing amid a boom of development projects.

On economic issues

Housing prices topped the list of economic issues that hinder business success in BC, with 81% of survey respondents rating high housing prices as a "major" or "moderate" challenge. Unsurprisingly, 84% of respondents from the Lower Mainland identified housing prices as an economic issue.

The return to PST/loss of input tax credits was ranked as the second most challenging economic issue, followed by BC's economic climate and the value of the Canadian dollar versus the US dollar.

On global issues

Survey respondents identified economic recovery in the US (76%), commodity prices (73%), and the slowing of China's economy (71%) as the top three global issues that challenge business success in BC.

Results indicate that levels of concern about the US economy are consistent across the province. However, respondents from the Lower Mainland were more likely than those in other regions to identify commodity prices as a challenge. Respondents from the Lower Mainland also expressed more concern about the slowing of China's economy.

On government support to business

Almost half of our survey respondents said they think the federal government is doing a "good" (38%) or "excellent" (4%) job of creating a healthy business and investment climate in BC. Similarly, 41% rated the provincial government's performance in this category as "good" (37%) or "excellent" (4%). By comparison, only 25% said municipal governments were doing a "good" job of supporting a healthy business and investment climate at the local level; another 23% rated the performance of municipal governments in this category as "poor."

Improving regional economic development was cited as the top priority for the provincial government by survey respondents—ranking highest (35%) and second-highest (22%) in results. Respondents also said the reduction of government red tape and the restoration of PST input tax credits would improve BC's economy.

In addition, 50% of respondents said increasing the provincial tax rate would have a negative impact on their company's/clients' business investment plan. Respondents from smaller organizations (those with fewer than 50 employees) were more likely to say they expect a negative impact than those from larger organizations.

On financial management

In terms of business growth, 60% of respondents who work in industry said they believe their operations will expand over the next two years. Among respondents in public practice, however, only 35% said they believe their businesses will expand; another 61% said they expect their businesses to stay the same.

About the survey respondents

The *Business Outlook Survey* was conducted in September 2014. A total of 2,423 BC CPAs completed the survey. Of those who participated, 47% worked in industry, 28% worked in public practice, and 25% worked in other fields. More than half of the respondents worked for companies with more than 50 employees, and just over two-thirds were located in the Lower Mainland. ■

Vivian Tse is a member of CPABC's external affairs team.

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CPA Labour Market Outlook in British Columbia and Alberta

Findings from *Occupational Demand Analysis for Chartered Professional Accountants*



Vicky Kotzé/Getty Images

British Columbia's recovering economy is expected to expand over the next 10 years, with much of its growth stemming from the booming resource sector. Accountants are already in high demand as new businesses and projects arise from this increased activity, and it's likely that demand will only continue to increase. At the same time, the province is predicting a widespread labour shortage across all industries. So what does this mean for BC's accounting profession over the next decade?

To evaluate future prospects for accountants in BC, CPABC commissioned a labour market analysis this past spring. Conducted in April/May 2014 by Roslyn Kunin and Associates, Inc. (RKA), the analysis compared BC's CPA labour market with that of Alberta. In addition to being BC's closest competitor for talent, Alberta has enjoyed a robust economy for the past several years, making it a useful measure for comparison.

The findings of the labour market survey were compiled in a report entitled *Occupational Demand Analysis for Chartered Professional Accountants.* Here's a summary of the report.

The demographic profile of CPAs

As at March 31, 2014, there were 28,638 members from the three legacy accounting bodies in British Columbia: 11,934 CPA, CAs; 11,330 CPA, CGAs; and 5,374 CPA, CMAs.[1] Comparatively, Alberta boasted a total membership of more than 23,500 in 2013: 11,000 CAs; 5,500 CGAs; and 7,000 CMAs.[2]

As per a survey by Statistics Canada, women accounted for 53% of the CA, CGA, and CMA memberships in BC in 2011, and made up 59% of the professional accountants in Alberta that same year.[3] The same 2011 survey found that the majority of professional accountants in both BC and Alberta were between 25 and 64 years of age.[4]

Due to the lengthy educational requirements associated with the CPA and legacy accounting designations, only a small percentage of members are under 25 years of age. As a result, CPAs have an older age profile when compared to the general labour force. This older age profile suggests that the accounting profession will see a greater number of positions left vacant due to retirement over the next decade, compared to other industries, and that it may face a greater challenge in filling these positions.

[1] CPABC, *Environmental Scan*, 2014.

[2] ICAA, *Summarized Annual Report 2013* (**www.albertacas.ca**); CGA Alberta, Media Backgrounder (**www.cga-alberta.org**); CMA Alberta, *Annual Report 2013*. (**www.cma-alberta.com**).

[3] Statistics Canada, *National Household Survey 2011.*

[4] Ibid.

Projected occupational employment growth

Since the 2009 economic recession, both BC and Alberta have seen signs of improvement in their economies and labour markets. Employment in British Columbia grew by a modest 0.8% in 2011, reaching 2,274,000 workers and surpassing the pre-recession level.[5] Employment grew by another 1.7% in 2012, and then contracted by 0.2% in 2013. In Alberta, the total number of employed workers in 2011 was estimated at 2,094,000, surpassing its pre-recession level of 2,053,700 (2008).[6] Alberta continued to lead the country in employment growth in 2012 and 2013, with growth rates of 2.7% and 2.9%, respectively.

In 2011, the BC government projected that 1.03 million job openings would occur between 2010 to 2020 across all industries. Given the province's aging workforce, it is expected that nearly two-thirds of these projected job openings will occur because employers need to replace staff who have either retired or passed away. The other third is expected to stem from expansion demand and increased economic activity. Between 2010 and 2020, the labour market is expected to grow at an average annual rate of 1.4%.[7]

The Alberta government, meanwhile, is projecting that a total of 366,000 new jobs will be created over the next 10 years due to increased economic activity, and it estimates that the total number of job openings (including new jobs and jobs to replace workers who are retiring or otherwise leaving the workforce) will surpass 1 million between 2013 and 2023. Overall, the labour market is expected to grow at an average 1.6% per year between 2013 and 2023.[8]

Demand for CPAs

Between 2010 and 2020, the demand for CPAs in BC is expected to grow at the same rate as the overall workforce: 1.4% per year. Using this estimated growth rate, there will be 31,840 CPAs employed in BC by 2023, with the addition of 3,200 new positions. During that same period, an additional 8,390 positions will need to be filled as baby boomers retire. As a result, it is forecasted that there will be an average of 1,290 job openings per year for CPAs in BC between 2014 and 2023.

Forecast: CPAs in BC will see an average of 1,290 job openings per year between 2014 and 2023.

By comparison, a forecasted 25,340 CPAs will be employed in Alberta by 2023. This means that there will be 2,840 new openings for CPAs in Alberta between 2013 and 2023, and with the expected retirement of many current members, there will be another 7,570 job openings during that same time period. Therefore, it is forecasted that there will be 10,400 job openings for CPAs in Alberta between 2013 and 2023, signifying an average increase of 1,040 new positions per year.

Expanding the roles of CPAs

In preparing the report, RKA found that there's an increasing demand for CPAs in both BC and Alberta. In addition to the demand for traditional services, there is an increased demand for experts in tax, financial instruments, forensic accounting, bankruptcy, and information. There is also an increasing demand for accountants who specialize in specific industries. Furthermore, business accountants, controllers, and CFOs who are already highly sought after in urban centres will continue to be in great demand.

[5] Statistics Canada, "Employment Growth in All Industries, Alberta, BC, and Canada, 2006 to 2013," *Labour Force Survey*.

[6] Ibid.

[7] WorkBC, *British Columbia Labour Market Outlook, 2010–2020*.

[8] Government of Alberta, *Alberta's Occupational Demand and Supply Outlook, 2013-2023*.





Over the next decade, CPAs will likely be spending more time working on strategic financial management and interpretation; this will include developing financial strategies, providing financing leadership and support, creating financial systems to support the strategic direction of the organizations, preparing financial information analysis, supporting corporate restructuring, conducting environmental safety assessments, and auditing computer systems.

In addition, financial auditors are now more involved in business operations; they're working more closely with systems instead of data, verifying system reliability, and managing data confidentiality. As a result, auditors are often expected to provide recommendations on operational security, organizational viability, accounting control effectiveness, and risk assessment.

Filling the gap

RKA forecasts that the accounting profession will need to fill over 8,000 positions in BC and over 10,000 in Alberta over the next 10 years. To do so effectively, it will become increasingly important to attract and recruit individuals who are currently pursuing their undergraduate degrees.

According to Statistics Canada, the enrolment of students in programs relevant to the accounting profession, such as business management and public administration, has grown substantially faster than enrolment in other programs. In BC, for example, overall baccalaureate enrolment grew at an average annual rate of 4% between 2001 and 2011, while enrolment in business management and public administration programs grew by an average annual rate of 9%.[9] Similarly, overall enrolment in baccalaureate programs in Alberta grew by an annual average of 3%, while enrolment in business management and public administration programs grew by 7% during the same time period.[10]

While the domestic market will fill some of the available positions, new Canadians will also play an important role in meeting future labour market needs. More and more international students are enrolling in business management and public administration programs at universities and colleges in BC and Alberta. In fact, between 2001 and 2011, the average annual growth rate in international student enrolment in business administration and public administration programs in BC was 25%.[11] With that in mind, it will be important for CPABC to reach out to local international students during campus recruitment.

Forecasting the future

As the BC and Alberta economies continue to prosper, both provinces will see an increasing demand for professional accountants. Although economic growth is projected to occur at a steady and manageable rate, the accounting industry is also expecting the retirement of a significant portion of its membership. To keep up with the growing demand for accountants while simultaneously filling the positions left vacant by retiring accountants, both CPABC and CPA Alberta will need to recruit, train, and retain an adequate supply of qualified CPAs.

A simple way to mitigate the impending labour shortage in the accounting profession is to encourage mature workers to postpone retirement. However, the more crucial objective for both CPABC and CPA Alberta will be to attract capable and committed young practitioners. ■

[9] Statistics Canada, "Enrollment and Graduates, BC, by Field of Study, 2001/02 to 2011/12," *CANSIM Tables 477-0019 and 477-0020*.

[10] Statistics Canada, "Enrollment and Graduates, Alberta, by Field of Study, 2001/02 to 2011/12," *CANSIM Tables 477-0019 and 477-0020*.

[11] Statistics Canada, "Enrollment and Graduates, BC, by Field of Study, 2001/02 to 2011/12," *CANSIM Tables 477-0019 and 477-0020*.

The Next Generation Needs Your Expertise

As explained in the accompanying article on BC's labour market needs for professional accountants, CPABC needs to focus significant efforts on growing the profession. In order to fill the positions created by economic growth and attrition (due to the number of CPAs who will be retiring), the new CPA PEP program will need to attract more students than the combined legacy programs previously accommodated; in turn, this will require a significant increase in the number of CPA mentors—members in good standing who will guide aspiring CPAs in achieving the required competencies, with a focus on developing the essential skills for ethical behaviour, decision-making, problem-solving, communication, and leadership.

In upcoming issues of the magazine, we'll provide updates on our progress in meeting the objective of securing enough mentors to meet the needs of candidates in the CPA program.

Pre-approved mentors

Each candidate enrolled in the Pre-Approved Program (PAP) has a mentor assigned by their employer. There are 203 mentors registered in the program, but many of them are mentoring multiple candidates, as roughly 300 mentors are actually needed for students currently enrolled in the PEP program. The program would benefit by having additional mentors to meet its existing requirements, and we expect that as many as 750 could be needed to meet future ones.

Experience verification mentors

Candidates in the Experience Verification (EV) path are responsible for finding their own mentors. Since the majority of growth in the profession is expected to come from this training pathway, there is an urgent need to find mentors who are open to working with any suitable candidates.

Roughly 250 mentors are needed for EV candidates currently enrolled in the PEP program, and we currently have 439 EV mentors registered in BC. But while our current needs are being met, we anticipate requiring as many as 1,400 EV mentors in the near future.

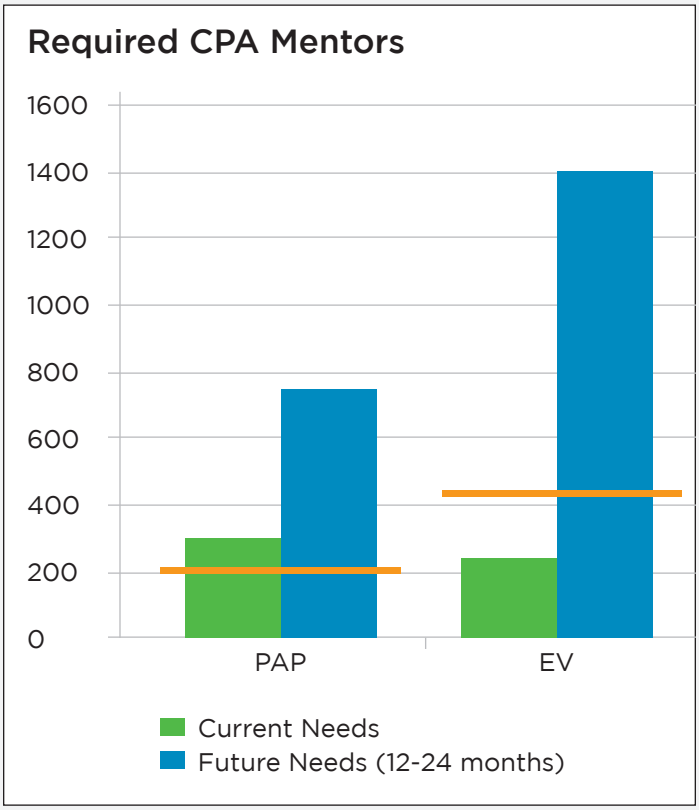
In the near future, as many as 750 and 1,400 mentors could be needed for the Pre-Approved Program and the Experience Verification path, respectively.

Find out more

The number of mentors needed is directly linked to growth of the program, which we expect to be substantial. The above numbers basically allow us to meet our present needs, but we must continue to grow in order to meet the future needs of the profession. For more information about the mentoring program and/or to register as a mentor, please visit **bccpa.ca**.



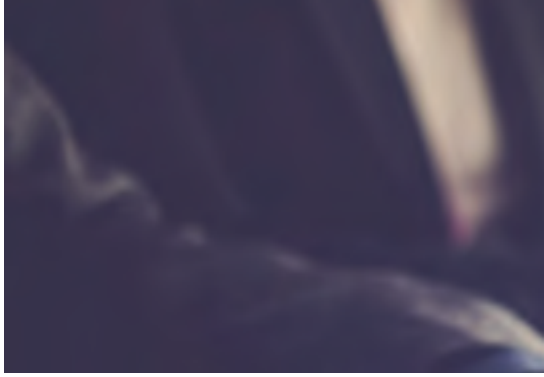
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Orange line indicates current number of registered mentors.

"Future needs" figures will be lower if mentors take on more than one candidate.

Regulatory Working Group Roundtable Discussion



One of the most critical and complex components of the unification process is the merging of the three legacy regulatory structures into one new structure for CPABC. Regulatory recommendations* have been approved by the Transitional Steering Committee (TSC), and the TSC is proposing that they be adopted by the CPABC Board following the enactment of, and subject to, CPABC legislation.

To find out more about the year-long effort to establish a new regulatory framework, *CPABC in Focus* recently hosted a roundtable discussion with key members of the Regulatory Working Group (RWG): Liz Chan, CPA, CA; Rick Lightheart, CPA, FCMA; Jamie Midgley, CPA, FCA; Roger Merkosky, CPA, CA; Pamela Skinner, CPA, FCGA; and Edward Tanaka, barrister & solicitor.

(*Note: The September/October 2014 issue of *CPABC in Focus* detailed some of the changes slated to be implemented early in 2015—in time for the next CPD and member billing cycles. The issue also included profiles of the individuals who participated in this roundtable.)

When did you begin this process?

Pamela Skinner: We started the initial planning after we signed the three-way merger agreement in May 2013, and more formalized meetings have been taking place since August. We began by carefully assessing what we were trying to achieve—we knew we had to start at the grassroots level and work up to the bylaws. That's what has taken us more than a year now.

Jamie Midgley: Recognizing that all these recommendations will be subject to enabling legislation, the fact that the CPA legislation has not yet been introduced in BC has allowed us to focus on developing the best practices for CPABC without getting distracted by creating the governing documentation around those practices. We've maintained a focus on the future, and we've been through a process that enabled us to achieve consensus.

Pamela: This consensus has allowed us to get to where we want to be with practices that will continue to effectively protect the public.

Rick Lightheart: I agree. Our collaboration has been outstanding throughout. We've had some healthy, constructive discussions that have really strengthened the process.

More on regulatory changes

Visit **bccpa.ca** for detailed information about CPABC regulatory policies, including analyses of the changes from legacy policies and FAQs.

What was the first step in the process?

Roger Merkosky: We first examined everything by departments—membership, CPD, ethics, practice review, registration—and then we determined what each of the three bodies was already doing. We spent quite a bit of time learning about everyone's legacy structure and processes, and that was really instructive. Our next step was to start thinking about recommendations for the best practices for CPABC.

And how did you make those decisions?

Jamie: Consensus.

Pamela: Absolutely. We had some lively debates, but I think we always ended up in a place where we had consensus.

Liz Chan: From a process standpoint, once we had a thorough understanding of what each of us did and determined what we wanted to achieve, we had to do a "gap analysis." It took a year, but what's great is that we now have some solid material.

Edward (Ted) Tanaka: Also, we were guided by international standards and/or national recommendations, depending on the area in question. In areas where there are standards set by the International Federation of Accountants [IFAC], such as ethics and discipline, we ensured that these standards were met.

Weren't the legacy structures guided by those same criteria?

Ted: Yes, but standards evolve, and we had to make sure we were incorporating changes.

Roger: As Ted says, this was an opportunity to double-check against any changes in national and international standards.

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Can you give us an example of how focusing on best practices produced positive results?

Ted: The mandatory ethics requirement is a good example. CGA-BC had a mandatory ethics requirement in each CPD cycle, and the other two bodies did not. We discussed the pros and cons at great length, and ultimately decided that there should be an ethics requirement, but a much more flexible one. It will no longer have to be a single qualifying four-hour course. Instead, members will be able to accumulate the hours from different sources. To me, that's an example of coming together with best practices.

Jamie: It's fair to say that the discussion about the ethics requirement was one of our more interesting ones, because this represented a significant change. And, to me, it illustrates how healthy this process has been, because the focus all along has been on what is best for CPABC. Yes, we're coming from different starting points, but part of the really compelling argument for adopting this particular requirement was the fact that one of the bodies already had it, and the fact that we're in an environment where this is becoming more prevalent globally, so everyone supported it.

Pamela: I think it's a great example, because we achieved a compromise that will work better for both the public and members—so it's really a win-win outcome.

Ted: This also touches on something that has pervaded the entire process, which is balancing the needs of different stakeholders. Of course, there is the organization as a whole, but we've always considered the impact on members and tried to consider their perspective, as well as that of the other key stakeholder, which is the public. In everything we've done, we've balanced those three.

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Rick: We also stayed harmonized with our affiliates across the country, paying particular attention to the National Regulatory Steering Committee's recommendations.

How did you handle the most complex issues?

Roger: We involved subcommittees, with staff who made recommendations to the RWG. So there was a way of "kicking the tires" on a recommendation, and then it would get refined along the way. In some cases, we went back and did additional research, which could involve finding out what other provinces or regulatory bodies were doing.

Pamela: That's a good point Roger. We got staff members involved who were actually dealing with the reality of applying regulations on a daily basis, so we weren't detached from how this affects members in real life.



Did you also consult with external volunteers?

Jamie: Yes, and this included public representation. We also worked hard to make sure these groups included members who would be affected by the recommendations.

Pamela: We also made sure there was representation from all three bodies.

Rick: To add to what Jamie and Pam said, it really goes beyond just volunteers. I think it's beneficial for the membership to get a sense of the steps we took to get to where we are today. It started out with the working group staff, then went to the senior regulatory team. From there it went to a discussion group of volunteers with lay representatives, and then it was vetted by the Executive Management Committee. After that, it went to the TSC for their approval, and then went to the legacy boards/council. This process helped us ensure that the interests of all stakeholders would be well served.

How did volunteer input strengthen the recommendations?

Ted: In all of the sessions we did with volunteer groups, no fatal flaws were identified. Of course, there were certain issues that attracted a lot more discussion than we expected...

Pamela: Yes, and while their input did not result in many changes to the recommendations, it did—in several cases—lead us to refine recommendations.

Jamie: And when we were presenting the recommendations to the TSC later on, it was helpful to refer to the input of volunteers.

Looking at specifics, what's the rationale for making an ethics course a pre-certification requirement rather than a post-certification requirement?

Roger: There was discussion around timing, with pros and cons to both, and at the end of the day we felt it was important that students/candidates get that exposure just prior to becoming a member.

Jamie: Also, the feedback we received from members who have been through the pre-certification program and from the firms they work for has been very positive.

Why did you recommend a rolling three-year CPD reporting cycle rather than a fixed one?

Ted: First, it's an international standard to have a rolling cycle.

Roger: One of the benefits of the rolling cycle is that it gives members flexibility. It will be a change for CAs, but we were moving in that direction anyway due to a recently introduced IFAC standard.

Pamela: That applies in a number of areas. Some of the changes are happening at the same time as the merger, but our regulatory processes are always evolving, so we're constantly monitoring to see if there are better ways of doing things. This was just an opportunity to do so collectively.

Why suspend or cancel the membership of those who don't report CPD?

Jamie: In these dynamic times, keeping up with technical change can be a challenge, but to protect the public and the CPA brand effectively, we each have to maintain a current skill set. The CPD requirements set the standard to which our members are expected to comply, and the public, our clients, and many—if not all—of our members expect us to hold members accountable.

Rick: At the end of the day, the vast majority of our members comply with CPD, so this is not a major issue. Members are professionals, and they are meant to abide by the rules and policies of the profession. This is simply part of our process to try and ensure that we are protecting the public.

You've been working on this for 14-15 months now. Looking back, how would you describe the process?

Jamie: "Inspiring" is the word I would use. We came together from different backgrounds, but we've kept such a positive attitude throughout this process—with a focus on what's best for CPABC and its stakeholders—and I think we've come out of this stronger as a team. I am in awe of having the privilege of working with the group around the table and others in this regard.

Liz: I'm fairly new to the organization, but I want to echo what Jamie just said. You can see how much thought has gone into each and every recommendation that's been made to really come up with best-of-breed practice. When I take a step back and look at the entire ethics and discipline process that's been developed for CPABC, I think it really looks better than each of the three did on their own.

Pamela: Whenever we survey our members and ask them to name the most important thing we've done, right at the top of the list is: "upholding standards." This process has involved a group of professionals working together toward that goal, and the respect that everyone has shown their colleagues along the way has been phenomenal.

Ted: We didn't see any territoriality with our group. It's partly a reflection of the fact that the three bodies in BC have gotten along really well in the past—I think that's reflected in our group and what we've done.

Rick: I concur with all that has been said. Most people will never go through an experience like this, merging three professional accounting bodies and doing it in conjunction with 37 other affiliates across the country…

Roger: It has been a very robust process, and I think we very quickly learned that there were no shortcuts. We really aimed high, and we believe the outcomes reflect that.

Jamie: When we talk about the team, it goes way beyond the people around this table. We had subgroups working on their areas of specialization, and—without exception—they all produced wonderful work.

Ted: And they are the key to the phase we're in now, which is implementation.

Which leads to our final question: What's next?

Jamie: Communication and implementation.

Rick: And ensuring that we've got it right in relation to the enabling legislation.

Thank you, everyone. ■



Introducing CPABC's Marketing and Business Development Team

In the second part of our four-part series on the different functional areas of CPABC's senior management team, we shine the spotlight on the Marketing and Business Development team.

Building the new CPA brand in BC and across the country is a top priority for this team. So too are member engagement, public affairs, recruitment and business development, and communications.

Here are the individuals tasked with keeping you informed about what's happening in the profession in British Columbia, as well as recruiting the next generation of CPAs:



Vinetta Peek, CMA (Hon.), CPA, FCMA – Executive VP, Marketing and Business Development

In this role, Vinetta has the responsibility of overseeing the recruitment of new students and candidates to the CPA program in BC, as well as the marketing, branding, and business development of CPA in this province.

Vinetta joined CMABC in 2003 as vice-president of marketing. She became vice-president of marketing and education in 2008, and was named president and CEO in March 2012. Vinetta serves on several branding and marketing committees, including the CPA National Magazine Advisory Board and the CPA Brand Steering Committee, and has played a leadership role in developing the Brand Ambassador campaign and in developing the CPA brand across Canada.

In 2007, Vinetta became the sixth British Columbian to receive an honourable CMA designation, and in 2011, she earned her CMA designation—making her the first person in Canadian history to complete the CMA program after having received an honorary CMA. In 2014, Vinetta received her FCMA designation.

Prior to joining CMABC, Vinetta was president of In-Motion Media Corporation, vice-president of The Mark Anthony Group, and executive vice-president of BBDO New York/McKim Advertising.

Those reporting to Vinetta include: Diane Chung, CPA, CMA; Edward Downing; and Kerri Wilcox.

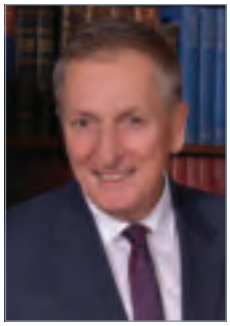


Diane Chung, CPA, CMA – VP, Marketing and Business Development

In this role, Diane provides leadership to the marketing and business development team, which is responsible for recruitment, employer outreach, business development, and marketing activities.

Diane has been the VP of marketing and business development for CMABC since March 2012, and has been actively involved on national CPA branding committees, including the National Brand Steering Committee, which developed the CPA logo and brand attributes. Currently she chairs the National Recruitment Work Group and Careers Support Subcommittee and serves on the National Member Engagement Work Committee and CPA Communicators Group.

Prior to joining CMABC, Diane was the national director of marketing and business development at a Canadian-based international law firm.



Edward Downing – VP, Communications

In this role, Edward provides leadership for the communications department, which is responsible for major events and conferences, the organization's website, member engagement, and internal communications. He also serves on the national CPA Communicators Group and National Digital Work Group.

Edward has been the director of marketing and communications for CGA-BC since 1997. Prior to joining CGA-BC, he held similar positions with the Certified General Accountants Association of Canada and several public affairs agencies.



Kerri Wilcox – VP, External Affairs

In this role, Kerri provides leadership for the external affairs department, which is responsible for publications, government relations, media and stakeholder relations, and public affairs.

Kerri has been the director of external affairs for the ICABC since 2011, having previously served as manager of public affairs for five years. She has been actively involved on national CPA branding committees, including the National Brand Steering Committee, which developed the CPA logo and brand attributes. Kerri currently serves on the National CPA Communicators Group, the Government Affairs Work Group, and the Integrated Marketing Work Group.

Prior to joining ICABC, Kerri worked for Compton International Fundraising, the Business Council of BC, and the Premier's Office.

Look for part III of our series in the January/February 2015 issue of *CPABC in Focus*.

Stay Informed. Stay Connected.

Engage with CPABC on social media

By Kerri Wilcox

Have you seen the latest edition of the *BC Check-Up*, read *Industry Update*, or scanned through the recommendations CPABC made to the Select Standing Committee on Finance and Government Services? Were you aware that changes are coming to regulatory requirements? Did you catch an enlightening TED Talk on what it takes to be a great leader?

CPABC releases a myriad of public policy, government relations, and communications pieces throughout the year, and also shares relevant and timely information from other trusted sources on news and trends in accounting, economic issues, business and management best practices, and thought leadership. So one of the easiest ways you—as a member, candidate, or student—can stay abreast of new information is by following one or more of CPABC's social media channels.

On CPABC's corporate blog, the Briefing Room, and our Facebook, Twitter, and LinkedIn accounts, we provide important updates and easy access to cutting-edge content on emerging trends that matter to business and accounting professionals.

By following us on social media, you'll also gain opportunities to connect with other members, candidates, and students, and be among the first to learn of upcoming events, career opportunities, and professional development offerings. In addition, you'll find out how to give back to the profession through updates on mentoring, committees, media relations, chapters, and more.

Our social media is closely linked to the newly launched CPABC website at **www.bccpa.ca**, which is your central hub for all CPABC information and updates.

Follow us and stay informed and connected. ■

CPABC's Social Media and Online Services

The following social media and online services are available to members, students, and candidates:

- CPABC website (**http://bccpa.ca**)
- CPABC Briefing Room blog (**http://blog.bccpa.ca**)
- CPABC Facebook page (**https://facebook.com/cpabc**)
- CPABC Twitter (**https://twitter.com/cpa_bc**)
- CPABC LinkedIn group (search for "CPABC" on LinkedIn)
- CPABC YouTube channel (**http://YouTube.com/cpabritishcolumbia**)
- CPABC Flickr (**https://flickr.com/photos/cpabc**)



Fanny Romeyn is the controller at Decoda Literacy Solutions.

Working to Improve Financial Literacy and Why It Matters

By Fanny Romeyn, CPA, CA

Literacy pervades almost all aspects of modern life, including personal finances. Financial literacy is defined as the ability to understand how money works in the world—including how it is managed. The term also refers to the set of skills and knowledge an individual needs in order to make informed and effective decisions regarding all of their financial resources, whether large or small.

The ability to make informed financial decisions is essential for all Canadians, regardless of income level or wealth status. These decisions have an impact on the financial security, well-being, and prosperity of individuals, families, communities, and society as a whole.

Policy-makers and financial service providers often assume that all individuals are equipped with the skills needed to make important financial decisions on their own, but research does not support these assumptions. In 2011, a whopping 72% of Canadians said they are not confident that their math and money-management skills will help them plan for a secure financial future.[1]

How limited literacy and numeracy skills affect financial literacy

Accessing and understanding financial information, tools, and advice can be challenging even for individuals who are skilled at reading and at working with numbers. For those with limited literacy and numeracy skills and with limited resources, the difficulties can be that much greater.

Limited literacy and numeracy skills—and, increasingly, limited digital literacy skills—create barriers to sound financial management. For example, individuals with limited literacy and numeracy skills may have difficulty with:

- Reading their pay stubs;
- Paying bills online;
- Creating a budget and/or a savings plan for retirement;
- Understanding their bank statements;
- Filling out their income tax forms;
- Choosing a bank account or credit card;
- Avoiding fraudulent investments;
- Understanding their rights as consumers;
- Calculating a tip; and
- Understanding financial advice.

Research shows that people with limited literacy skills and low incomes are especially vulnerable to financial crises, have difficulty saving, are more likely to use high-fee outlets for loans and cheque cashing, and/or often miss out on opportunities for government contributions to their children's education.[2]

[1] http://abclifeliteracy.ca/files/Financial_Literacy_Research-2011.pdf

[2] http://abclifeliteracy.ca/mm/new-research-measures-impact-financial-literacy-skills

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Financial literacy programs designed specifically for vulnerable groups serve an important function in translating financial information and advice, adapting this information to respond more directly to the life contexts and needs of those with limited skills and resources. These programs work in tandem with general literacy programs, which help individuals increase their reading, writing, math, and computer skills, and build the foundational skills needed to understand and implement financial advice.



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Some efforts currently under way

Recognizing the importance of financial literacy and the struggle many people have when it comes to understanding/managing their personal finances, in 2011 the Government of Canada declared that November would be "Financial Literacy Month" (FLM) in Canada. During the month of November, Canadians are encouraged to participate in an activity that increases their financial know-ledge, and organizations are invited to host activities designed to improve the financial skills of Canadians.

The theme of FLM 2014—"Strengthening Financial Literacy through Collaboration"—underlines the importance of coordinating the efforts of all organizations that offer financial literacy programs, resources, information, and services.

Here in BC, the non-profit organization Decoda Literacy Solutions (**www.decoda.ca**) is fostering this kind of collaboration. As the only provincewide literacy organization in BC, Decoda supports community-based literacy programs and initiatives in over 400 communities, including many that offer financial literacy programs. Among them, for example, is the Columbia Basin Alliance for Literacy, which offers financial literacy workshops in various communities. These workshops cover goal setting, budgeting, income and taxes, saving and investing, credit, debt, and smart consumerism. Another example is Cariboo-Chilcotin Partners for Literacy Society, which collaborates with local financial institutions, non-profit organizations, and service agencies to create and offer a series of financial literacy workshops and community-based financial literacy cafés. Other programs include money management classes offered by Mission Literacy in Motion (in Mission), Teck Learning Centre (in Trail), and New Beginnings (in Abbotsford).

At the national level, CPA Canada has an extensive financial literacy program that supports comprehensive financial education—from teaching children about saving to teaching young adults about effective budgeting to teaching adult Canadians about tax strategies, saving for retirement, and estate planning. The profession has created a microsite containing a range of resources, including books, surveys, and self-help checklists, which can be accessed at **www.financialdecisionsmatter.ca**.

How you can get involved

Partnering financial experts with literacy experts in delivering financial literacy programs ensures that appropriate, accurate content is delivered in a way that is tailored to the audience and is consistent with the principles of adult learning. If you're interested in sharing your expertise to help foster financial literacy in your community, there are a number of ways to get involved.

CPA Canada has a volunteer program called Community Connect that provides CPA members with financial literacy resources to use in delivering education sessions to individuals of all ages. These resources include PowerPoint presentations and lesson plans designed to help volunteers deliver educational sessions at local schools and to various community groups. To access these materials, members must first register at: **www.financialdecisionsmatter.ca/community-connect/item77870.aspx**. In addition, there are some consumer books on financial management that offer clear explanations about financial management, including *A Canadian's Guide to Money-Smart Living* (a CPA Canada publication).

You can also find out about specific volunteer opportunities in BC by visiting Decoda Literacy Solutions' website at **www.decoda.ca**.

Making a positive impact

There is substantial evidence that literacy and financial literacy programs can dramatically improve people's lives. These programs can help individuals navigate transitions, help newcomers settle in Canada, improve the level of financial inclusion for marginalized communities, improve housing outcomes for low- and modest-income individuals, improve savings behaviours, and reduce stress. CPA members who get involved in such programs can make a tremendous difference. ■



Bill Cox is a partner with BDO Canada LLP, providing audit and assurance services to governments, NPOs, financial institutions, and private businesses. He is a member of the Public Sector Accounting Board and the AcSB/PSAB Joint Not-for-Profit Task Force.

Addressing the Mismatch between Budget Preparation and Accounting

An opinion piece by Bill Cox, CPA, CA

As vital accountability tools, budgets play an important role in the public sector. So it's no surprise that there are public sector accounting standards (PSAS) in this area. Section PS 1201 – "Financial Statement Presentation" of the *PSA Handbook* is the relevant standard; it requires governments to report actual-to-budget comparisons in their financial statements.

It would be difficult to argue against the merits of presenting budget information. After all, one of the objectives of public sector financial statements is to add accountability value, and, in almost every respect, budget information adds value to public sector financial statements. And yet there are a few areas of tension between budget preparation and accounting that have the potential to derail the benefits of reporting budget figures in the financial statements. Accountants working in the public sector need to consider and address this "mismatch."

We speak of "mismatch" in many areas of accounting. For example, a financial institution may have a mismatch between the maturities of its assets and liabilities. Or a business may have a mismatch between the life of its plant and related funding. Even the tried and true "matching principle" is not quite dead—it still exists as long as its application does not create deferrals on the balance sheet that are inconsistent with the accounting framework's definition of assets or liabilities.

In the public sector, "mismatch" results when the methods and concepts used for budget preparation differ from those used in financial reporting. Local governments, for example, need to balance their budgets, but the "balancing" is that of cash inflows and outflows, not revenues and expenses. Of course, inflows and outflows of cash can differ from those of reported accounting revenues and expenses, and this disconnect can lead to puzzling budget results in local government annual financial statements.



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One of the most important objectives of local government is to manage, save for, and replace infrastructure, so expenditure on capital items will usually be a significant component of expenditures in any given year. Capital expenditures are not expenses for accounting purposes—they are, instead, amortized over the life of the underlying capital asset. In addition, they are often much higher than amortization expenses due to inflation and the very long lifespan of many infrastructure assets. As a result, it is commonplace for local governments to have a surplus almost every year, and this surplus can be significant in size. This can be difficult for local government councillors and taxpayers to understand. "If we balanced the budget," they may ask, "why are we running a huge surplus? Are taxes too high?"

A different type of issue can arise for BC Crown corporations and agencies. Crown corporations and agencies form part of the Province of British Columbia reporting entity, and, as such, they also follow PSAS. The combination of adhering to the *Budget Transparency and Accountability Act* (BTAA) and reporting under PSAS creates problems.

An important concept under PSAS is that transfers to or from reserves or accumulated surplus (collectively referred to as "retained earnings" in the private sector) are not revenues or expenses for accounting purposes. The logic of this concept is obvious, and it's consistent with other accounting frameworks: If you just move funds from one pocket to another, you are not creating or using resources. Section 23.1 of the BTAA requires the use of PSAS (which is a good

thing). Related to the BTAA is the *Balanced Budget and Ministerial Accountability Act* (BBMAA), which contains a prohibition against forecasting a deficit. In combination, the two acts lead to a result that was likely not anticipated by those who put the original legislation together: Any surpluses that carry over a fiscal year-end can never be spent.

Consider, as an example, a provincial government agency that receives a $6 million unrestricted grant from the federal government on March 30, one day before its fiscal year-end. It would be understandable if the agency did not spend this grant on March 31—indeed, unless detailed expenditure plans were already in place, it would be irresponsible for the agency to do so. Because the $6 million grant has no restrictions, there would be no liability to ever repay the federal government, so the agency would record the grant as revenue. The agency might move $6 million into a reserve fund to ensure that the funds are earmarked for a specific use, but, as noted above, a transfer to a reserve is not an expense.

The agency would end up with a $6 million surplus from this transaction. Once locked away in accumulated surplus, the reserve could never be used. It could never fund expenses because its use (withdrawal from the reserve) would not create revenue for accounting purposes—instead, its use would create an accounting deficit in the year of expenditure. There would be a mismatch between the timing of recording the grant/revenue (when received) and of recording the expense (when spent). In theory, these funds could never be used and would remain locked away indefinitely—not a good use of taxpayer funds.

The result is a misunderstanding among taxpayers and elected representatives about budgeting on a cash flow basis and reporting on a full accrual basis. Fortunately, it would be easy to reduce this misunderstanding. The solution would be to budget on a "PSAS" basis. This would require preparing the budget on exactly the same basis as the entity reports its year-end results. Identical accounting principles, groupings, and terminology should be used. Readers could then make appropriate comparisons between budgets and actual results, and could ask appropriate questions to hold management and elected officials accountable.

Of course, governments do need to balance cash inflows and outflows. Governments could accomplish this by adding a section to the budget after the "bottom line." This new section would show cash outflows required for items that are not expenses. These type of items include: capital expenditures, cash inflows from new debt issues, transfer to or drawdown of reserve funds, etc. Separating these items in the budget would be helpful. It would allow the reader, with appropriate explanation, to see not only that an accounting surplus or deficit is planned, but why that is and how it will be funded. As noted, it is common for local government to report an accounting surplus because of required infrastructure spending. With this revision to the budget, the reader would see the planned surplus and that it was then used to fund infrastructure—gaining a much clearer picture.

While this would be an improvement, it still would not solve the anomalies that result from the BTAA/BBMAA combination. The change needed here is conceptually easy but politically difficult: The provincial government should amend the BBMAA. The change should require that there cannot be a deficit, determined on a PSAS basis, that exceeds cumulative reserves on hand at the start of the budget period. This change is not complicated, and there is precedence in the requirements of the *Community Charter*. However, it does take some gumption for any political party to put forward legislation that would make changes to statutes with names that include such positive terms as "Balanced Budget" and "Transparency and Accountability."

The adoption of PSAS throughout all levels of government has been a terrific positive, and has indeed improved transparency and accountability. The current mismatch between the requirements of legislation and the full-accrual requirements of PSAS need only be a minor speed bump on the road forward. A little courage by provincial politicians and some standardization by local governments could easily get us past the current unfortunate side-effects. ■

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Faizal Valli is a senior manager in tax services with Ernst & Young LLP in Vancouver specializing in tax and estate planning for private clients.

Spousal and Joint Partner Trusts – A Case Study Highlighting Benefits and Important Tax Considerations

By Faizal Valli, CPA, CA

Note to readers: *The Department of Finance released draft legislation on August 29, 2014, that proposes to make changes to inter vivos and testamentary trusts, including eliminating marginal tax rates for testamentary trusts and amending the rules relating to the deemed disposition of a spousal or joint partner (JP) trust's property on death. At the time of this writing, it is unknown to what extent the final legislation will be implemented as drafted. This article does not address the proposed changes.*

Spousal and joint spousal trusts, also known as joint partner trusts, are typically used in estate planning for high-net-worth spouses, including owner-managers, both as an alternative to wills and for probate savings. Whereas a spousal trust is established for the benefit of a settlor's spouse, a JP trust is settled for the benefit of a settlor and the settlor's spouse or common-law partner.[1] This article discusses the use of inter vivos spousal and JP trusts, or trusts created during the settlor's lifetime.

The basics

A spousal trust may be created by a settlor at any age. By comparison, only settlors who are 65 years of age or older may create a JP trust. In the case of the former, only the settlor's spouse is entitled to receive all of the trust's income and receive/otherwise use its capital while said spouse is alive. In the case of the latter, only the settlor or the settlor's spouse are, separately or together, entitled to receive all of the trust's income and access its capital until the latter of the pair dies. Where these conditions are met, property is contributed to the spousal or JP trust at cost (i.e., on a rollover basis).[2]

A spousal trust has a deemed disposition of its property on the death of the beneficiary spouse at the fair market value (FMV) of the property,[3] whereas a JP trust has a deemed disposition on the death of the last remaining spouse. In contrast, an inter vivos trust has a deemed disposition on its 21st anniversary. Spousal and JP trusts may have any beneficiaries other than the spouses, but these beneficiaries will not be entitled to income or capital until after the death of the settlor, or of the last remaining spouse.

A case study

Consider the following hypothetical couple: John and Jane Doe. John and Jane each own 50% of the common shares of their business, Opco, and both are approaching retirement. They have three children, one of whom will eventually take over the business as part of an estate freeze. Opco has a FMV of $10 million. In addition, John and Jane each have non-registered investments with a FMV of $5 million, plus registered investments, and they own a principal residence and a vacation home in BC. To fund their retirement, John and Jane intend to draw on their non-registered and registered investments, and on the preferred shares of Opco, which they will receive as part of the estate freeze. They expect to be subject to the highest marginal tax rates in their retirement years, and they have not yet used their lifetime capital gains deduction (CGD).

In this situation, John and Jane may consider using a spousal trust or a JP trust as part of their estate plan. Step one would be to undertake an estate freeze by exchanging their common shares of Opco for preferred shares with an aggregate redemption value equal to $10 million. Then they could contribute their preferred shares and non-registered portfolios to separate spousal trusts for each other's benefit. Alternatively, if at least one of them has reached age 65, they could contribute their assets to a JP trust for their shared benefit.[4]

[1] Throughout this article, the term "spouse" refers to a spouse or common-law partner, and includes same-sex partners.

[2] Subsection 73(1) and (1.01) of Canada's *Income Tax Act* (the Act). All references herein are to the Act.

[3] Clause 104(4)(a)(iv)(A).

[4] Practically speaking, a JP trust may have more than one spouse as the settlor (see CRA Document No. 2001-0099055, "Joint spousal trust," January 23, 2002). Contributed property must be carefully tracked for attribution purposes, as discussed in this article.



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The benefits

First, since the spousal or JP trust—not John and Jane personally—will own the property contributed, such property will not be subject to probate on the couple's deaths; this means a savings of approximately $280,000 (assuming there's a 1.4% probate rate on assets with an FMV of $20 million).[5] Second, unlike the deeds of a will, the deeds of a spousal or JP trust are not subject to public disclosure. Third, John and/or Jane can designate anyone as a beneficiary of their spousal or JP trust, and such beneficiaries might not be challengeable under the *Wills, Estates and Succession Act* (formerly the *Wills Variation Act*). This may be a favourable option if John and Jane wish to leave property of the spousal or JP trust disproportionately to their heirs, including if they have children from previous marriages.

Trust income and attribution

The spousal or JP trust will earn portfolio income and deemed dividends on redemptions of the preferred shares and will allocate such income to the respective spouse beneficiary. However, income allocated to the beneficiary spouse can attribute back to the settlor spouse, under either the reversionary trust rules[6] or the spousal attribution rules[7]; therefore, careful tracking and reporting of income on trust and personal tax returns would be required.

The spousal or JP trust may be drafted to avoid attribution under reversionary trust rules. Further, John and Jane could avoid the spousal attribution rules by electing to have income taxed in the trusts,[8] where it would be taxed at the highest marginal tax rate. Such after-tax income would then be allocated to the respective spouse as a tax-free capital distribution. Assuming John and Jane will be taxable at the highest marginal rate due to other sources of income, there should be no difference between taxing the trust income in the trusts or taxing it to the individuals.

Deemed disposition on death[9]

The deemed disposition of property on death must be managed carefully. Where preferred shares are held personally, there is a deemed disposition of the shares on death, resulting in a capital gain on the deceased's terminal return. The preferred shares then transfer to the estate with a high adjusted cost base (ACB) equal to FMV. The preferred shares are typically redeemed in the estate, resulting in deemed dividends and a significant capital loss. The estate's executor then files an election to carry back the capital loss to offset the capital gain in the terminal return.[10]

Where the preferred shares are *owned* by a spousal or JP trust, the same deemed disposition will take place on death, resulting in a capital gain in the spousal or JP trust. However, when the shares are later *redeemed* by a spousal or JP trust, the capital loss may be denied under affiliate stop-loss rules,[11] potentially resulting in double tax in the spousal or JP trust. Careful planning must be undertaken to mitigate such double tax.

The capital gains deduction

A spousal trust may claim the CGD in the taxation year in which the spouse dies,[12] whereas a JP trust cannot. As an alternative to claiming the CGD through a spousal trust, John and Jane could elect out of the rollover to the spousal trust and could contribute enough common shares at FMV to claim their CGD. In either case, the preferred shares in the spousal trust would have an ACB equal to the CGD claimed. On redemption of the preferred shares, the resulting capital loss would be denied, as discussed above, and such outcomes would have to be managed carefully.

As a further alternative, John and Jane could retain sufficient preferred shares personally to use the CGD on death. The resulting preferred shares would have high ACB and FMV, and—again—care would need to be taken to manage the high ACB when the preferred shares are redeemed.

[5] The probate savings will decrease as the value of assets decreases in the spousal or JP trust.

[6] Subsection 75(2).

[7] Section 74.1, 74.2, or 74.3.

[8] Subsection 104(13.1).

[9] Spousal or JP trusts cannot benefit from the marginal tax rates currently available to testamentary trusts. As mentioned in the note to readers, however, the Department of Finance has proposed that these marginal tax rates should be effectively eliminated.

[10] Pursuant to subsection 164(6).

[11] Subsection 40(3.6). Subsection 40(3.61) is a relieving provision that applies to testamentary trusts only. It does not apply to inter vivos trusts (including spousal and JP trusts).

[12] Subsection 110.6(12).

Charitable donations

Charitable donation planning is often used to offset the large tax bill on death. In the case of a spousal or JP trust, charitable donations must be made in the trust to offset the tax on the deemed disposition on death. A spousal or JP trust may only claim a donation made to a qualified donee in the same year as the deemed disposition, and it may only claim an amount up to 75% of its income. In addition, the donation cannot be carried back, but can be carried forward five years. Further complication arises where trustees have the discretion to make a donation, as it is not always clear whether the recipient charity is considered to be a qualified donee, or a beneficiary of the spousal or JP trust. If the charity is considered a beneficiary, then the contribution is denied as a donation and treated as a distribution to a beneficiary.

On the other hand, a donation made in a settlor's will is deemed to be made by the individual immediately before death.[13] In the year of death, a donation can be claimed for up to 100% of the individual's income, and this donation can be carried back to the year immediately prior. Accordingly, John and Jane should consider their charitable intentions carefully when using a spousal or JP trust.

Contributions of real estate

In addition to their preferred shares and portfolio, John and Jane may want to consider contributing their principal residence and/or vacation property to a spousal or JP trust. If that's the case, land transfer tax would need to be considered where the property changes title from John and/or Jane to a trust, and when the property is eventually distributed by the trust to a beneficiary.[14] Something else to consider: A trust may claim the principal residence exemption, but the normal principal residence exemption rules apply.

Tax debts and property transfers

It is important to consider the implication of tax debts when transferring assets between spouses. In the case of John and Jane, suppose John has a tax debt of $10,000 and transfers property to Jane—either directly, indirectly, or by means of a trust. The *Income Tax Act* will impose joint and several liability to Jane for John's tax debt, up to the lesser of the tax debt and the FMV of the property transferred, net of consideration given by Jane.[15]

Closing thoughts

Spousal and JP trusts can be effective estate-planning tools, but due care must be taken in managing the income tax consequences. ■

[13] Subsection 118.1(5).

[14] There may be an exemption or mitigation strategy.

[15] Subsection 160(1).



Mertens Valuation Services Ltd.

Independent Expert Advice

Rick Mertens has been assisting fellow accountants and their clients with independent business valuation and related services for the past 10 years. Rick is located in the Greater Vancouver area but regularly works with clients located throughout British Columbia.

Rick is committed to providing high quality service in a personalized, timely and cost effective manner. He has extensive experience in business valuations, economic loss claims and transaction advisory.

In addition to his CBV and CPA / CGA designations, Rick has also completed the 3-Year In-Depth Tax Program of the CICA and other specialized courses, and can assist with various planning matters.

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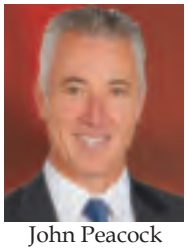
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ZLC FINANCIAL GROUP

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HIGHLIGHTS FROM OUR INTEGRATED FALL/WINTER PD PROGRAM

In November and December, we're bringing many professional development opportunities to members! In addition to hosting PD Weeks in Vancouver, Victoria, Nanaimo, Kelowna, and Surrey, we're also presenting the *Members in Business & Industry PD Day* on November 25. Many other PD seminars will be held between now and the middle of December, so be sure to check our complete program at **pd.bccpa.ca** and email us at **pdreg@bccpa.ca** with any questions.

MEMBERS IN BUSINESS & INDUSTRY PD DAY

Accountants and other financial professionals currently face a number of challenges on the way to achieving their professional goals, and today's economic realities only place more obstacles along the way. The Members in Business & Industry PD Day is designed to provide members in industry with practical, relevant, and timely information for use in the workplace, and in the most efficient format possible. For a list of the breakout sessions available, please check online at **pd.bccpa.ca/conferences**.

Nov 25, 8:30am-5pm, Vancouver

ACCOUNTING & ASSURANCE

ASPE: Disclosure and Presentation – From Standards to Words

Much was said about reduced disclosure for private enterprises when ASPE was issued, but what is the reality and what are best practices now? This seminar will review the financial statement disclosure and presentation requirements for ASPE.

Nov 19, 9am-5pm, Abbotsford
Nov 21, 9am-5pm, Nanaimo
Nov 27, 9am-5pm, Victoria

Fraud Happens! What to Do When You Suspect Fraud

This seminar will provide participants with a framework in which to manage the investigation of fraud allegations. The framework will include investigative tools, sources of recovery, and related aspects such as media and police consultation.

Nov 12, 9am-5pm, Kelowna
Nov 19, 9am-5pm, Parksville
Nov 19, 9am-5pm, Prince George
Dec 3, 9am-5pm, Victoria
Dec 5, 9am-5pm, Vancouver

Non-Government-Controlled NFPOs – Financial Statement Presentation & Note Disclosure

This seminar will summarize the standards related to the preparation of all financial statements and related note disclosure for non-government-controlled NFPOs, and will provide examples to assist in the preparation of these statements. (Government-controlled NFPOs must follow the *Public Sector Accounting Handbook,* but the Handbook will not be addressed in this seminar.)

Dec 10, 9am-5pm, Vancouver
Jan 21, 9am-5pm, Prince George

PSAB 101

This seminar has been developed for finance professionals who prepare or audit public sector financial reports, or who need to understand how the accounting recommendations of the Public Sector Accounting Board (PSAB) apply to financial reporting by entities in the government sector. Key recommendations of the PSAB Handbook will be reviewed, along with their applications, and a variety of examples will be used to facilitate understanding.

Nov 19, 9am-5pm, Victoria
Nov 26, 9am-5pm, Vancouver

FINANCE/MGMT ACCOUNTING

Business Valuations: Introduction

This full-day seminar will provide participants with practical insight into business valuation. Participants will learn about and apply valuation tools (such as multiples and discounted cash flow) to business case studies. The seminar will also focus on business valuation interpretation and the mechanics of the valuation process.

Nov 13, 9am-5pm, Abbotsford
Nov 20, 9am-5pm, Surrey
Feb 6, 9am-5pm, Kelowna
Feb 26, 9am-5pm, Vancouver

Due Diligence for Acquisitions

This seminar will focus on the core part of an M&A project: how to plan, evaluate, analyze, and synthesize the information accumulated. Participants will gain a deeper understanding of mergers and acquisitions, learn about strategic elements, and learn what to look for when undertaking due diligence reviews.

Nov 17, 9am-5pm, Nanaimo
Nov 24, 9am-5pm, Parksville
Dec 4, 9am-5pm, Victoria
Jan 27, 9am-5pm, Kelowna

Practical Tips for Controllers & CFOs

This seminar will provide a wide range of useful tips not typically found in textbooks or seminars. These tips will be illustrated with interesting anecdotes and examples. The seminar is aimed at accountants in leadership positions, such as controllers, CFOs, and directors of finance, and at those in public practice or consulting who advise clients.

Dec 1, 9am-5pm, Kelowna
Dec 2, 9am-5pm, Vancouver
Dec 3, 9am-5pm, Surrey
Dec 4, 9am-5pm, Victoria

CORP. GOVERNANCE & ETHICS

Corporate Governance Essentials

This half-day workshop aims to develop and enhance the CFO's understanding of corporate governance using CPA Canada's "CFO Series" as the starting point for discussion.

Nov 26, 9am-12:30pm, Victoria
Dec 2, 9am-12:30pm, Vancouver

Enterprise Risk Management

Learn how risk fits into an organization's strategic framework, how to identify risks, and what tools can be used to manage and/or mitigate those risks. Participants will gain an understanding of COSO's ERM Framework, and how it can be applied within their own organizations.

Dec 3, 9am-5pm, Vancouver

Risk Management Essentials

This half-day workshop aims to develop and enhance the CFO's understanding of risk management using CPA Canada's "20 Questions" and "CFO" series as the starting points for discussion.

Nov 26, 1:30-5pm, Victoria
Dec 2, 1:30-5pm, Vancouver

Workplace Law: All You Wanted to Know about and Were Afraid to Ask

This seminar will cover the legal issues in workplace law that most frequently arise and can hinder your organization's ability to deal effectively with human resources. Participants should come to the session ready to participate with their own questions (of a general nature) related to common workplace law issues.

Dec 11, 1:30-5pm, Vancouver

MANAGEMENT & PERSONAL DEVELOPMENT

Effective & Essential Mgmt Skills

This fast-paced, high-energy seminar will help you enhance your tactical, managerial, and coaching skills by providing you with a highly practical learning experience in an interactive (no role-playing) environment. Learn how to drive high degrees of engagement and how to delegate, empower, and provide meaningful feedback to your people.

Nov 14, 9am-5pm, Kelowna
Nov 18, 9am-5pm, Vancouver

Enhancing Your Leadership Impact

This highly interactive and engaging workshop will help you identify and enhance your leadership impact through completion of the Myers-Briggs Type Indicator. Participants will each receive an 18-page customized report that will help them explore and identify how they can enhance their leadership skills while remaining true to themselves and their own styles.

Nov 13, 9am-5pm, Vancouver
Nov 17, 9am-5pm, Victoria
Nov 25, 9am-5pm, Kelowna

CERTIFICATE PROGRAMS

The **Certificate in Executive Leadership** (CIEL) **Program** and the **Strategic Management Certificate Program** (SMCP) each offer a series of management seminars leading up to a program certificate. For more information on each certificate program, including the seminars to be completed, go to: **pd.bccpa.ca/certificate_programs.php**.

CIEL – Leading Change

This seminar will provide you with techniques to help you lead change effectively at organizational, departmental, team, and individual levels so you can have an even greater positive impact on your organization.

Nov 18, 9am-5pm, Kelowna
Nov 21, 9am-5pm, Surrey
Nov 24, 9am-5pm, Victoria
Dec 9, 9am-5pm, Vancouver

CIEL – Power Presentations for the Executive Leader

This workshop will cover simple, step-by-step formulas for crafting speeches, designing dynamic and complimentary introduction speeches, and creating comprehensive office presentations. There will be opportunities to practice every concept presented in the class.

Nov 20, 9am-5pm, Surrey
Dec 8, 9am-5pm, Vancouver

TAXATION

Advanced Tax Planning Strategies

This seminar will provide a comprehensive review of various anti-avoidance provisions designed to prevent or discourage aggressive tax planning. Topics will include the general anti-avoidance rule, shareholder benefit provisions, arm's-length relationships, expense deductibility, inadequate consideration, attribution provisions, stop-loss provisions, surplus stripping, association, and more.

Nov 24, 9am-5pm, Abbotsford
Dec 2, 9am-5pm, Nanaimo
Dec 5, 9am-5pm, Surrey
Dec 10, 9am-5pm, Vancouver
Jan 27, 9am-5pm, Kelowna

General Practitioners' "Need to Know..."

This seminar will discuss the significance and/or ramifications of particular areas of tax and explain how these areas might apply to common transactions. Scenarios involving common transactions or events will be used to introduce each topic before "need to know" information is provided.

Nov 10, 9am-5pm, Parksville
Nov 28, 9am-5pm, Vancouver

Tax Returns – Corporate

This seminar will provide participants with a broad overview of the income tax provisions that can affect taxpayers as they file their corporate tax returns. It will provide a comprehensive review of income tax compliance and planning issues relevant to the preparation of Canadian corporate income tax returns.

Nov 27, 9am-5pm, Vancouver
Jan 29, 9am-5pm, Surrey

Tax Returns – Personal

This seminar will provide participants with a broad overview of the income tax provisions that can affect taxpayers as they file their personal tax returns. It will provide a comprehensive review of income tax compliance and planning issues relevant to the preparation of Canadian personal income tax returns.

Jan 20, 9am-5pm, Victoria
Jan 23, 9am-5pm, Vancouver
Jan 28, 9am-5pm, Surrey

Did you miss the Estate Planning Conference Day?

Our joint conference with the Society of Trust and Estate Practitioners (STEP) Vancouver took place on October 15 at the Vancouver Convention Centre. If you missed this event and are interested in obtaining some of the conference content, recorded sessions are now available in PD AudioWeb format. The Estate Planning Conference AudioWeb is available for $295, or the equivalent of one PD passport day. Email **pdreg@bccpa.ca** for more information.

A chat with Harold Calla, CPA, FCGA, about the economic strides made by and tough choices facing Canada's First Nations



Harold Calla, CPA, FCGA. Photo by Ron Sangha Productions.

As a longtime advocate and negotiator for First Nations, Harold Calla, CPA, FCGA, has an immutable faith in what Aboriginal participation in mainstream business can mean for his people: economic liberation.

Last year, in a letter to a Saskatchewan newspaper, he wrote that $500 billion in resource development projects in Canada involve lands in the hands of First Nations, and noted that Canadian courts have upheld the federal duty to consult Aboriginal communities on all material matters. One line spoke to what could be Harold's credo: "I argue that partnership will accomplish more than brinkmanship." Recent court decisions have supported his statements.

Harold currently chairs the First Nations Financial Management Board (FNFMB), which works to help bridge the Aboriginal and non-Aboriginal communities on issues vital to the future of our shared environment and overlapping economies. His views are in demand across the country not just because he is the chair of the FNFMB, but also because he is a respected treaty negotiator and business professional who has sat on the boards of FortisBC, the Canada Mortgage and Housing Corporation, and Partnerships BC.

You're nearing the end of your second term as executive chair of the FNFMB. Will there be a third?

Harold: That's the hope: one more term. We think it's important that there be continuity, and we look at this next term as completing some of our strategic work and implementing the succession plan.

So you're not contemplating the "R" word at the moment?

Harold: No [laughs]... Oh no, I'm having too much fun. The next term will see me transition to the end goal of retirement.

Part of the FNFMB's mandate is to be a public voice. Do you find yourself in a quasi-political role? And where do you focus your energies?

Harold: There are always politics attached to the kind of work we do, but we stay clear of it. Our goal is to promote the development of First Nations' engagement with the economy and gaining access to capital. We've proven that it works. Institutional investors have been very active in pursuing debentures of Aboriginal economic development.

"...engaging in the economic mainstream doesn't mean giving up autonomy. It's not one or the other—it's both concurrent. One supports the other."

We spend about half our time working to instil investor confidence, and participate in many non-Aboriginal mainstream events where we're talking about the Board. The other half of the time is spent explaining to Aboriginal leaders that engaging in the economic mainstream doesn't mean giving up autonomy. It's not one or the other—it's both concurrent. One supports the other.

You served two terms on the Squamish Council. Has that experience helped you fulfil your current roles?

Harold: Absolutely. Understanding the politics at a band level has helped me because ultimately it is at a band level that these [major economic] decisions get made.

We're 124 First Nations scheduled under the *First Nations Fiscal Management Act* now. Initially, a lot of the interest was in BC because many bands have property taxation regimes, but we're pleased to see that we now have active clients in every province in the country.

What's your proudest personal business accomplishment?

Harold: Getting legislative change to the *Indian Act* on three different occasions [the *First Nations Land Management Act*, the *First Nations Fiscal Management Act*, and the *First Nations Commercial and Industrial Development Act*]. That empowered First Nations all across Canada, on an optional basis, to become engaged with the economic mainstream.

When you're dealing with federal reserve lands, you need to divorce yourself from the *Indian Act* in certain areas on an optional basis, and that's what these pieces of legislation have done.

How would you describe relations between First Nations people and non-natives when you were growing up in BC?

Harold: The world was very different when I grew up. You have to realize that Indians didn't get the right to vote until 1961. There wasn't this broadly held perspective in the non-Aboriginal community that First Nations had rights, that there were unresolved issues, or that a time would come when all these matters would have to be considered.

Can you describe the barriers to economic self-reliance?

Harold: Part of the problem is that First Nations were marginalized economically. They were put in an environment where they became dependent on federal transfers. The fact that they had land bases with huge resource potential was never endorsed, because Indians were considered wards of the federal government at that time. And so we were never encouraged [to be economically self-reliant]. There was never a relationship between Canada and First Nations that encouraged participation in the economic mainstream at all. So we remained dependency-based.

Some of that started to change—certainly education helped—in the '50s, '60s, and '70s, initially through bands assuming administration of programs. You started to see the evolution of First Nations administrations. But again, those were approaches that dealt with program delivery responsibilities, not resources or economic self-reliance.

What has changed more recently?

Harold: One thing that has really changed over the past 25 years is the accounting profession. As an Indian band, we were told not to record assets and liabilities, so it was just revenue and expenditures.

Years ago, the Squamish Nation secured a loan to put some social housing on reserve. I sat down as the accountant and said, "Well if I don't record assets and liabilities, what is the credit side to this transaction?" So I put it in revenue. The auditors came in and they thought I was a bit crazy, and afterwards came back and said I was right. I thought: Wouldn't the private sector like to borrow money and record it as revenue on their balance sheet?!

So back then, even the accounting profession didn't recognize that there was an order of government that needed to be accounted for. It was about 10 years ago that the CICA [Canadian Institute of Chartered Accountants] undertook a study on First Nations financial reporting that was spearheaded by Caroline Davis, who was then an accountant and also an assistant deputy minister with Indian Affairs. Indian bands have responsibilities, they have authorities, they administer—they are governments, and therefore they should be reporting as governments.

It was at the same time that the Public Sector Accounting Board was making all the changes around how local governments should report. So First Nations had to jump about 70 years in financial reporting. Things like life cycle costing—all of those kinds of issues—had never had to be considered before. And then that [the new higher standards] really made evident the capacity gaps in First Nation communities. It's really what the goal of the First Nations Financial Management Board is: to assist First Nations in developing systems-based approaches to managing their financial affairs.

Why do you recommend that young aboriginals should go into fields like accounting and business, instead of, say, law?

Harold: The body of work involved in constitutional amendments, the body of work that has been created through the various Supreme Court decisions has now established some principles in the law. We do have rights; we do have title; government has duties to consult and accommodate.

The challenge that we face today, is how do we implement those rights in light of the major resource opportunities across Canada? How can First Nations participate and receive fair accommodation for their title interests? What we need now are people who understand how to engage and participate in the mainstream economy on many different levels, whether it be resource development, real estate development, you name it. We need entrepreneurs. What we lost through the colonization was an entrepreneurial class.

Are First Nations bands and Aboriginal people at large becoming more economically sophisticated?

Harold: Let me put it this way. My mother didn't go to high school. I got an accounting designation. My son graduated from the London School of Economics with a master's in urban and regional planning. That's three generations.

And if you look at the FNFMB, almost our entire staff is Aboriginal and about 80% of them are professionals. So, yes there are financially educated people out there. The challenge we have in First Nations communities is that we need to develop economies so we can afford to pay these people.

"What we need now are people who understand how to engage and participate in the mainstream economy on many different levels..."

I think what people want is to be able to live and work near their home communities. We have to develop those economies so members of our community, when they're trained and skilled, have an opportunity to gain meaningful employment in or near their communities so they can remain a part of that community. ■

Dentons' Vancouver tax team.

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CPABC Fall Leadership Conference

A mix of traditional and new media took centre stage at the CPABC Fall Leadership Conference in Victoria. The *Globe and Mail*'s chief political correspondent John Ibbitson and Twitter Canada managing director Kirstine Stewart delivered thought-provoking keynote presentations to help kick off a three-day member summit that attracted more than 600 CPAs from across the province.

Speaking about the demographic changes transforming Canada, Ibbitson said the country is in the midst of a seismic change—becoming more Asian and less European, more Pacific and less Atlantic.

"The West will increasingly become the centre," said Ibbitson. "Cities are growing in size and power, while rural and regional interests will further wane."

Leadership was the topic of the opening day's second keynote presentation. Stewart, who was the focus of the cover story in *CPA Magazine*'s premier issue, explained that the old ideas of hierarchy in business are quickly becoming outmoded.

"Instead of a pyramid, the power structure of most innovative companies looks much more like a plateau," she said.

Stewart also stressed the need for a new kind of leader in the modern workplace—one who values partnership, collaboration, and empathy.

The Conference also included a national unification update from the president and CEO of CPA Canada, Kevin Dancey, FCPA, FCA. CPABC President & CEO Richard Rees, CPA, FCA, was also on hand, moderating a panel discussion with the chairs/president of the three unifying bodies in BC. CMABC Chair Simon Philp, CPA, FCMA, emphasized the need for stronger member engagement, describing it as key to CPABC's success going forward.

"I want to see us develop our own CPA traditions—through convocation, member recognition events, and chapters," said Philp. "I'm excited about how this conference can serve as a springboard to greater integration and how it can help to build the foundation of those traditions."

The Conference also offered a diverse roster of professional development sessions, Western Canada's largest trade show for accounting professionals, and a host of social networking events. For more information about the Conference, please visit **bccpa.ca**.



Political correspondent John Ibbitson during the first keynote address. "The fact that you are taking the lead on unification, on developing common standards, is very impressive."



"The town square is now global," said Kirstine Stewart, managing director of Twitter Canada, speaking about our increasingly interconnected and integrated world.



Cindy Choi, CPA, FCGA, takes a selfie with Twitter Canada's Kirstine Stewart.



CPABC President and CEO Kevin Dancey, FCPA, FCA, presented highlights from the new CPA brand campaign.



Photos by Ron Sangha Productions. For more Conference photos, visit CPABC's Flickr page at **flickr.com/cpabc/sets**.



Western Canada's largest trade show for accounting professionals attracted more than 27 exhibitors who showcased the latest products and services for accountants.

Kudos!



Roxanne Ayotte, CPA, CMA, recently joined SenseFly SA, a research organization in robotics and artificial intelligence, as CFO. She has more than 15 years of experience as a finance executive for organizations in high-tech, real estate, and professional service industries across North America and overseas. She has been working and living in Switzerland for the past eight years.



Ken Davidson, CPA, CA, CFP, has been elected chair of BDO Canada LLP's Policy Board by the firm's partners. As such, he will play an integral role in shaping BDO's strategic framework and direction. Ken has over 25 years of accounting and taxation experience. He joined BDO in 1996, and was made a partner five years later, working in BDO's private enterprise group.



Bryan Hack, CPA, CMA, has been promoted to director of consulting services at Tacit Management Consulting. Bryan has over 12 years of experience in the consulting industry and will be responsible for consulting services delivery excellence. He will also lead in the promotion of brand identity within the marketplace and in the continuous improvement of Tacit's services.

In Memoriam



We wish to send our condolences to the family, friends, and colleagues of **Eric John Bigelow, CPA, CA**, who passed away on June 6 from cardiac arrest. He was 26.

Eric was born in Victoria, where he attended Mark R. Isfeld Secondary School. He went on to study at the University of British Columbia and received his bachelor of commerce degree from the Sauder School of Business in 2011. While at UBC, Eric worked as a co-op student with PricewaterhouseCoopers. He subsequently articled with PwC and earned his CA designation in May 2014. This June, he was slated to start a second secondment with PwC's Manhattan office.

In addition to having a zest for life—from the most remote wilderness to the heart of a big city, and all points in between—Eric is said to have had an uncommon ability to foster and maintain strong, loving friendships throughout his short but rich life.



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Do you have an announcement you'd like to share in the magazine? Email us at: ***info@bccpa.ca***

55th Annual Golf Tournament Recap

The 55th Annual CPABC Golf Tournament was held at the University Golf Club in Vancouver on Thursday, September 11. Teams played in either a regular or scramble format, and everyone had a great time golfing on a beautiful late summer day.

With a fully stocked prize table, everyone left a winner. Many thanks go to the generous donors who contributed prizes to the event, including Cam MacKenzie, CPA, CA, who donated a Callaway X2 driver; the folks from Davidson & Co, who donated a $1,000 Hyak river rafting adventure trip; and Robert McMurray, CPA, FCA, who once again donated one of his original paintings depicting the beauty of our province.

We're already looking forward to next year's event, which is set for September 10, 2015. Be sure to mark it down in your calendars now. Registrations will be open starting in June 2015.

Recap author Ben Moxon, CPA, CA, is the founder and owner of Moxon Personnel Ltd. in Vancouver and has served as organizer of the golf tournament since 1989.





1. L to R: CPABC President & CEO Richard Rees, CPA, FCA, with event organizer Ben Moxon, CPA, CA. **2.** L to R: Derek Johnson, CPA, CMA, presents Alex Young, CPA, CGA, with his door prize—a Hyak Wilderness Adventure outing donated by Davidson & Co. **3.** L to R: Shane Onufrechuk, CPA; CA, Dr. Colleen Collins; Allison Burton, CPA, CA; and John Kenyon, CPA, CA, get ready to hit the links. **4.** L to R: Diane Kerley, CPA, FCMA; ICABC President Dan Little, CPA, FCA; and Vinetta Peek, CMA (Hon.), CPA, FCMA, executive VP of marketing and business development for CPABC. **5.** L to R: Chris Utley, CPA, CA, formerly director of ethics for the ICABC, presents Barry Macdonald, CPA, FCA, with his door prize—a painting by Robert McMurray, CPA, FCA. **6.** L to R: Cam MacKenzie, CPA, CA, donor of a Callaway X2 driver, congratulates the club's winner Edward Ho, CPA, CA.









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CPA CHARTERED PROFESSIONAL ACCOUNTANTS

2014 CMABC Fellows and Life Members

Each year at Convocation, CMABC (the Society) has recognized its newest Fellows and Life Members. On November 15, 2014, CMABC will celebrate its last group of Fellows and Life Members, as a new, integrated Member Recognition program will be launched by CPABC in 2015. For bios of these Fellows and Life Members, please read our online CPABC Member Recognition supplement at www.bccpa.ca/members/member-recognition.

~ FELLOWS ~

The highest honour granted by CMA Canada, the FCMA is awarded to CMAs who demonstrate excellence in management accounting, a commitment to the CMA designation and their professional organization, and a civic-mindedness that enriches their community. Seven individuals were chosen in 2014:



Rob Broekhuizen, CPA, FCMA



David Hallinan, CPA, FCMA



Debora Musil, CPA, FCMA



Vinetta Peek, CMA (Hon.), CPA, FCMA



Ken Puls, CPA, FCMA



Wil Tjoe, CPA, FCMA



Curt Walker, CPA, FCMA

~ LIFE MEMBERS ~

Life Membership is granted to CMAs who have been members for more than 20 years and who have contributed significantly to the CMA designation and the Society and/or made a notable contribution of knowledge to the accounting profession or the field of business management. Three individuals were chosen in 2014:



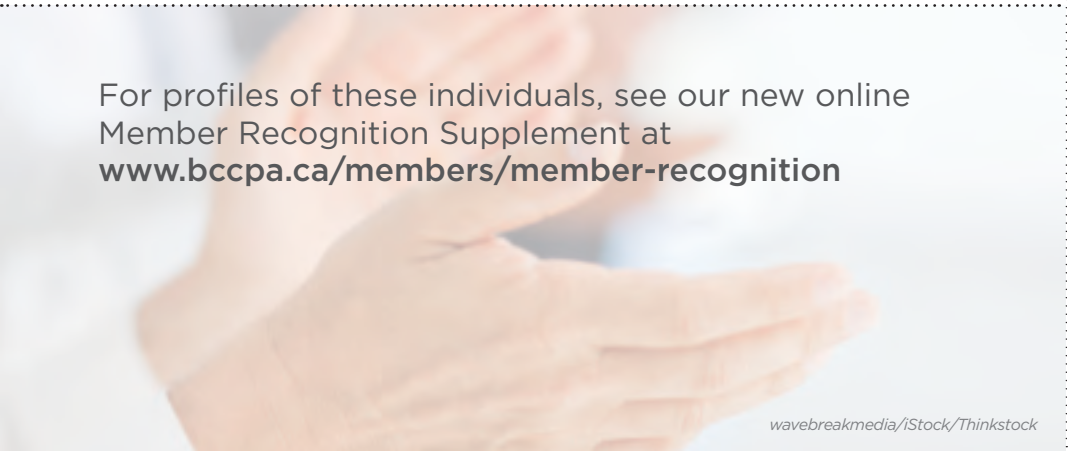
Pat Kennedy, CPA, FCMA



Don Nilson, CPA, FCMA



Peter Rook-Green, CPA, CMA



For profiles of these individuals, see our new online Member Recognition Supplement at **www.bccpa.ca/members/member-recognition**

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Photo of Rob Broekhuizen by Jason Bennett of Docent Prodigy Photography; photo of David Hallinan by Robert Clark of RDC Photography; photos of Debora Musil, Don Nilson, Vinetta Peek, Ken Puls, Wil Tjoe, and Curt Walker by Dave Montizambert of Montizambert Photography; photos of Pat Kennedy and Peter Rook-Green by Jay Shaw of Jay Shaw Photography.

2014 CGA-BC Award Winners

At its 2014 Chair's Banquet and Awards Gala event (see pages 50-51), CGA-BC celebrated its last roster of Fellows and Life Members, along with the final recipients of the R. W. Caulfield Award for Leadership, the J. M. Macbeth Award of Merit, the Harold Clarke Award for Service, and the Community Service Award. These members carry on a wonderful legacy of service and success stretching back more than 60 years.

~ FELLOWS ~

The CGA Fellowship designation is granted by CGA-Canada to members who have made an outstanding contribution to the CGA Association or the accounting profession. This year, CGA-Canada was pleased to grant the honour to the following eight members from British Columbia:



Heather Banham, CPA, FCGA



Michael Ell, CPA, FCGA



Norman Grdina, CPA, FCGA



John Jansen, CPA, FCGA



Jo-Ann Johnston, CPA, FCGA



Urmilla Mereigh, CPA, FCGA



Pamela Skinner, CPA, FCGA



Paul Walker, CPA, FCGA

~ R. W. CAULFIELD AWARD WINNERS ~

The R. W. Caulfield Award for Leadership was created to honour those who exhibit superior leadership. The award celebrates those who are recognized as visionary leaders in their organization, in public service, and in their community activities. In 2014, two members were honoured for their outstanding service to the profession—at both the provincial and national levels:



Anthony Ariganello, CPA, FCGA



John Nagy, CPA, FCGA

Profiles of the FCGAs, R. W. Caulfield Award winners, and Life Members appear in our new online Member Recognition Supplement at **www.bccpa.ca/members/member-recognition**

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~ LIFE MEMBERS ~

This award, which recognizes meritorious service to CGA-BC and the profession over a period of many years, is the highest honour CGA-BC bestows on its members. The following eight members were chosen for Life Membership in 2014:



Cindy Choi, CPA, FCGA



Ida Chong, CPA, FCGA



Brian Friedrich, CPA, FCGA



Laura Friedrich, CPA, FCGA



Irene Gordon, CPA, FCGA



Bruce Hurst, CPA, FCGA



Candace Nancke, CPA, FCGA



David Sale, CPA, FCGA

Photos by Ron Sangha Productions.

~ J. M. MACBETH AWARD WINNERS ~

The J.M. Macbeth Award of Merit is presented in recognition of exceptional service at the chapter level. This year, 12 members were honoured for service to their chapters:

Rakesh Arora, CPA, CGA
Peter Baetsen, CPA, CGA
Lenore Clark, CPA, CGA
Ingrid Collet, CPA, CGA
Ken Eng, CPA, CGA
Robert Katzer, CPA, CGA
Mandeep Mann, CPA, CGA
Urmilla Mereigh, CPA, FCGA
Bill Nicholls, CPA, CGA
Sabina Schelesny-Opacak, CPA, CGA
Abininder Tur, CPA, CGA
Sandra Wike, CPA, CGA

~ HAROLD CLARKE AWARD WINNERS ~

The Harold Clarke Award for Service is presented to a CGA-BC member in recognition of outstanding service to the Association, to the community, or to a charitable organization. The following 17 individuals received this award in 2014:

Nisha Agrawal, CPA, CGA
Keith Biddlecomb, CPA, CGA
Connie Forrest, CPA, CGA
Jeffrey Garrad, CPA, CGA
Doreen Grossman, CPA, CGA
Cynthia Hamilton, CPA, CGA
Rose Henri, CPA, CGA
Gabrielle Loren, CPA, CGA
Roy Marsh, CPA, CA, CGA
Bridgette Mettler, CPA, CGA
Manoj Popat, CPA, CGA
Yvonne Renema, CPA, CGA
Dylan Rickard, CPA, CGA
C.Y. Tay, CPA, CGA
Patricia Van der Flaes, CPA, CGA
Ursula Viney, CPA, CGA
Paul Walker, CPA, FCGA

~ COMMUNITY SERVICE AWARD WINNERS ~

The CGA-BC Community Service Award honours outstanding service to the community and recognizes exceptional voluntary contributions that further enhance the image of the profession. Two individuals were chosen in 2014:

Shelley Kvamme-MacDonald, CPA, CGA
Joanne Pulis, CPA, CGA

2014 CGA-BC Chair's Banquet and Awards Gala



Congratulations to the 2014 award winners!

The Chair's Banquet and Awards Gala has been an annual event held by CGA-BC (the Association) for more than 40 years, and was created to celebrate members who have made significant contributions to the Association, to the accounting profession, and to their communities. This year's event was held in Victoria on September 20, 2014, and marked the end of an era, as a new, integrated Member Recognition program will be launched by CPABC in 2015.

Photos by Ron Sangha Productions. View more event photos on CPABC's Flickr page at **flickr.com/cpabc/sets**.



CGA-BC 2014 chair David Sale, CPA, FCGA (right), passes the ceremonial gavel to incoming chair Brian Friedrich, CPA, FCGA.









1. L to R: Jo-Ann Johnston, CPA, FCGA, celebrates her FCGA with husband Bill Johnston and CGA-BC CEO Gordon Ruth, CPA, FCGA. **2.** Rakesh Arora, CPA, CGA (right), a recipient of the J. M. Macbeth Award, with his wife Neeru Arora. **3.** L to R: 2014 CGA-BC Chair David Sale presents the Life Membership Award to Bruce Hurst, CPA, FCGA. **4.** Brian Friedrich, CPA, FCGA (left), presents David Sale's partner Joey Small (right) with the gift of a kayak for her support of David during his term as chair (a CGA-BC tradition). **5.** L to R: CGA-Canada board member Cindy Choi, CPA, FCGA, presents a CGA Fellowship designation to Pamela Skinner, CPA, FCGA. **6.** David Sale presents the Life Membership Award to Ida Chong, CPA, FCGA. **7.** L to R: Harold Clarke Award for Service recipient Ursula Viney, CPA, CGA, presents Gabrielle Loren, CPA, CGA, co-founder of Loren Nancke & Company, with the Chairman's Circle Award for the firm's generous contributions to the CGA-BC Educational Foundation.









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MEMBER PROFILE

Carol Bellringer, CPA, CA, FCA

Auditor General of British Columbia

Profile by Michelle McRae
Photo by Jesse Hlady

Carol Bellringer, Manitoba's former auditor general, had barely put her feet up when she got the offer that would pull her out of her fledgling retirement: the chance to serve as auditor general here in BC.

"I couldn't resist the opportunity to cap off my career in a great office, in a great city like Victoria," she explains. "So the retirement will have to wait. And to be honest, my husband and I weren't prepared to face another Winnipeg winter!"

Carol's new appointment officially began on September 18, with a swearing-in ceremony at the legislature. She brings a total of 12 years of experience as auditor general of Manitoba to her new role, as well as experience gained serving the office in other capacities—including as assistant provincial auditor and director of training and technology. She also brings a passion for the work.

"This has to be the most interesting job there is," Carol says. "The work covers such a broad spectrum. Public service is one of the most rewarding careers out there—knowing that our work has a direct impact on the provincial budget and on how well the public is served makes it worth the challenges."

Chief among these challenges? "Answering citizens' concerns," she says, "and balancing the information needs of the government in power with the needs of the opposition."

Carol's experience in the public sector also includes a brief foray into municipal auditing in 1996, when she joined the City of Winnipeg as city auditor.

"The City was facing a large tax assessment problem at that time, and the mayor was bringing in some innovative administrative reforms," she recounts. "I was excited to join that office, but it only lasted six months, as my husband was then offered a position with KPMG in Poland."

The family subsequently packed up and moved to Warsaw, where they lived for six years. While overseas, Carol worked with Media One International and completed an MBA from the Warsaw School of Economics and the University of Quebec at Montreal. Her resumé also includes management positions with KPMG and a stint as director of private funding at the University of Manitoba.

Carol also has years of experience serving on the boards of a variety of business, charitable, and arts organizations, including the Manitoba Chapter of the Institute of Corporate Directors, Manitoba Hydro, and the Winnipeg Symphony Orchestra. She currently serves on the board of the International Federation of Accountants, a global organization representing approximately 2.5 million accountants, having been appointed by CPA Canada to serve as one of two Canadians on the board.

"This is my first experience on an international board," Carol says, "and I've learned a great deal about how to govern while dealing with cultural diversity."

Outside of her work and board service, Carol says her greatest passions are her family (she and her husband have three adult children), golf, and music.

"I would have loved to have been a musician, but I didn't have the talent, so I am an avid listener and a supporter of the performing arts," she says. "The musicians in the Winnipeg Symphony Orchestra taught me about excellence, focus, and feeling passionate about work."

Carol is applying those same principles to her new role. And she's also having fun exploring her new surroundings.

"My husband and I have been enjoying discovering the food markets, the local restaurants, and the walkways," she says. "And, of course, we just love the weather!" ■



Left to Right:
Vern Blair, Cheryl Shearer, Robert D. Mackay, Kiu Ghanavizchian, Andrew L. Mackenzie, Gary M. W. Mynett, Chris Halsey-Brandt, Andy Shaw, Jeff P. Matthews, Farida Sukhia

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