



THE PRACTITIONER'S VIEW

WELCOME TO THE INAUGURAL ISSUE!

This publication is intended to be a regular synopsis of current issues and developments of particular interest to the over 280 Chartered Accountants who practice public accounting as sole practitioners or as local partnerships throughout the province.

It is intended that the first few issues will be published in print but that fairly rapidly you will be receiving your copy through e-mail or directly on the Institute's website at www.icans.ns.ca.

THE PRACTITIONERS' COMMITTEE

Soula Keramaris has primary responsibility for Membership Services including those services of particular relevance to practitioners. Many of you have already dealt with Soula in the past, and know that she is an energetic and friendly individual who is more than happy to assist you whenever possible.

Soula relies upon the Practitioners' Committee for direction, guidance and advice. The current Practitioners' Committee is chaired by **David Yuill** and consists also of **Patrick Edwards, Natasha Fletcher, Kirk Higgins, Nancy Murray, and Greg Strange**.

Feel free to contact Soula, Bob Caswill, or a member of the Committee should you wish to bring a matter to the Institute's attention.

LISTING OF PRACTICE FIRMS

The Institute website (www.icans.ns.ca) contains a listing of the practicing CA firms in Nova Scotia sorted by location (unless you have specifically requested that you not be listed). This listing is obviously available not only to members but to the general public. For a small initial fee, you can arrange for the listing to contain a direct link to your e-mail address or website page – contact Michelle Bezanson at the Institute for details.

The Institute also prepares a hard copy of the listing and distributes it through the major banks and credit unions.

UPDATE ON CIVIL PENALTIES

You will recall that the Institute and the CICA reacted swiftly to the proposed Ways and Means changes announced in February with the Federal Budget which called for civil penalties for CAs and other professionals who assisted in the filing of tax returns which contained false or erroneous information.

Very strong concern has been expressed over the proposed measures for obvious reasons. Discussions are still taking place, and it is likely that the final disposition will more adequately acknowledge the limited degree of involvement the CA has in preparing a tax return.

"There is a distinct difference between aggressive tax filing and a false return."

At the same time, the profession must recognize that the existing Rules of Professional Conduct prohibit members from associating with false or misleading information. Your professional obligations are not discharged simply by advising your client that false information may be uncovered by a subsequent tax audit.

CICA HANDBOOK ON THE NET

Have you been using the CICA Handbook which is available to all CAs on the CICA website (www.cica.ca)? If not, you should register now to ensure that you continue to have access to new releases etc.

Stan Nelson, local sales rep for CICA publications, points out, however, that the subscriber version of the Handbook which is available as part of the CICA Virtual Professional Library is far more user friendly, and may well be worth the annual subscription fee for members in public practice. You can contact Stan at (902) 860-1455 or sgnelso@ibm.net to get more information.

CONDUCT ISSUES

The Institute has now prepared two small brochures to better explain the professional conduct process. One brochure, entitled ***"Protecting the Public Interest"*** explains the process for members of the public who may believe that they have a complaint against a CA in Nova Scotia. Copies of these brochures will be sent to you upon request should you wish to display them in your reception area.

They may also be useful if you are in a dispute with a client. Our members should be proud of the self-regulation process and not view it as a negative in dealing with the public.

The second brochure "***Understanding the Conduct Process – from a Member's Perspective***" explains the conduct process in more "user friendly" terms to members who may find themselves as subjects of a conduct matter. This material was developed in recognition that being the subject of an investigation is a stressful and perhaps confusing experience for a member – the brochure is an attempt to reduce this stress as much as possible.

LIABILITY INSURANCE

How did we do? New this year, the Institute implemented changes to the requirements and format of the annual reporting of liability insurance. The most significant change to the report is that the member no longer must sign the form and also arrange for the insurer to sign and submit the form, as was the case in previous years.

The new system relies entirely on the member's integrity (although a limited amount of verification will take place) in a matter that is very important to protecting the public interest. Consequently, the Institute trusts that you can understand that any misrepresentation must be treated as a serious conduct offense.

CULLING YOUR CLIENTS (80/20 RULE)

A number of publications have recently expounded the benefit of critically reviewing your clients on a periodic basis and taking steps to eliminate the percentage of them that are "more trouble than they're worth".

Recent articles in the *Journal of Accountancy* and in the Alberta Institute newsletter promote this practice management tool, noting that most small practitioners are not happy with their income levels but find that they are too overworked with their existing clients to work on developing new clients. All practitioners can identify clients who require too much attention for the fees they are prepared to pay but failure to serve them properly would not be professionally responsible. You do the work, write off a large chunk of the time, and then find the client is still unhappy with the fee. *Sound familiar?*

What are your alternatives? These articles suggest that you lay your cards on the table to the client. Have a good long talk with the owner or manager, explaining that the current relationship is not beneficial to either of you, and that unless the relationship changes, he or she may wish to find another accountant.

What? Some of you may be thinking, sure that's easy for you to say, but I'm having enough trouble making a living without deliberately losing business. Ask yourself, however, if this type of engagement is actually in your best interest in the long run. In addition, such a discussion may actually clear the air and you'll retain the client but under more acceptable terms and conditions.

What are your professional obligations? "Firing" a client is not a breach of the Rules of Professional Conduct, provided you do so in a professional manner, and take steps not to leave the client without adequate time to make other arrangements (i.e. two days before a critical filing deadline). In addition, the Rules require you to cooperate with the successor accountant.

It is interesting to note that terminating the engagement may actually reduce the likelihood of the Institute being required to investigate a complaint against you – many of these clients tend to be unhappy with their costs and service, and are more likely to register their frustration with the Institute.

One last suggestion contained in all the articles – consider the merits of billing any outstanding fees and collecting any outstanding bills prior to the termination. While you may legally be able to collect, experience shows that it is much harder to do so after you've terminated the client!

SR&ED TAX INCENTIVE PROGRAM

Concerns over Revenue Canada's SR&ED program? Revenue Canada has asked the Institute to establish a discussion group of CAs who may meet with the authorities to discuss practitioners' issues. Keith McIntyre of Grant Thornton (Dartmouth office) has agreed to take a lead role on behalf of the Institute. Please let the Institute know if any matters arise which you would like discussed.

IT UPDATE – TECHNOLOGY FOR CAS ON THE MOVE

Eric Cohen, in the June 1999 issue of the *Journal of Accountancy*, suggests the following technology tools are well worth a look for practitioners who wish to take maximum advantage of new technology in their operations [the author's recommended products are shown in brackets]:

1. *Itty-Bitty Computers* – subnotebooks which are so compact they even run on a slimmed-down Windows operating system called CE. Although they have some limitations – mostly sluggish speed and miniature viewing screens, they offer instant boot-ups, the ability to run without a hard drive, and to operate for as long as 10 hours before needing a recharge. These computers weigh less than a couple of pounds. [Philips Velo or LG Electronics Phenom]

2. *E-mail on the Run* – devices no bigger than an electric razor which allows you to dial into your Internet connection from any phone, hold the device to the handset and, presto, upload or download all your messages without looking for a modem or setting up your laptop. [Sharp Tel-Mail TM-200]
3. *PDAs* – by now, all of us are probably familiar with these data organizers and personal digital assistants which can range from a wristwatch (Timex's Data Link) to the pocket sized Palm products. [3Com's Palm III]
4. *Digital Cameras* – this new technology records images in digital form on a memory card for subsequent storage and retrieval. [Kodak Digital Science DC260]
5. *Portable Scanning* – these devices which scan without being connected to a computer can copy almost anything – no matter whether it's flat, bound in a book, or an unusual size [Hewlett-Packard CapShare 910 Information Appliance]
6. *Better Mouse(traps)* – one of the big problems with laptops is that many people do not like the pointing devices (mouse replacements). New technology which can provide a more suitable substitute include a handwriter, a digital notepad, or even a mouse keyboard that fits in your hand! [Handwriter Manta; Crosspad Portable Digital Notepad; Twiddler]
7. *Infrared Connections* – need to connect to other equipment but lacking the right cables? Consider the point-and-connect technology which can be used between your computer and peripherals without cables [JetEye; Plug Ads Technologies Cardbus]

If you're interested, you may wish to check out this technology to determine its application in your practice. The CA profession has come a long way from tickers and eyeshades!

PUBLIC ACCOUNTING ISSUES

As you know, the Public Accountants Board of Nova Scotia ("PAB") grants public accounting licenses for the right to perform audits and reviews of financial statements in Nova Scotia. While the overwhelming majority of licenses are granted to CAs, there are other individuals who hold licences who are not Chartered Accountants.

The Institute is concerned that the PAB protects the public interest and the reputation of all public accountants by granting licenses only to qualified individuals and by ensuring that the licensees continue to maintain the appropriate standards.

The Institute has been asked to assist the PAB in a review of its criteria in assessing the credentials of applicants for a license. We are pleased to participate in this process. We will also continue to emphasize that all public accountants must play on a level playing field; to this end, we will encourage the PAB to consider the need to ensure that all public

accountants comply with the same high standards which are currently assured by the individual being a Chartered Accountant.

FURTHER DEFERRAL OF FINANCIAL INSTRUMENT RECOMMENDATIONS

On 6 July, the CICA Accounting Standards Board ("AcSB") further deferred the effective date of CICA Handbook Recommendation paragraphs 3860.18, .24, .31, and .78 for entities other than public enterprises, cooperative organizations, deposit taking institutions and life insurance enterprises. The deferral was made to allow sufficient time to consider the report of the Study Group on the Financial Reporting Needs of Small Business Enterprises which is expected to be released and discussed during September 1999.

The earliest effective date is now for fiscal years commencing on or after 1 January 2001.

This deferral will be welcome news to many practitioners and their small business clients, who feel strongly that the new recommendations are too onerous for most small businesses in Nova Scotia.

CICA PRACTICE ADVICE BULLETIN #7

Practice Advice Bulletins are prepared periodically by CICA Assurance Standards staff and provide a timely overview of current issues that are significant to small to medium practitioners. Issue #7 features the following items:

- Financial reporting for small business enterprises
- Engagement letters
- Authority of Assurance and Related Services Guidelines
- Documentation
- Example reports

You should have received a copy of this bulletin with your September 1999 *CAMagazine* but can also access the bulletin and past issues on the CICA Website at www.cica.ca.

NEW ACCOUNTING PRONOUNCEMENTS

Cash Flow Statements now in Effect

Section 1540 came into effect for fiscal periods commencing on or after August 1, 1998 so all entities should now be following the new rules.

Employee Future Benefits – Section 3461

This new Handbook Section was released in March 1999 and is effective for fiscal periods beginning on or after January 1, 2000 (earlier adoption is encouraged). This new section supercedes the

present Section 3460 and is of particular interest as it applies also to non-pension benefits. Watch for an implementation guide which the CICA will make available by the end of the year.

Accounting for Capital Assets of a Condominium Corporation – EIC95

This new Abstract discusses the following issues:

- Are condominium corporations not-for-profit organizations in accordance with CICA HB4400?
- Which capital assets associated with a condo corporation should be recognized in the corporation's financial statements?

FROM THE PRACTICE REVIEWER

Financial Instruments HB3860

My counterpart at the Quebec Ordre, Pierre Oligny reminds that only a small portion of the CICA Handbook 3860 recommendations on Financial Instruments have been deferred. (*see above section*). Several CA firms received comments last year that they had not fully complied with the guidance on financial instruments set out in the CICA Handbook.

The Handbook requires an entity to disclose the significant terms and conditions that may affect financial instruments as well as information about their exposure to interest rate risk. It is fairly easy for most small businesses to comply since only the following items require treatment:

Item	Required disclosure
Term deposits	Interest rate and maturity dates
Short-term borrowings	Interest rates
Authorized lines of credit	The amounts authorized, the interest rate, and the renegotiation date (or the fact that the line is renegotiated annually). All clients should disclose these details regardless of whether the line is in use.
Long-term debt	The renegotiation date when such date precedes the maturity date
Accounts receivable	The credit risk when there is in fact major risks or significant concentrations of credit risk. Simply disclosing this information is sufficient to achieve compliance. Given that allowances are made for doubtful accounts, credit risk is seldom concentrated, and major accounts are often collected before a report is released, no disclosure is often necessary.

This brief summary does not cover all aspects of Section 3860, and you should ensure that you are familiar with all requirements. However, consideration of the above would have eliminated the need for PSR to make recommendations respecting financial instruments in its reports.

Payroll Costs (Salaries and Wages)

Some firms are not applying appropriate audit procedures when auditing payroll costs, and place undue reliance on items that provide little assurance on the assertions they are substantiating.

Some practitioners consider that reconciliation of salaries and wages and deductions at source with T4s provides audit evidence necessary for auditing payroll costs. Comparing two internal documents generally issued by the same department does not provide much assurance, except that the auditor seems to rely on the threat of a periodic Revenue Canada auditor as satisfactory evidence that the payroll records are accurate.

Other auditors place undue reliance on a comparative analysis of salaries and wages with that of the previous year. While this comparison is appropriate and should be continued, it alone provides the necessary audit evidence. Such analysis is only adequate when the expected results can be anticipated with relative accuracy. Simply comparing the client's total payroll from one year to the next and adding the comment "reasonable variation" does not document that necessary audit evidence has been attained.

If you decide not to conduct traditional sampling for payroll costs, you must ensure that the compensating procedures are well documented and provide sufficient audit evidence to support an opinion.

WATCH FOR THE SURVEY

How do your billing practices compare to your competition? Do you work harder than they do?

The Institute will be conducting a practicing firm survey this fall. You will be encouraged to provide certain data on your practice that will be summarized on a confidential basis. Participating firms will then receive the survey results that will provide them with data and other performance measures that should be valuable in assessing your practice against your peers.

SUGGESTIONS?

If you have any suggestions about information you would like to see included in the future, please feel free to contact Bob Caswill at the Institute rcaswill@icans.ns.ca.