



THE PRACTITIONER'S VIEW

1999 FORUM ANOTHER SUCCESS

The 1999 forum returned this year to the Inn-on-The-Lake, and was again a

success based on the feedback from the more than 50 participants. **Armand Kessous**, a VP with *Loring Ward Investment Council*, delivered an interesting and very informative session on how CAs can assist their clients in wealth management, and perhaps more importantly, why CAs should approach this fiduciary responsibility with great caution.

Ward Blatch, Jim Horowich, Peter Wilde and **David Yuill** then shared some of the concepts they learned at "boot camp" on how small to medium sized practices can maximize their returns by employing some rather basic changes to their operations.

After lunch, **Jerry Inman** updated the group on the current status of specialization within the CA profession, as well as outlining the opportunities and challenges specialization may pose for Nova Scotia practitioners.

Roy Flax of BalaBoss Software provided an interesting demonstration on the type of software which is now available for the practitioner which will add to their efficiency and effectiveness.

Don Clow and **Bob Caswill** then led a discussion on "Training Students & Education Reform". While the reform expected in response to the CICA Vision project would now appear to be delayed or postponed, considerable discussion took place on the difficulties faced by Nova Scotia firms in being approved to train students, and possible solutions. This topic was obviously of considerable interest to most participants and occupied much of the Town Hall session which had been scheduled to follow.

Coffee breaks were kindly sponsored by **Kevin Hatt** of **Digital Asset Management Ltd.**, the new Atlantic distributor of Great Plains Dynamic software. **Tony Howatt** was the winner of a draw for a one year subscription to Tax Cast, supplied by **Stan Nelson**, the CICA publications rep for Nova Scotia.

...And The Golf Wasn't Bad Either!

CURRENT FINDINGS IN PROFESSIONAL STANDARDS REVIEW

At both the Practitioners Forum and at Institute PD seminars, practitioners have expressed a desire to benefit more from the educational aspect of the PSR program. While it is agreed that Wenda Bennett and the other field reviewers provide considerable guidance when the review results are discussed with the member being reviewed, this only occurs with those members selected for the review process and only every three years. Many practitioners feel that sharing the PSR results with the general membership would add considerable value to the process and aid in the overall quality of public accounting in Nova Scotia.

In response, Wenda has prepared the attached appendix of 1999 findings for your consideration. Each issue of the Practitioners View will serve as a means of communicating PSR findings and discussing other aspects of the PSR program.

It is recommended that this appendix be copied and distributed throughout the practice firms as a reminder checklist.

UPDATE ON CIVIL PENALTIES

As a result of the strong representations made by the CICA, it would appear that the final legislation will reflect significant changes to the information provided in the Ways and Means material released at the time of the 1999-2000 Budget.

It is now expected that the final legislation will:

- (1) no longer refer to negligence but will apply a "culpable conduct" standard. The test would refer to conduct which is an intentional act, an indifference as to whether the tax law is complied with, or a willful, reckless, or wanton disregard of the law. **Most importantly, it would appear that the legislation would not consider culpable conduct to be relying on good faith on information provided to the taxpayer;** and
- (2) provide for civil penalties to be assessed only after a Head Office review has been completed.

National Revenue Minister Cauchon has committed to consulting with private sector tax professionals in

the context of periodic reviews of the department's experience with the penalty provisions.

CHANGE TO REVENUE CANADA'S TREATMENT OF WCB AWARDS

As a result of a 1997 Tax Court of Canada decision, Revenue Canada will be making changes to the way in which employers report salary and complete T4s when they continue to pay an employee's salary while waiting for a decision on a provincial compensation award. Loans and top-up payments will also be treated differently. These changes will take place commencing January 1, 2000 and will affect only employers who, in accordance with a union or employment contract, maintain employees on salary while waiting for a WCB award.

Revenue Canada believes that these changes will benefit both employers and employees – with reporting requirements simplified as employers will no longer have to recalculate earnings or adjust payroll records and T4s.

Detailed instructions will be sent to employers and will be available on Revenue Canada's web site at www.qc.rc.ca.

Members who would like further information at this time can contact R. Caswill at the Institute for further information.

NS GOVERNMENT TO REVIEW TAX INCENTIVES

In presenting the 1999-2000 Budget, Finance Minister Neil LeBlanc announced that the Department of Finance intends to review all existing personal and corporate income tax credits and sales tax rebates. The evaluation will investigate the level of take-up, the effectiveness of achieving the credit objectives, the potential cost, and the investment payback of the tax expenditures. It has been announced that evaluation of several of the larger credits will be completed by the spring budget.

The Minister and **William Hogg, CA** (Deputy Minister) discussed this review with **Jerry Inman** (ICANS VP) and the Executive Director at the budget lock-up and encouraged the Institute to provide input into this research. Jerry Inman advised that careful study and caution must be exercised as some of the incentives under review, especially the small business rate reduction, are particularly critical to the well being of Nova Scotia's economy.

The Institute will continue dialogue with the Department of Finance to determine how it can assist in this review.

WHY NOT TRAIN A STUDENT? – DEALING WITH THE BARRIERS

At the Forum, many practitioners expressed frustration that they were unable to train students. In addition to their obvious interest, at least some of the attendees felt that not being listed as approved carried negative connotations about the quality of their practices. It was noted that a number of firms had never formally applied, as they felt that they would not be able to qualify.

The Institute is very interested in developing more training positions throughout Nova Scotia, noting that changes in methodology and attitudes has resulted in a lower number of training positions in the national firms. Members are encouraged to contact Wenda Bennett or Bob Caswill to discuss the criteria and whether appropriate arrangements can be reached when an office feels it is not able to meet one of the criteria (the most common one being the number of audit hours).

PROFESSIONAL CORPORATIONS & DISABILITY COVERAGE

Have you chosen to practice in the form of a professional corporation? Have you adequately considered how this decision may impact your disability coverage?

The Institute has received confirmation from Johnson Inc. that its plan, which is insured by Aetna Life Insurance, would include income splitting in the annual earned income calculation provided there is sufficient supporting financial documentation but would not include coverage of income retained in the professional corporation. It is not clear, however, whether other insurance plans are interpreting earned income in the same fashion. If you haven't already, you should review your insurance to ensure that you have sufficient coverage and also that you can expect to receive the coverage you are paying for in the event of a claim!

FIGHTING INDIFFERENCE

Why do clients change their accountants? Bad advice? Fees too high? Poor service?

Perhaps, but according to an article by **Rob Purvis CA** of Prospecting & Marketing Systems Inc. in Calgary, the overwhelming response in studies is "indifference". Over 68% of clients who switched did so because they felt unappreciated, unimportant or taken for granted. He recommends the following three steps be taken:

1. Establishing a VIP program for your best clients. Interestingly, he suggests charging a small fee for this status, backed up by increased service such as seminars etc.

2. A client contact system which assures you contact with your clients at least 10 times per year (perhaps double for VIP clients. This may be written, email, telephone, or direct meeting and doesn't have to be for purely business purposes.
3. Establishing a client newsletter or other communication for regular exchange of information (you may wish to even promote your clients to others as an increased service!)

These steps involve time and commitment, but the cost of client retention may be far less than the cost of trying to attract new ones!

DO YOU (OR YOUR CLIENTS) WORK OUT OF HOME OFFICES?

Many new small businesses in Nova Scotia operate out of homes (Statistics Canada quotes in excess of 15% of the Canadian workforce) and that this trend is increasing as more people explore the advantages of home-based offices. **Kathy Powell** of *Alfred J. Bell & Grant* points out that many do not realize that their homeowner policies may not provide sufficient protection of their business assets (e.g. computers and inventories). In addition, there may be considerable exposure to increased liability for clients who may visit. She suggests that clients be advised of this risk (and recommends that home-based CA practices would be wise to also assess their exposure).

EXAMPLES OF HB3860 DISCLOSURES

The attached appendix of examples of possible disclosures for HB3860 was prepared by the BC Institute and has been reproduced with its permission.

While these examples may be useful reference for practicing firms, caution must be used to avoid "boiler plate" note disclosure – each situation and client may be different and require individual consideration.

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.

NEW ACCOUNTING PRONOUNCEMENTS

The last issue of the Practitioners View noted the release of **EIC95--Accounting for Capital Assets of a Condominium Corporation**. 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?

Members who have condominium corporation clients should pay particular interest to this EIC and its implications to their clients.

NEW COMMITTEE MEMBER

Robert Veinotte of Belliveau Veinotte in Bridgewater has now joined the Practitioners Committee, replacing Nancy Murray who was inadvertently reported as being on the committee.

The World's Shortest Love Story ...About Golf

I hate golf.
I hate golf.
I hate golf.
"Nice shot."
I love golf.



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STAFFING ISSUES

As you are aware, the economy is "hot" right now for CAs, which leads many firms to retention problems. In an article in the *Journal of Accountancy* (Sept 99), a practice management consultant (**A. S. Boress**) identifies his "top 10" list of mistakes made by accounting firms in handling their best staff

10. Dumping work on the best staff, but not paying them materially differently
 9. Not working as a team
 8. Missing business opportunities
 7. Being inflexible
 6. Criticizing
 5. Not patting employees on the back
 4. Not sharing the strategic plan
 3. Being cheap
 2. Discouraging client contact
- and #1:** Showing no personal interest

Do any of them sound familiar to you in your practices (or at some time in your personal careers)? Remember, it is far more efficient to retain good staff than to hire their replacements!

NEW DIRECTOR OF PROFESSIONAL STANDARDS (BUT A FAMILIAR FACE)

The Institute's strategic plan called for the Institute to take a more proactive and responsive role to serving the needs of its members. To accomplish this objective, the Institute has created a new position at the Institute—the Director of Professional Standards—an is pleased to announce that **Wenda Bennett, CA** has agreed to accept this position effective with the completion of the present PSR program. Wenda's new duties as Director will include the following functions of the Institute:



• the Professional Standards Review program
• the Professional Liability Insurance program
• the maintenance of the Rules of Professional Conduct and related Council Interpretations
• the registration/deregistration of Professional Corporations
• Practice Advisory Services

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and will at least initially be part-time, on a 60% FTE equivalent.

As contract Practice Review Coordinator, Wenda has assisted most Nova Scotia practitioners on an informal basis, and she is looking forward to the increased opportunity to do so on a more formal and structured basis.

CED INVESTMENT FUND PROGRAM

Chris Payne, Manager of the CED Investment Fund Program reports that BCA Investment Co-op was approved this fall and is presently raising funds in Sydney. Two other funds are expected to be approved in November and others are in the initial stage of development.

CED Investment Funds are intended to raise capital locally that will be reinvested in one or more businesses within the community. According to the most recent data available from Statistics Canada, less than 2% of RRSP contributions made by Nova Scotia taxpayers are reinvested in the province. A target has been set to increase this to 5% by the end of next year.

Your clients may be interested in this program, not only for its investment opportunities but also as a potential source of necessary local financing. As a CA with recognized financial leadership, clients or community businesses may also approach you to assist in the formation of a CED fund in the near future.

For further information on CED investment funds, contact Chris Payne, CMA at (902) 424-1259.

POTENTIAL CHANGES ARISING FROM FORM 20 ENGAGEMENTS

The Barristers Society is considering recommendations made by the Estates and Trusts Task Force to extend the Trust Account regulations to lawyers acting as executors and in other related capacities.

The recommended changes have been proposed to deal with the number of thefts and other irregularities experienced in recent years that have resulted from funds not required to be handled through the trust account. The proposed changes, if accepted, will require these funds to be handled in trust and therefore be covered by the Form 20.

It is our understanding that any changes will take effect from 1 July 2000, to provide sufficient time to allow lawyers to make the necessary changes to their accounting systems and procedures.

The Institute supports the steps being proposed by the Society to protect the public interest, but is seeking assurance that the new requirements will not result in accountants assuming an unreasonable amount of risk, nor being required to significantly expand their work without receiving adequate compensation.

SUGGESTIONS?

If you have any suggestions about information you would like to see included in the future, please feel free to contact Wenda Bennett, CA at the Institute wbennett@icans.ns.ca.